2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Significant accounting policies (continued)

(i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(j) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2. Significant accounting policies (continued)

(l) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(vi) Deferred income

Revenue invoiced in advance is deferred and recognised as revenue upon provision of the service.

2. Significant accounting policies (continued)

(m) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

2. Significant accounting policies (continued)

(n) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Deputy Chairman of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2. Significant accounting policies (continued)

(q) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

3. Plant and equipment

Group *Cost*	**Office renovations RM'000**	**Plant and machinery RM'000**	**Office equipment, furniture and fittings RM'000**	**Computer equipment RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
At 1 January 2014	4,210	25,527	2,394	38,692	779	71,602
Additions	-	-	14	2,942	3,809	6,765
Disposals	(8)	(7,493)	(74)	(128)	-	(7,703)
Written off	(523)	(5,454)	(334)	(1,446)	-	(7,757)
Reclassifications	200	-	37	3,398	(3,635)	-
At 31 December 2014/1 January 2015	3,879	12,580	2,037	43,458	953	62,907
Acquisition of a subsidiary (Note 23)	2	-	11	2	-	15
Additions	17	15,453	10	532	174	16,186
Disposals	-	-	-	(108)	-	(108)
Written off	(15)	-	(78)	(3,101)	-	(3,194)
Reclassifications	194	-	-	-	(194)	-
At 31 December 2015	4,077	28,033	1,980	40,783	933	75,806

3. Plant and equipment (continued)

Group (continued)	Office renovations RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation and impairment loss						
At 1 January 2014						
Accumulated depreciation	3,895	11,529	1,593	27,463	-	44,480
Accumulated impairment loss	-	11,483	-	-	-	11,483
	3,895	23,012	1,593	27,463	-	55,963
Depreciation charge	169	222	167	7,387	-	7,945
Disposals	(4)	(3,124)	(49)	(128)	-	(3,305)
Written off	(523)	(3,082)	(326)	(1,235)	-	(5,166)
Impairment loss	-	(6,673)	-	-	-	(6,673)
At 31 December 2014/1 January 2015						
Accumulated depreciation	3,537	5,545	1,385	33,487	-	43,954
Accumulated impairment loss	-	4,810	-	-	-	4,810
	3,537	10,355	1,385	33,487	-	48,764
Depreciation charge	164	1,449	151	7,306	-	9,070
Disposals	-	-	-	(100)	-	(100)
Written off	(13)	-	(67)	(3,098)	-	(3,178)
At 31 December 2015						
Accumulated depreciation	3,688	6,994	1,469	37,595	-	49,746
Accumulated impairment loss	-	4,810	-	-	-	4,810
	3,688	11,804	1,469	37,595	-	54,556
Carrying amounts						
At 1 January 2014	315	2,515	801	11,229	779	15,639
At 31 December 2014/1 January 2015	342	2,225	652	9,971	953	14,143
At 31 December 2015	389	16,229	511	3,188	933	21,250

3. Plant and equipment (continued)

Company *Cost*	**Office renovations RM'000**	**Office equipment, furniture and fittings RM'000**	**Computer equipment RM'000**	**Total RM'000**
At 1 January 2014	13	114	301	428
Additions	-	2	80	82
At 31 December 2014/ 1 January 2015	13	116	381	510
Disposal	-	-	(5)	(5)
Written off	(13)	(41)	(294)	(348)
At 31 December 2015	-	75	82	157
Accumulated depreciation				
At 1 January 2014	13	102	301	416
Depreciation charge	-	7	27	34
At 31 December 2014/ 1 January 2015	13	109	328	450
Depreciation charge	-	3	26	29
Disposal	-	-	(2)	(2)
Written off	(13)	(41)	(294)	(348)
At 31 December 2015	-	71	58	129
Carrying amounts				
At 1 January 2014	-	12	-	12
At 31 December 2014/ 1 January 2015	-	7	53	60
At 31 December 2015	-	4	24	28

4. Intangible assets

Group *Cost*	**Software in progress RM'000**	**Software RM'000**	**Development expenditure RM'000**	**Total RM'000**
At 1 January 2014	728	22,323	315	23,366
Additions	1,288	8	-	1,296
Adjustment	(70)	-	-	(70)
Reclassifications	(230)	230	-	-
At 31 December 2014/ 1 January 2015	1,716	22,561	315	24,592
Additions	1,314	70	-	1,384
Written off	-	(8,298)	-	(8,298)
Adjustment	(9)	-	-	(9)
At 31 December 2015	3,021	14,333	315	17,669
Accumulated amortisation and impairment loss				
At 1 January 2014				
Accumulated amortisation	-	19,970	315	20,285
Accumulated impairment loss	-	192	-	192
	-	20,162	315	20,477
Amortisation for the year	-	1,167	-	1,167
At 31 December 2014/ 1 January 2015				
Accumulated amortisation	-	21,137	315	21,452
Accumulated impairment loss	-	192	-	192
	-	21,329	315	21,644
Amortisation for the year	-	770	-	770
Written off	-	(8,298)	-	(8,298)
At 31 December 2015				
Accumulated amortisation	-	13,609	315	13,924
Accumulated impairment loss	-	192	-	192
At 31 December 2015	-	13,801	315	14,116
Carrying amounts				
At 1 January 2014	728	2,161	-	2,889
At 31 December 2014/ 1 January 2015	1,716	1,232	-	2,948
At 31 December 2015	3,021	532	-	3,553

4. Intangible assets (continued)

Company	**Software**
Cost	**RM'000**
At 1 January 2014/31 December 2014/1 January 2015	448
Written off	(439)
At 31 December 2015	9
Accumulated amortisation	
At 1 January 2014	446
Amortisation for the year	2
At 31 December 2014/1 January 2015	448
Written off	(439)
At 31 December 2015	9
Carrying amounts	
At 1 January 2014	2
At 31 December 2014/1 January 2015	-
At 31 December 2015	-

5. Investments in subsidiaries

	Company	
	2015	**2014**
	RM'000	**RM'000**
At cost		
Unquoted shares	112,475	110,845
Less: Impairment loss	(42,500)	(42,500)
	69,975	68,345

The movements in the allowance for impairment losses of investments in subsidiaries during the financial year were:

	Company	
	2015	**2014**
	RM'000	**RM'000**
At 1 January	42,500	40,000
Impairment loss recognised	-	2,500
At 31 December	42,500	42,500

5. Investments in subsidiaries (continued)

Details of the subsidiaries are as follow:

Name of subsidiary	Country of incorporation	Principal activities	Effective Ownership Interest 2015 %	Effective Ownership Interest 2014 %
Information Communication Technology				
Dagang Net Technologies Sdn. Bhd.	Malaysia	Development, management and provision of business to government (B2G) e-commerce and computerised transaction facilitation services.	100	71.25
DNeX RFID Sdn. Bhd. *	Malaysia	Research and development, design, manufacturing and trading of radio-frequency technology.	51	-
DNeX Solutions Sdn. Bhd.	Malaysia	Providing expertise in IT project management and consultancy, supply of (ICT) hardware equipment, maintenance and asset management.	100	100
DNeX Technology Sdn. Bhd.	Malaysia	Providing IT solutions, cyber security, managed services and supply of computer hardware, software and peripherals.	100	100
DNeXPORT Sdn. Bhd. (formerly known as DNeX Hallmark e-Commerce Sdn. Bhd.)	Malaysia	Providing technical consultancy, implementation, training, maintenance and technical support services related to eBusiness and the operation of business to business (B2B) eCommerce portal.	80	80
Energy				
DNeX Petroleum Sdn. Bhd.	Malaysia	Providing upstream oil and gas exploration and production.	100	100
DNeX Oilfield Services Sdn. Bhd.	Malaysia	Involved in oil and gas oilfield services including supplies of products and equipment.	80	-

* *The subsidiary's interest is held under Dagang Net Technologies Sdn. Bhd.*

5. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective Ownership Interest 2015 %	Effective Ownership Interest 2014 %
Energy				
Forward Energy Sdn. Bhd.	Malaysia	Involved in power plant, engineering and energy related business specifically in the area of Independent Power Producer (IPP).	51	-
- Solution Power Matrix Sdn. Bhd. ^#	Malaysia	Design, develop, construct, operation and maintenance of power plant in Malaysia.	31	-
- Forward Energy Ltd. ^	Federal Territory of Labuan, Malaysia	Holding of off-shore investments involved in power plant.	51	-
- Forward Energy Generation Ltd. ^	Federal Territory of Labuan, Malaysia	Design, develop, construct, operation and maintenance of power plant.	51	-

^ *The subsidiaries interest are held under Forward Energy Sdn. Bhd.*
# *This subsidiary was audited by other firm of chartered accountants.*

The Company assessed the recoverable amount of the investments in the subsidiaries and determined that an impairment loss should be recognised as the recoverable amount is lower than the carrying amount. The recoverable amount of the cash-generating unit is determined using the fair value less costs to sell approach, and this is derived from the net assets position of the respective subsidiaries as at end of the reporting period.

The financial position of the Company's subsidiary as at end of the previous reporting period has declined in the previous financial year which was attributed to a wholly owned subsidiary company, which reported a loss after taxation amounting to RM2,156,894 in the previous financial year. A total impairment loss of RM2,500,000 was recognised in "Other operating expenses" line item of the statements of profit or loss and other comprehensive income in the previous financial year.

5. Investments in subsidiaries (continued)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	2015 RM'000	2014 RM'000
NCI percentage of ownership interest and voting interest		
- Dagang Net Technologies Sdn. Bhd.	-	28.75%
- DNeX RFID Sdn. Bhd.	49.00%	-
- DNeXPORT Sdn. Bhd. (formerly known as DNeX Hallmark e-Commerce Sdn. Bhd.)	20.00%	20.00%
- DNeX Oilfield Services Sdn. Bhd.	20.00%	-
- Forward Energy Sdn. Bhd. and its subsidiaries	49.00%	-
Carrying amount of NCI	(747)	21,996
Profit allocated to NCI	4,599	5,554

5. Investments in subsidiaries (continued)

Summarised financial information before intra-group elimination

	Dagang Net Technologies Sdn. Bhd.		DNeX RFID Sdn. Bhd.		DNeXPORT Sdn. Bhd. (formerly known as DNeX Hallmark e-Commeree Sdn. Bhd.)		DNeX Oilfield Services Sdn. Bhd.		Forward Energy Sdn. Bhd. and its subsidiaries	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December										
Non-current assets	-	16,457	-	-	706	427	14,037	-	4,175	-
Current assets	-	72,471	7,092	-	5,028	3,999	1,378	-	321	-
Non-current liabilities	-	(2,796)	-	-	-	-	-	-	(158)	-
Current liabilities	-	(11,693)	(8,550)	-	(3,259)	(1,452)	(14,762)	-	(5,350)	-
Net assets	-	74,439	(1,458)	-	2,475	2,974	653	-	(1,012)	-
Year end 31 December										
Revenue	-	77,338	-	-	2,917	3,256	3,229	-	-	-
Profit/(Loss) for the year	-	17,942	(1,458)	-	1,001	1,974	553	-	(734)	-
Total comprehensive income/(loss)	-	17,942	(1,458)	-	1,001	1,974	553	-	(788)	-
Net cash flows from/(used in) operating activities	-	17,553	(8,566)	-	2,982	(42)	1,420	-	(856)	-
Net cash flows used in investing activities	-	(6,935)	-	-	(288)	(178)	(15,486)	-	(3,898)	-
Net cash flows from/(used in) financing activities	-	(5,400)	8,601	-	(1,087)	1,000	14,154	-	5,035	-
Dividends paid to NCI	-	1,553	-	-	300	-	-	-	-	-

6. Investments in associates

	Group 2015 RM'000	Group 2014 RM'000
At cost		
Unquoted shares outside Malaysia	- *	-
Share of post-acquisition reserves	(-) *	-
	-	-

* represents RM36

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Effective Ownership Interest 2015 %	Effective Ownership Interest 2014 %
Global Energy Corp. Ltd.	Federal Territory of Labuan, Malaysia	Yet to commence business.	30	-

The summarised financial information before intra-group elimination was not disclosed as it is insignificant to the Group.

The Group has not recognised losses relating to Global Energy Corp. Ltd., where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was RM293,679, of which RM36 was the share of the current financial year's losses. The Group has no obligation in respect of these losses.

7. Other investments

	Group 2015 RM'000	Group 2014 RM'000
Unquoted shares outside Malaysia, at cost	3,582	-
Cumulative translation exchange	590	-
	4,172	-

Investment in unquoted shares of the Group are designated as available-for-sale financial assets but are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.

8. Trade and other receivables

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Non-current					
Trade					
Trade receivables	8.1	1,025	22,080	-	-
Less: Fair value adjustment		(40)	(1,246)	-	-
		985	20,834	-	-
Prepayments	8.2	-	3,743	-	-
		985	24,577	-	-
Current					
Trade					
Trade receivables	8.1	43,717	37,092	-	-
Less: Impairment loss		(1,149)	(678)	-	-
		42,568	36,414	-	-
Prepayments	8.2	3,743	3,743	-	-
		46,311	40,157	-	-
Non-trade					
Other receivables	8.3	40,294	15,823	12,720	12,574
Amount due from associates	8.4	1,066	-	1,066	-
Less: Impairment loss		(304)	(295)	(140)	(173)
		41,056	15,528	13,646	12,401
Prepayments		6,290	2,153	8	14
		47,346	17,681	13,654	12,415
		93,657	57,838	13,654	12,415
		94,642	82,415	13,654	12,415

8.1 Included in trade receivables of the Group is an amount of RM23,993,806 (2014: RM45,084,422) owing by a receivable that will be collected over 13 months (2014: 25 months).

During the year, the Group and the Company have written off receivables of RM33,700 (2014: RM738,634) and RM33,700 (2014: RM208,000) respectively against impairment loss.

8.2 Included in prepayments is an amount of RM3,742,990 (2014: RM7,485,980) for future services that was billed in advance by a supplier. The current portion and non-current portion is RM3,742,990 (2014: RM3,742,990) and RMNil (2014: RM3,742,990) respectively.

8. Trade and other receivables (continued)

8.3 Included in other receivables of the Group is an amount of RM17,894,000 (2014: RMNil) for system integration projects which is pending users' testing and fulfilment to recover the services from customers.

Included in other receivables of the Group and of the Company are amounts of RM13,728,000 (2014: RM10,153,000) and RM10,000,000 (2014: RM10,153,000) respectively for initial deposits paid for the acquisitions of new subsidiaries and associates as disclosed in Note 30 to the financial statements.

8.4 Amount due from associates is unsecured, interest charged at 4% per annum and repayable on demand.

9. Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries consist of the following:

	Company	
	2015	**2014**
	RM'000	**RM'000**
Amount due from subsidiaries		
- Non-trade	15,454	2,521
Amount due to subsidiaries		
- Trade	(302)	(155)
- Non-trade	(15,046)	(366)
	(15,348)	(521)

The trade amount due to subsidiaries is subject to the normal trade terms.

Certain inter-company advances bear interest at 4% (2014 – 4%) per annum with no fixed repayment terms.

10. Cash and cash equivalents

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Current				
Deposits with licensed banks	16,230	51,665	-	-
Short-term investments	10,966	-	-	-
Cash and bank balances	18,924	19,163	2,290	1,792
	46,120	70,828	2,290	1,792

Included in cash and cash equivalents of the Group are:

i) Bank balance of RM8,169,376 (2014: RM7,218,125) which is restricted and held in an Escrow Account whereby part of the proceeds from a receivable will be used to repay to lenders that have granted credit facilities to a subsidiary.

ii) Included in deposits with licensed banks of the Group is an amount of RM1,050,000 (2014: RMNil) which was pledged to banks for credit facilities.

iii)

	Group 2015 RM'000	Group 2014 RM'000
Fixed income trust fund, at fair value	10,966	-
At market value	10,954	-

The short-term investments in fixed income trust fund represents investments in highly liquid money market, which is readily convertible to a known amount of cash and has insignificant risk of changes in value. The fixed income trust fund bore effective interest rates ranging from 3.44% to 4.18% (2014: Nil) per annum. This investment is designated as fair value through profit or loss and is measured at fair value.

11. Capital and reserves

Share capital

	Group and Company			
	Amount 2015 RM'000	Number of shares 2015 '000	Amount 2014 RM'000	Number of shares 2014 '000
Authorised:				
Ordinary shares of RM0.20 each	2,000,000	10,000,000	2,000,000	10,000,000
Issued and fully paid:				
Ordinary shares of RM0.20 each	155,049	775,245	155,049	775,245

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations and is not distributable by way of dividends.

12. Non-controlling shareholders' interests

This consists of the non-controlling shareholders' proportion of share capital and reserves in subsidiaries.

13. Deferred tax liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) of the Group are attributable to the following:

	Assets		Liabilities		Net	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Plant and equipment, intangible assets	-	-	(681)	(2,889)	(681)	(2,889)
Provisions	181	93	-	-	181	93
Other items	-	-	(158)	-	(158)	-
Net deferred tax assets/ (liabilities)	181	93	(839)	(2,889)	(658)	(2,796)

Movement in temporary differences during the year

Group	**At 1.1.2014 RM'000**	**Recognised in profit or loss (Note 21) RM'000**	**At 31.12.2014 RM'000**	**Recognised in profit or loss (Note 21) RM'000**	**At 31.12.2015 RM'000**
Plant and equipment, intangible assets	(3,439)	550	(2,889)	2,208	(681)
Provisions	51	42	93	88	181
Other items	-	-	-	(158)	(158)
	(3,388)	592	(2,796)	2,138	(658)

Deferred tax assets/(liabilities) have not been recognised in respect of the following items:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unutilised tax losses	31,614	30,193	23,393	25,597
Unabsorbed capital allowances	5,308	2,423	-	204
Plant and equipment, intangible assets	(3,777)	81	37	19
Provisions	646	497	140	173
	33,791	33,194	23,570	25,993
Unrecognised deferred tax assets	8,448	8,299	5,892	6,498

The unabsorbed capital allowances and unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits. The unabsorbed capital allowances and unutilised tax losses are subject to the agreement of the tax authorities.

14. Borrowing

	Group	
	2015	**2014**
	RM'000	**RM'000**
Non-current		
Term loan	1,541	20,036
Current		
Term loan	18,495	18,494
	20,036	38,530

The term loan is secured, repayable in equal installment over an outstanding period of 13 months (2014: 25 months) and subject to interest rate of 1% (2014: 1%) per annum above cost of fund.

The term loan is secured by way of a charge over all monies in a designated Escrow Account maintained by a receivable (Note 10) and a corporate guarantee issued by the Company.

15. Deferred income

		Group	
	Note	**2015**	**2014**
		RM'000	**RM'000**
Non-current			
Deferred income		-	4,056
Current			
Deferred income	16	4,056	4,094
		4,056	8,150

The contract pursuant to the supply, delivery, installation, testing, commissioning, maintenance and support of ICT equipment to the local polytechnics and community colleges undertaken by the Group in 2012 included the maintenance of equipment for a period of four years from the date of commissioning. A certain portion of the contract value in relation to the maintenance service is recognised as deferred income and amortised over the contractual period of 48 months which will end by 2016.

16. Trade and other payables

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Trade					
Trade payables		658	370	-	-
Non-trade					
Other payables and accrued expenses	16.1	49,985	16,779	3,452	2,611
Interest payable					
- Borrowing		90	163	-	-
		50,075	16,942	3,452	2,611
		50,733	17,312	3,452	2,611

16.1 Included in other payables is a deferred income of RM4,056,243 (Note 15) (2014: RM4,093,743) that was billed in advance to a customer.

Included in other payables is an accrued amount of RM23,287,520 (2014: RMNil) for a subsidiary's selective capital repayment to non-controlling shareholders' interest.

Included in other payables of the Group is an amount of RM8,324,000 (2014: RMNil) for system integration projects.

17. Revenue

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Sale of goods	4,110	5,926	-	-
Rendering of services	91,440	80,876	-	10
Gross dividend income from:				
- subsidiary company	-	-	1,200	3,847
	95,550	86,802	1,200	3,857

18. Other operating income

Included in other operating income are the following:

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Bad debts recovered	27	75	-	-
Gain on disposal of plant and equipment	-	576	-	-
Gain on foreign exchange:				
- realised	190	5	-	-
- unrealised	670	6	23	-
Management fee	-	-	11,909	10,018
Rental income	720	319	-	-
Reversal of impairment loss:				
- trade receivables	33	389	-	-
- other receivables	32	303	-	303

19. Finance costs/(income)

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Finance charges/interest expense on:				
Interest on borrowing	1,384	2,390	-	-
Interest on advances from subsidiaries	-	-	264	-
Others	65	-	-	-
	1,449	2,390	264	-
Finance income:				
Interest from investment in deposits placed with licensed bank and short-term investments	(1,644)	(1,772)	(25)	(98)
Interest on advances to subsidiaries	-	-	(190)	-
	(1,644)	(1,772)	(215)	(98)

20. Profit before tax

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before tax is arrived at after charging:				
Amortisation of intangible assets	770	1,167	-	2
Auditors' remuneration:-				
- audit fees	181	155	73	70
- non-audit fees	54	103	54	103
Depreciation of plant and equipment	9,070	7,945	29	34
Directors' remuneration	4,627	2,828	4,513	2,723
Impairment loss of:-				
- investments in subsidiaries	-	-	-	2,500
- trade receivables	503	930	-	-
- other receivables	75	35	-	14
Loss on disposal of plant and equipment	2	41	-	-
Personnel expenses:-				
- contributions to Employees Provident Fund	2,673	2,845	486	350
- wages, salaries and others	25,496	22,730	4,751	4,206
- termination benefits	5,696	622	127	-
Plant and equipment written off	16	218	-	-
Realised loss on foreign exchange	30	10	-	4
Rental of premises payable to:				
- related company	-	-	-	295
- others	2,793	2,867	-	-
Rental of site and equipment	174	279	34	134
Rental of storage and others	101	111	42	47

21. Tax expense

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Recognised in profit or loss				
Current tax expense				
- Current year	8,253	7,533	-	-
- Under provision in prior year	1,128	2,708	-	-
Total current tax expense	9,381	10,241	-	-
Deferred tax expense (Note 13)				
- Current year	(1,407)	(592)	-	-
- Over provision in prior year	(731)	-	-	-
Total deferred tax expense	(2,138)	(592)	-	-
Total tax expense	7,243	9,649	-	-
Reconciliation of tax expense				
Net profit after tax	15,825	17,769	600	2,602
Total tax expense	7,243	9,649	-	-
Zakat payment	359	259	-	-
Net profit excluding tax and Zakat	23,427	27,677	600	2,602
Income tax using Malaysian tax rate of 25% (2014: 25%)	5,857	6,919	150	650
Income not subject to tax	(364)	(187)	(28)	(199)
Expenses not deductible for tax purposes	1,408	2,000	484	1,481
Income tax exempted from tax due to pioneer status	(257)	(546)	-	-
Effect of unrecognised deferred tax assets	755	779	-	-
Recognition of previously unrecognised deferred tax assets	(606)	(1,932)	(606)	(1,932)
Effects of differential in tax rate of subsidiary	53	-	-	-
Others	-	(92)	-	-
	6,846	6,941	-	-
Under provision of tax expense in prior year	1,128	2,708	-	-
Over provision of deferred tax expense in prior year	(731)	-	-	-
Total tax expense	7,243	9,649	-	-

A subsidiary of the Group has been granted the MSC Malaysia status. This qualifies the subsidiary for the Pioneer Status incentive under the Promotion of Investment Act 1986. The subsidiary will enjoy full exemption from income tax on its statutory income from pioneer activities as at the end of the reporting period.

The statutory tax rate will be reduced to 24% from the current financial year's rate of 25%, effective year of assessment 2016.

22. Basic earnings per ordinary share

The calculation of basic earnings per share at 31 December 2015 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2015	2014
	RM'000	RM'000
Profit for the year attributable to shareholders	11,226	12,215

	Group	
	2015	2014
	'000	'000
Weighted average number of ordinary shares at 31 December	775,245	775,245

	Group	
	2015	2014
	Sen	Sen
Basic earnings per ordinary share	1.45	1.58

The diluted earnings per ordinary share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

23. Acquisition of subsidiaries

(a) During the financial year, the Group acquired:

(i) a 51% equity interest in DNeX RFID Sdn. Bhd. ("DRSB") comprising 100 ordinary shares of RM1.00 each for a total cash consideration of RM51 which represents 51% issued and paid-up capital of DRSB. The non-controlling interests of DRSB are measured at the non-controlling interests proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition;

(ii) a 80% equity interest in DNeX Oilfield Services Sdn. Bhd. ("DOSB") comprising 100,000 ordinary shares of RM1.00 each for a total cash consideration of RM80,000 which represents 80% issued and paid-up capital of DOSB. The non-controlling interests of DOSB are measured at the non-controlling interests proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition; and

23. Acquisition of subsidiaries (continued)

(a) During the financial year, the Group acquired: (continued)

(iii) a 51% equity interest in Forward Energy Sdn. Bhd. (and all of its subsidiaries) ("FESB") comprising 3,000,000 ordinary shares of RM1.00 each for a total cash consideration of RM1,530,000 which represents 51% issued and paid-up capital of FESB.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

(a) Fair value of consideration transferred

	Group RM'000
Cash and cash equivalents	1,530

There were no contingent consideration, no equity instruments issued and no replacement share-based awards for the acquisition of FESB.

(b) Identified assets acquired and liabilities assumed at date of acquisition

	Note	Group Fair Value Recognised RM'000
Plant and equipment	3	15
Other receivables, deposits and prepayments		21
Cash and bank balances		1
Other payables and accruals		(57)
Amount owing to a director		(203)
		(223)

(c) Net cash outflow arising from the acquisition of FESB

	Group RM'000
Purchase consideration settled in cash and cash equivalents	(1,530)
Cash and cash equivalents acquired	1
	(1,529)

23. Acquisition of subsidiaries (continued)

(a) (iii) (continued)

(d) Goodwill arising from acquisition of FESB

	Group RM'000
Total consideration transferred	1,530
Less: Fair value of identifiable net (assets)/liabilities	223
	1,753
Add: Non-controlling interests	(117)
Goodwill	1,636

The non-controlling interests are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets/(liabilities) at the date of acquisition.

The acquired subsidiaries have contributed the following results to the Group:

	2015 RM'000
Revenue	3,229
Loss after taxation	(1,573)

(b) In addition, the Group undertook a selective capital reduction and repayment exercise in Dagang Net Technologies Sdn. Bhd. as disclosed in Note 30 to the financial statements for a total cash consideration of RM23,287,520. The said reduction shall be effected by way of cancellation of the non-controlling interests shares, hence increasing the Group's ownership from 71.25% to 100%. The following summarises the effect of changes in the equity interest in Dagang Net Technologies Sdn. Bhd. that is attributable to owners of the Company:

	Group RM'000
Equity interest at 1 January 2015	53,038
Effect of increase in Company's ownership interest	26,925
Share of comprehensive income	16,540
Capital reduction	(23,287)
Equity interest at 31 December 2015	73,216

24. Operating segments

The Group has three reportable segments, as described below, which represent the Group's strategic business units. The strategic business units offer different services and are managed separately because they require different technical expertise and marketing strategies. For each of the strategic business unit, the Executive Deputy Chairman of the Group reviews internal management report on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

(a) Corporate

The Company is an investment holding company. The segment is in provision of corporate services to the entities within the Group.

(b) Information communication technology

Supply, delivery, installation, testing, commissioning and maintenance of IT hardware, development, management and provision of business to government (B2G) e-commerce and computerised transaction facilitation services, providing of cyber security solutions, managed services, project fulfilment, assets maintenance and contact centres.

(c) Energy

Providing upstream oil and gas exploration, production and involvement in power plant, engineering and energy related business. This segment was acquired during the financial year.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Executive Deputy Chairman of the Group. Segment total assets is used to measure the return of assets of each segment.

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Executive Deputy Chairman of the Group.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire plant and equipment and intangible assets other than goodwill.

24. Operating segments (continued)

Business segment **2015**	**Information Communication Technology RM'000**	**Energy RM'000**	**Corporate RM'000**	**Eliminations RM'000**	**Consolidated RM'000**
Business segments					
Revenue from external customers	92,321	3,229	-	-	95,550
Inter-segment revenue	841	-	1,200	(2,041)	-
Total revenue	93,162	3,229	1,200	(2,041)	95,550
Segment result					
Profit/(Loss) from operations	24,201	(4,028)	3,059	-	23,232
Finance costs					(1,449)
Interest income					1,644
Share of results in associates, net of tax *					-
Profit before tax					23,427
Zakat					(359)
Tax expense					(7,243)
Net profit after tax					15,825
Attributable to:					
Owners of the Company					11,226
Non-controlling interests					4,599
Net profit for the year					15,825
Segment assets	179,975	23,670	103,128	(133,484)	173,289
Segment liabilities	94,167	25,214	18,800	(65,145)	73,036
Capital expenditure	2,079	15,491	-	-	17,570
Depreciation and amortisation	8,359	1,452	29	-	9,840
Impairment loss:					
- trade receivables	503	-	-	-	503
- other receivables	75	-	-	-	75

* Share of results in associates, net of tax represents RM36 only.

24. Operating segments (continued)

Business segment **2014**	**Information Communication Technology RM'000**	**Energy RM'000**	**Corporate RM'000**	**Eliminations RM'000**	**Consolidated RM'000**
Business segments					
Revenue from external customers	86,792	-	10	-	86,802
Inter-segment revenue	1,903	-	3,847	(5,750)	-
Total revenue	88,695	-	3,857	(5,750)	86,802
Segment result					
Profit from operations	26,945	-	1,350	-	28,295
Finance costs					(2,390)
Interest income					1,772
Profit before tax					27,677
Zakat					(259)
Tax expense					(9,649)
Net profit after tax					17,769
Attributable to:					
Owners of the Company					12,215
Non-controlling interests					5,554
Net profit for the year					17,769
Segment assets	157,634	-	86,867	(72,182)	172,319
Segment liabilities	64,810	-	3,160	(3,837)	64,133
Capital expenditure	7,979	-	82	-	8,061
Depreciation and amortisation	9,076	-	36	-	9,112
Impairment loss:					
- trade receivables	930	-	-	-	930
- other receivables	21	-	14	-	35

Geographical segment

No geographical segment information has been prepared as all the business operations of the Group are located in Malaysia.

24. Operating segments (continued)

Major customers

The following are major customers with revenue equal to or more than 10% of Group revenue:-

	Revenue		Segment
	2015	**2014**	
	RM'000	**RM'000**	
Customer A	31,409	29,082	Information Communication Technology

25. Financial instruments

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL");
(c) Available-for-sale financial assets ("AFS"); and
(d) Other liabilities ("OL").

	Carrying amount RM'000	L&R RM'000	FVTPL RM'000	AFS RM'000
Financial assets				
Group				
2015				
Other investments	4,172	-	-	4,172
Trade and other receivables (excluding prepayments)	84,609	84,609	-	-
Cash and cash equivalents (excluding short-term investments)	35,154	35,154	-	-
Short-term investments	10,966	-	10,966	-
	134,901	119,763	10,966	4,172
2014				
Trade and other receivables (excluding prepayments)	72,776	72,776	-	-
Cash and cash equivalents (excluding short-term investments)	70,828	70,828	-	-
	143,604	143,604	-	-

25. Financial instruments (continued)

25.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R RM'000	FVTPL RM'000	AFS RM'000
Financial assets				
Company				
2015				
Trade and other receivables (excluding prepayments)	13,646	13,646	-	-
Amount due from subsidiaries	15,454	15,454	-	-
Cash and cash equivalents (excluding short-term investments)	2,290	2,290	-	-
	31,390	31,390	-	-
2014				
Trade and other receivables (excluding prepayments)	12,401	12,401	-	-
Amount due from subsidiaries	2,521	2,521	-	-
Cash and cash equivalents (excluding short-term investments)	1,792	1,792	-	-
	16,714	16,714	-	-

25. Financial instruments (continued)

25.1 Categories of financial instruments (continued)

	Carrying amount RM'000	OL RM'000
Financial liabilities		
Group		
2015		
Trade and other payables (excluding deferred income)	46,677	46,677
Borrowing	20,036	20,036
	66,713	66,713
2014		
Trade and other payables (excluding deferred income)	13,218	13,218
Borrowing	38,530	38,530
	51,748	51,748
Company		
2015		
Trade and other payables (excluding deferred income)	3,452	3,452
Amount due to subsidiaries	15,348	15,348
	18,800	18,800
2014		
Trade and other payables (excluding deferred income)	2,611	2,611
Amount due to subsidiaries	521	521
	3,132	3,132

25.2 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25. Financial instruments (continued)

25.3 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for receivables as at the end of the reporting period by geographical region was:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Domestic	84,609	72,776

25. Financial instruments (continued)

25.3 Credit risk (continued)

Receivables (continued)

Impairment losses

The ageing of receivables (excluding prepayments) as at the end of the reporting period was:

	Net	
Group	**2015 RM'000**	**2014 RM'000**
Not past due	73,195	69,133
Past due 31 - 60 days	6,129	2,179
Past due 61 - 90 days	4,165	748
Past due more than 90 days	1,120	716
	84,609	72,776
Company		
Not past due	13,646	12,401

The movements in the allowance for impairment losses of receivables during the financial year were:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
At 1 January	973	1,438	173	670
Impairment loss recognised	578	965	-	14
Impairment loss reversed	(65)	(692)	-	(303)
Impairment loss written off	(33)	(738)	(33)	(208)
At 31 December	1,453	973	140	173

25. Financial instruments (continued)

25.3 Credit risk (continued)

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. Loans and advances are only provided to subsidiaries.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year.

Corporate guarantee

The Company provides corporate guarantee to a licensed bank in respect of a credit facility granted to its subsidiary.

At the end of the reporting period, the fair value of the corporate guarantee is negligible as the probability of the corporate guarantee being called upon is remote as the outstanding borrowings in the subsidiary are adequately secured by a receivable as disclosed in Note 14 to the financial statements. Should the subsidiary default any loan repayments, the proceeds from the realisation of these assets together with the corporate guarantee by the Company will be able to satisfy the outstanding debts. At the end of the reporting period, it was not probable that the counterparty to the corporate guarantee contract will claim under the contract. Consequently, the fair value for the corporate guarantee is nil.

25.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

25. Financial instruments (continued)

25.4 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	**Carrying amount RM'000**	**Contractual interest rate %**	**Contractual cash flows RM'000**	**Under 1 year RM'000**	**2 - 5 years RM'000**
2015					
Non-derivative financial liabilities					
Trade and other payables	46,677	-	46,677	46,677	-
Borrowing	20,036	5.08	20,627	19,080	1,547
	66,713		67,304	65,757	1,547
2014					
Non-derivative financial liabilities					
Trade and other payables	13,218	-	13,218	13,218	-
Borrowing	38,530	5.08	40,363	19,082	21,281
	51,748		53,581	32,300	21,281
Company					
2015					
Non-derivative financial liabilities					
Trade and other payables	3,452	-	3,452	3,452	-
Amount due to subsidiaries	15,348	-	15,348	15,348	-
	18,800		18,800	18,800	-
2014					
Non-derivative financial liabilities					
Trade and other payables	2,611	-	2,611	2,611	-
Amount due to subsidiaries	521	-	521	521	-
	3,132		3,132	3,132	-

25. Financial instruments (continued)

25.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

25.5.1 Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in the currency other than the functional currency, Ringgit Malaysia (RM). The currency giving rise to this risk is primarily United States Dollar (USD).

Risk management objectives, policies and processes for managing the risk

The Group does not have a fixed policy to hedge its sales and purchases via forward contracts. However, the exposure to foreign currency risk is monitored from time to time by management.

Exposure to foreign currency risk

The Group and the Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

	Group Denominated in USD		Company Denominated in USD	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Balances recognised in the statement of financial position				
Other investments	4,172	-	-	-
Trade and other receivables	2,248	-	1,066	-
Amount due from subsidiaries	-	-	17	-
Cash and cash equivalents	2,365	78	1,961	-
Trade and other payables	(23)	-	-	-
Net exposure	8,762	78	3,044	-

25. Financial instruments (continued)

25.5 Market risk (continued)

25.5.1 Foreign currency risk (continued)

Currency risk sensitivity analysis

A 10% (2014: 10%) strengthening of Ringgit Malaysia against the following currency at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Group Profit or loss		Company Denominated in	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
USD	(657)	(6)	(228)	-

A 10% (2013: 10%) weakening of Ringgit Malaysia against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

25. Financial instruments (continued)

25.5 Market risk (continued)

25.5.2 Interest rate risk

The Group's and the Company's significant interest-bearing financial assets and financial liabilities are mainly its deposit placements, short-term investments and borrowing.

The deposit placements as of financial position date are short-term and therefore exposure to the effects of future changes in prevailing level of interest rates is limited.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates as at the end of the reporting period and the periods in which they reprice or mature, whichever is earlier.

Group	**Effective interest rate per annum %**	**Total RM'000**	**Within 1 year RM'000**	**2 - 5 years RM'000**
2015				
Fixed rate instruments				
Deposits with licensed banks	2.50 - 3.50	16,230	16,230	-
Floating rate instruments				
Short-term investments	3.44 - 4.18	10,966	10,966	-
Borrowing	5.08	(20,036)	(18,495)	(1,541)
		7,160	8,701	(1,541)
2014				
Fixed rate instruments				
Deposits with licensed banks	2.50 - 3.32	51,665	51,665	-
Floating rate instruments				
Borrowing	5.08	(38,530)	(18,494)	(20,036)
		13,135	33,171	(20,036)

25. Financial instruments (continued)

25.5 Market risk (continued)

25.5.3 Other price risk

Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

Equity price risk sensitivity analysis

The Group does not have investments in equity securities at the end of the reporting date.

25.6 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short-term receivables and payables approximate their fair values due to the relatively short term nature of these financial instruments.

The fair values of other non-current financial assets and borrowing, together with the carrying amounts shown in the statement of financial position, are as follows:

Group	Note	2015 Carrying amount RM'000	2015 Fair value RM'000	2014 Carrying amount RM'000	2014 Fair value RM'000
Other investments	7	4,172	#	-	-
Trade receivables	8	1,025	985	22,080	20,834
Short-term investments	10	10,966	10,954	-	-
Borrowing	14	(1,541)	(1,541)	(20,036)	(20,036)

(i) For non-current financial assets of RM1,025,134 (2014: RM22,079,750), due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs, the Directors estimate the market interest rate for a comparable instrument to be approximately 3% to 4% per annum to arrive at the fair value.

(ii) The fair value of the short-term investments are measured at their market price at the end of the reporting period.

25. Financial instruments (continued)

25.7 Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
Financial assets										
Other investments:										
- unquoted shares	-	-	-	-	-	-	-	-	#	4,172
Short-term investments	-	10,954	-	10,954	-	-	-	-	10,954	10,966
Trade receivables	-	985	-	985	-	-	-	-	985	1,025
Financial liabilities										
Borrowing	-	(1,541)	-	(1,541)	-	-	-	-	(1,541)	(1,541)
2014										
Financial assets										
Trade receivables	-	20,834	-	20,834	-	-	-	-	20,834	22,080
Financial liabilities										
Borrowing	-	(20,036)	-	(20,036)	-	-	-	-	(20,036)	(20,036)

The fair value cannot be reliably measured using valuation techniques due to the lack of marketability of the unquoted shares.

25. Financial instruments (continued)

25.7 Fair value information (continued)

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2014: no transfer in either directions)

26. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Total borrowing	20,036	38,530
Less: Cash and cash equivalents (Page 11)	(36,901)	(63,610)
Net cash	(16,865)	(25,080)
Total equity	100,253	108,186
Debt-to-equity ratio	Not applicable	Not applicable

There were no changes in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Group at the end of the reporting period is not presented as the cash and cash equivalents exceeded the total borrowing.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

27. Commitments

	Group	
	2015	2014
	RM'000	RM'000
Capital commitments:		
Plant and equipment		
Authorised and contracted for within one year	27	121

28. Related parties

Identities of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Group and the Company are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Subsidiary companies				
Management fee income	-	-	11,909	10,018
Dividend income	-	-	1,200	3,847
Rental of premises	-	-	-	(295)
Rental of equipment	-	-	-	(86)
Facilities services	-	-	-	(134)
Purchase of IT products and services	-	-	(120)	(228)
Other related parties*				
Sale of IT products and services	-	2	-	-
Purchase of IT products and services	(547)	(121)	(50)	-

* The related parties and the Group are subject to common significant influence.

28. Related parties (continued)

Identities of related parties (continued)

The terms and conditions for the above transactions are based on negotiated basis. Significant related party balances of the Group and the Company are disclosed in Note 9.

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

In addition to their salaries, the Group also voluntarily provided additional Employees Provident Fund (EPF) contributions over the statutory requirement for a significant number of employees.

There are no significant related party transactions of the Group and the Company and its key management personnel of the Group and holding company, other than key management personnel compensation as disclosed below:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Key management personnel compensation				
Non-executive Directors				
- Fees	457	450	349	352
- Remuneration	90	162	84	155
Total short-term benefits	547	612	433	507
Executive Directors				
- Remuneration	2,760	1,674	2,760	1,674
- Short-term employee benefits				
- EPF	458	244	458	244
- Others	862	298	862	298
Total short-term employee benefits	4,080	2,216	4,080	2,216
Other key management personnel				
- Remuneration	3,549	1,963	1,020	990
- Short-term employee benefits				
- EPF	578	329	194	164
- Others	738	515	346	247
Total short-term employee benefits	4,865	2,807	1,560	1,401
	9,492	5,635	6,073	4,124

29. Contingent liability

The Company provided a corporate guarantee to a bank in relation to a term loan obtained by a subsidiary company (Note 14).

30. Significant events

Significant events during and subsequent to the financial year are as follows:-

(i) The Company announced on 18 June 2014, the Company is undertaking proposed renounceable rights issue ("**Proposed Rights Issue**"), proposed special issue ("**Proposed Special Issue**"), proposed acquisitions of 100.0% of the issued and paid-up capital of OGPC Sdn. Bhd. ("**OGPC**") (Company No. 300347-H) and 52.0% of the issued and paid-up capital of OGPC O & G Sdn. Bhd. ("**OGPCOG**") (Company No. 805887-X) ("**Proposed Acquisitions**") and proposed establishment of an Employee's Share Option Scheme ("**ESOS**") ("**Proposed ESOS**").

The Proposed Rights Issue, Proposed Special Issue, Proposed Acquisitions and Proposed ESOS hereinafter collectively referred to as the "**Proposals**".

On 5 March 2015, the Company announced it is revising the terms of the Proposed Special Issue ("**Revised Proposed Special Issue**") and revising the terms of the Proposed Acquisitions ("**Revised Proposed Acquisitions**").

The Proposed Rights Issue, Revised Proposed Special Issue, Revised Proposed Acquisitions and Proposed ESOS shall be collectively referred to as the "**Revised Proposals**".

30. Significant events (continued)

Significant events during and subsequent to the financial year are as follows:- (continued)

(i) (continued)

The Revised Proposals are subject to the following approvals being obtained:-

(a) the Securities Commission Malaysia ("SC") pursuant to the SC Equity Guidelines for the significant change in the business direction or policy of the Company and the registration of Abridged Prospectus ("**AP**");

(b) Bursa Securities pursuant to the Listing Requirements;

(c) the shareholders of the Company for the Revised Proposals;

(d) Companies Commission of Malaysia for the lodgement of AP; and

(e) such other waivers, consents or approvals as may be required from any relevant authorities and/or third parties including Khazanah Nasional Berhad, if required.

The SC had on 20 October 2015, approved the Company's Revised Proposals. Subsequently on 27 January 2016, the Company had obtained approval from its shareholders at an Extraordinary General Meeting ("EGM") in relation to the above Revised Proposals.

(ii) On 9 April 2015, the Company announced its 71.25% subsidiary, Dagang Net Technologies Sdn. Bhd. ("**Dagang Net**") is undertaking a selective capital reduction and repayment exercise pursuant to Section 64 of the Companies Act, 1965 ("**Proposed SCR**") by the reduction of the outstanding ordinary shares of RM0.50 each in Dagang Net ("**Dagang Net Shares**") held by the shareholders of Dagang Net, such shareholders being Lembaga Tabung Haji ("**Tabung Haji**"), Bank Islam Malaysia Berhad ("**BIMB**"), Juasa Holdings Sdn. Bhd. ("**Juasa Holdings**") and Dato' Sri Syed Hussien bin Abd Kadir (trustee for National Chamber of Commerce and Industry of Malaysia) ("**Dato' Sri Syed Hussien**") (Tabung Haji, BIMB, Juasa Holdings and Dato' Sri Syed Hussien are collectively referred to as Minority Shareholders ("**Minority Shareholders**")), who agree or have agreed to accept the Proposed SCR.

The said reduction shall be effected by way of cancellation of such Dagang Net Shares held by the Minority Shareholders who accept or who agree to accept the Proposed SCR in consideration of a capital repayment by Dagang Net of RM1.50 in cash for each existing Dagang Net Share held by the Minority Shareholders who accept or agree to accept the Proposed SCR.

The Proposed SCR is completed and Dagang Net is deemed as the Company's wholly-owned subsidiary as at 31 December 2015.

30. Significant events (continued)

Significant events during and subsequent to the financial year are as follows:- (continued)

(iii) On 9 March 2015, the Company acquired a 51% equity interest in Forward Energy Sdn. Bhd. and all of its subsidiaries as disclosed in Note 5 to the financial statements, comprising 1,530,000 ordinary shares of RM1.00 each for a total cash consideration of RM1,530,000.

(iv) On 24 March 2015, Company incorporated a subsidiary known as DNeX Oilfield Services Sdn. Bhd. ("DNeX Oilfield"). The authorised share capital of DNeX Oilfield is RM400,000 comprising 400,000 ordinary shares of RM1.00 each and its paid-up share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The Company had subscribed for 80% of the issued and paid-up share capital of DNeX Oilfield in cash.

(v) On 13 April 2015 a subsidiary of the Company had acquired a 51% equity interest in DNeX RFID Sdn. Bhd., comprising 51 ordinary shares on RM1.00 each for a total cash consideration of RM51.

(vi) On 6 August 2015, a subsidiary of the Company has changed its name from DNeX Hallmark e-Commerce Sdn. Bhd. to DNeXPORT Sdn. Bhd.

(vii) On 7 September 2015, DNeX Petroleum Sdn Bhd ("**DNeX Petroleum**") had entered into a share subscription agreement in relation to Ping Petroleum Limited ("**Ping**") with Ping to subscribe for new ordinary shares of USD0.001 each in Ping, which represent 30% of the enlarged issued share capital of Ping, for a total consideration of USD10.0 million. ("**Proposed Ping Subscription**")

The Proposed Ping Subscription is subject to the following approvals being obtained:-

(i) the Company's shareholders for the Proposed Ping Subscription at the forthcoming EGM;

(ii) such other waivers, consents or approvals as may be required from any relevant authorities and/or third parties, if required.

31. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the accumulated losses of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Total accumulated losses of the Company and its subsidiaries:				
- realised	(41,258)	(32,778)	(70,744)	(71,321)
- unrealised	36	(2,790)	23	-
	(41,222)	(35,568)	(70,721)	(71,321)
Less: Consolidation adjustments	(12,773)	(33,291)	-	-
Total accumulated losses	(53,995)	(68,859)	(70,721)	(71,321)

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Dagang NeXchange Berhad

(Company No. 10039-P)
(Incorporated in Malaysia)

and its subsidiaries

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 6 to 77 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 31 on page 78 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Datuk Samsul Husin

....

Norlila Hassan

Kuala Lumpur,

Date: 26 FEB 2016

Dagang NeXchange Berhad

(Company No. 10039-P)
(Incorporated in Malaysia)

and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Lim Kek Siang,** the Officer primarily responsible for the financial management of Dagang NeXchange Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 78 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 26 February 2016.

....

Lim Kek Siang

Before me:

PESURUHJAYA SUMPAH
No.W561
FAUZILAWATI BINTI ISHAK
MALAYSIA

Kiosk No.3 di Stesen Keretapi (KTM)
Bandar Tasik Selatan
Kuala Lumpur.

Crowe Horwath™

CERTIFIED TRUE COPY

....
CHAN KUAN CHEE
Partner
Crowe Horwath AF 1018
Chartered Accountants

Crowe Horwath AF 1018
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DAGANG NEXCHANGE BERHAD

(Incorporated in Malaysia)
Company No. 10039-P

Report on the Financial Statements

We have audited the financial statements of Dagang NeXchange Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 77.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Crowe Horwath™

CERTIFIED TRUE COPY
CHAN KUAN CHEE
Partner
Crowe Horwath AF 1018
Chartered Accountants

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DAGANG NEXCHANGE BERHAD (CONT'D)
(Incorporated in Malaysia)
Company No. 10039-P

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act,. 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 5 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 31 on page 78 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Chan Kuan Chee
Approval No: 2271/10/17(J)
Chartered Accountant

26 FEB 2016
Kuala Lumpur

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE (3)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2016

DAGANG NEXCHANGE BERHAD (10039-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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DAGANG NEXCHANGE BERHAD (10039-P)
Incorporated in Malaysia

Quarterly Report On Consolidated Results For The First Quarter Ended 31 March 2016

THE FIGURES HAVE NOT BEEN AUDITED

I CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/3/2016 RM'000	Preceding year corresponding quarter 31/3/2015 RM'000	Three months to 31/3/2016 RM'000	Three months to 31/3/2015 RM'000
Revenue	**26,892**	**21,990**	**26,892**	**21,990**
Cost of sales	(8,174)	(5,153)	(8,174)	(5,153)
Gross profit	18,718	16,837	18,718	16,837
Other income	378	1,305	378	1,305
Expenses	(12,627)	(15,600)	(12,627)	(15,600)
Finance cost	(197)	(421)	(197)	(421)
Profit before income tax	**6,272**	**2,121**	**6,272**	**2,121**
Income tax (Note 14)	(1,592)	(984)	(1,592)	(984)
Profit for the period	**4,680**	**1,137**	**4,680**	**1,137**
Other comprehensive income for the period, net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	114	-	114	-
Total comprehensive income for the period	**4,794**	**1,137**	**4,794**	**1,137**

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DAGANG NEXCHANGE BERHAD (10039-P)
Incorporated in Malaysia

Quarterly Report On Consolidated Results For The First Quarter Ended 31 March 2016

I CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/3/2016 RM'000	Preceding year corresponding quarter 31/3/2015 RM'000	Three months to 31/3/2016 RM'000	Three months to 31/3/2015 RM'000
Profit attributable to:				
- Owners of the Company	5,373	467	5,373	467
- Non-controlling Interests	(693)	670	(693)	670
Profit for the period	**4,680**	**1,137**	**4,680**	**1,137**
Total comprehensive income attributable to:				
- Owners of the Company	5,487	467	5,487	467
- Non-controlling Interests	(693)	670	(693)	670
Total comprehensive income for the period	**4,794**	**1,137**	**4,794**	**1,137**
Earnings per share				
- Basic	0.69 sen	0.06 sen	0.69 sen	0.06 sen
- Diluted	NA	NA	NA	NA

Note: NA denotes "Not Applicable"

REMARKS TO CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/3/2016 RM'000	Preceding year corresponding quarter 31/3/2015 RM'000	Three months to 31/3/2016 RM'000	Three months to 31/3/2015 RM'000
Profit before income tax is arrived at after charging/(crediting):				
Interest income	(88)	(503)	(88)	(503)
Loss on disposal of plant and equipment	-	3	-	3
Interest expense	197	421	197	421
Depreciation and amortisation	1,866	2,406	1,866	2,406
Impairment loss of receivables	95	62	95	62
Voluntary separation scheme and other related compensation cost	-	5,550	-	5,550
Foreign exchange loss	72	-	72	-

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

DNeX

DAGANG NEXCHANGE BERHAD (10039-P)
Incorporated in Malaysia

Quarterly Report On Consolidated Results For The First Quarter Ended 31 March 2016

II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31/3/2016 RM'000	Audited As at 31/12/2015 RM'000
ASSETS		
Non-current assets		
Plant and equipment	20,102	21,250
Investment in associates	-	-
Other investment	4,087	4,172
Goodwill	2,615	1,636
Intangible assets	3,760	3,553
Trade and other receivables	-	985
	30,564	31,596
Current assets		
Trade and other receivables	109,408	93,657
Tax recoverable	1,562	1,916
Cash and cash equivalents	16,906	46,120
	127,876	141,693
Total assets	**158,440**	**173,289**
EQUITY AND LIABILITIES		
Equity attributable to Owners of the Company		
Share capital	155,049	155,049
Reserves	(48,622)	(53,995)
Translation reserves	60	(54)
	106,487	101,000
Non-controlling Interests	(1,440)	(747)
Total equity	105,047	100,253
Non-current liabilities		
Deferred tax liabilities	658	658
Borrowing- long term portion	-	1,541
	658	2,199
Current liabilities		
Borrowing – short term portion	15,412	18,495
Trade and other payables	35,535	50,733
Tax payable	1,788	1,609
	52,735	70,837
Total liabilities	53,393	73,036
Total equity and liabilities	**158,440**	**173,289**
Net assets per share attributable to Owners of the Company (RM)	**0.14**	**0.13**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE (3)-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2016 *(Cont'd)*

DNeX

DAGANG NEXCHANGE BERHAD (10039-P)
Incorporated in Malaysia

Quarterly Report On Consolidated Results For The First Quarter Ended 31 March 2016

III CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Unaudited Three months to 31/3/2016 RM'000	Unaudited Three months to 31/3/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		25,214	20,267
Cash payments to suppliers		(10,696)	(1,922)
Cash payments to employees and other expenses		(13,744)	(15,135)
Cash generated from operations		774	3,210
Income tax paid (net)		(588)	(1,241)
Zakat		-	97
Net cash generated from operating activities		186	2,066
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment and intangible assets		(763)	(258)
Proceeds from disposal of plant and equipment		-	5
Interest received		88	503
Acquisition of subsidiaries		-	(1,377)
Deposits for acquisition of investment		(290)	-
Capital repayment by a subsidiary to non-controlling interets		(23,288)	-
Net cash used in investing activities		(24,253)	(1,127)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank borrowing		(4,624)	(4,624)
Interest paid		(224)	(449)
Decrease in pledged deposits and restricted cash		12	3,168
Dividend paid by a subsidiary to non-controlling interests		(300)	-
Net cash used in financing activities		(5,136)	(1,905)
Net Change in Cash and Cash Equivalents		(29,203)	(966)
Cash and Cash Equivalents as at beginning of financial period		36,901	63,610
Cash and Cash Equivalents as at end of financial period	(a)	7,698	62,644

(a) **Cash and Cash Equivalents comprise the following Statements of Financial Position amounts:**

	As at 31/3/2016 RM'000	As at 31/3/2015 RM'000
Cash and deposits with licensed banks		
- Unrestricted	7,698	62,644
- Restricted	9,208	4,050
	16,906	66,694
Less: Cash and cash equivalents pledged as security	(9,208)	(4,050)
Cash and Cash Equivalents as at end of financial period	7,698	62,644

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

DNeX

DAGANG NEXCHANGE BERHAD (10039-P)
Incorporated in Malaysia

Quarterly Report On Consolidated Results For The First Quarter Ended 31 March 2016

IV CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

In RM'000	← Attributable to Owners of the Company →				Non-controlling Interests	Total
			Non-distributable			
	Share Capital	Accumulated Losses	Translation Reserves	Total		
Three months to 31 March 2016						
Balance as at 1 January 2016	155,049	(53,995)	(54)	101,000	(747)	100,253
Profit for the year	-	5,373	-	5,373	(693)	4,680
Effect of translation of foreign subsidiaries	-	-	114	114	-	114
Total comprehensive income for the year	-	5,373	114	5,487	(693)	4,794
Balance as at 31 March 2016	155,049	(48,622)	60	106,487	(1,440)	105,047
Three months to 31 March 2015						
Balance as at 1 January 2015	155,049	(68,859)	-	86,190	21,996	108,186
Profit for the year	-	467	-	467	670	1,137
Total comprehensive income for the year	-	467	-	467	670	1,137
Effect of acquisition of subsidiary	-	-	-	-	(117)	(117)
Balance as at 31 March 2015	155,049	(68,392)	-	86,657	22,549	109,206

The Condensed Consolidated Statement of Changes in Total Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

DNeX

DAGANG NEXCHANGE BERHAD (10039-P)
Incorporated in Malaysia

Quarterly Report On Consolidated Results For The First Quarter Ended 31 March 2016

V NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

These condensed consolidated interim financial statements, for the period ended 31 March 2016, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. These quarterly financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

2 Significant accounting policies

The Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any) of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2016:-

• Amendments to MFRS 11	:	Accounting for Acquisitions of Interests in Joint Operations
• Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011)	:	Investment Entities – Applying the Consolidation Exception
• Amendments to MFRS 101	:	Presentation of Financial Statements – Disclosure Initiative
• Amendments to MFRS 116 and MFRS 138	:	Clarification of Acceptable Methods of Depreciation and Amortisation
• Amendments to MFRS 127 (2011)	:	Equity Method in Separate Financial Statements
• Amendments to MFRSs	:	Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements.

3 Audit report in respect of the 2015 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2015 was not qualified.

4 Seasonal or cyclical factors

The Group's operations are not subject to any seasonal or cyclical factors.

5 Unusual items due to their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size or incidence in the current period.

6 Material changes in estimates used

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current period.

DNeX

DAGANG NEXCHANGE BERHAD (10039-P)
Incorporated in Malaysia

Quarterly Report On Consolidated Results For The First Quarter Ended 31 March 2016

7 Debt and equity securities

The Group did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current period ended 31 March 2016, other than those disclosed in Note 15.

8 Dividend

The Directors recommend an interim dividend of 1.0 sen per share under the single-tier system totaling RM7.752 million for the current period ended 31 March 2016 (2015: Nil).

9 Segmental information for the current period

The Group's current activity is mainly from the Information Communications & Technologies' industry.

The Group is diversifying into the energy business through strategic acquisitions and/or long-term partnerships. The relevant businesses in the energy business, which the Group will venture into are Oil and Gas ("**O&G**") product and services, Upstream E&P and Power Industry.

	Financial Period Ended 31 March 2016		
Business Segment	**Revenue RM'000**	**Profit/(Loss) Before Tax RM'000**	**Profit Attributable to Owners of the Company RM'000**
Information Communications & Technologies	25,741	8,107	6,895
Energy	1,151	(1,835)	(1,522)
Consolidated Total	26,892	6,272	5,373

10 Material events subsequent to the current period

In the opinion of the Directors, there are no items, transactions or events of a material and unusual nature which have arisen since 31 March 2016 to the date of this announcement which would substantially affect the financial results of the Group for the current period ended 31 March 2016.

11 Changes in the composition of the Group

There were no significant changes in the composition of the Group for the current period including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations.

12 Contingent liabilities

There are no material contingent liabilities as at the date of this announcement.

13 Capital commitments

There are no material capital commitments other than those disclosed in Note 15 on the corporate proposals announced but not completed as at the date of this announcement.

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DAGANG NEXCHANGE BERHAD (10039-P)
Incorporated in Malaysia

Quarterly Report On Consolidated Results For The First Quarter Ended 31 March 2016

14 Income tax

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/3/2016 RM'000	Preceding year corresponding quarter 31/3/2015 RM'000	Three months to 31/3/2016 RM'000	Three months to 31/3/2015 RM'000
Malaysian income tax				
- Current taxation	(1,592)	(950)	(1,592)	(950)
- Under provision in prior year	-	(34)	-	(34)
Total current tax expense	(1,592)	(984)	(1,592)	(984)

The effective tax rate of the Group for accumulative quarter was more than the statutory tax rate. The provision for the tax payable has been made by the profitable subsidiary company and certain expenses of the Group were disallowed for tax purposes.

15 Status of corporate proposals announced but not completed as at the date of this announcement

Save as disclosed below, there were no other corporate proposals announced but not completed as at the date of this report.

I. On 18 June 2014, AmInvestment Bank Berhad, on behalf of the Board, announced that the Company is undertaking Proposed Rights Issue, Proposed Special Issue, Proposed Acquisitions and Proposed Employee's Share Option Scheme (collectively refer hereafter as "Proposals"). On 5 March 2015, AmInvestment Bank Berhad, on behalf of the Board, announced that the Company is undertaking the "Revised Proposals", which is a revision to the same corporate proposals in the Proposals.

   On 27 January 2016, the shareholders of the Company approved the Revised Proposals. On 18 April 2016, AmInvestment Bank Berhad, on behalf of the announced that the Securities Commission Malaysia had, via its letter dated 18 April 2016, approved the Company's application for the first extension of time of five (5) months to 20 September 2016 to implement and complete the Proposed Scheme in relation to the Revised Proposals.

II. On 7 September 2015, the Company announced that its wholly-owned subsidiary, DNeX Petroleum Sdn Bhd had entered into a share subscription agreement with Ping Petroleum Limited ("Ping") to subscribe for new ordinary shares of USD0.001 each in Ping, which represent 30% of the enlarged issued share capital of Ping, for a total consideration of USD10.0 million ("Proposed Ping Subscription"). On 27 April 2016, the shareholders of the Company approved the Proposed Ping Subscription.

16 Derivatives

There are no derivatives as at the date of this announcement.

17 Classification of financial assets

For period ended 31 March 2016, there was no change in the classification of financial assets as a result of a change in the purpose or use of those assets.

18 Material litigation

The Company and its subsidiaries have no outstanding material litigation as at the date of this announcement.

DAGANG NEXCHANGE BERHAD (10039-P)
Incorporated in Malaysia

Quarterly Report On Consolidated Results For The First Quarter Ended 31 March 2016

19 Comparison between the current quarter and the immediate preceding quarter

The Group recorded total revenue of RM26.9 million in current quarter as compared to the immediate preceding quarter of RM27.9 million. The revenue was mainly derived from its trade facilitation business and the progress billings of an integrated ICT solution and maintenance contract from Jabatan Kerja Raya Malaysia.

The Group recorded Earnings before Interest, Tax, Depreciation and Amortization ("**EBITDA**") of RM8.3 million in current quarter as compared to the immediate preceding quarter of RM9.8 million. The current quarter EBITDA is affected by the business development expenses incurred for the Group's business initiatives for both Energy and ICT divisions, includes the one-off professional fees for implementing the corporate exercises.

20 Detailed analysis of the performance for the current quarter

Quarter ended 31 March 2016 compared with quarter ended 31 March 2015

The Group recorded revenue of RM26.9 million in the current quarter and RM22.0 million in the preceding year corresponding quarter. The increase in revenue was mainly contributed by 10% growth in the Group's B2G business, and recurring revenue from leasing of directional drilling equipment from Energy division.

The Group recorded EBITDA of RM8.3 million in current quarter as compared to the preceding year corresponding quarter of RM4.9 million. The increase in EBITDA in current quarter is mainly attributable to the growth in trade facilitation business and operation efficiency. The 2015 result was affected by one-off payment of voluntary separation scheme and other compensation cost ("VSS payment") of RM5.55 million.

21 Prospects for 2016

The completion of the Acquisitions of OGPC Group and Proposed Ping Subscription are expected in 3rd Quarter of 2016, will further enhanced DNeX's shareholders' value in medium and long term.

The Group continues to firm up its services and broadening its product range in B2B segment of its e-commerce services both domestically and internationally to complement the Group's position in delivering B2G services in trade facilitation business.

Barring any unforeseen circumstances, the Group expects to deliver positive results for the year 2016.

22 Variance for actual and forecast profit

The Company did not issue any profit forecast or profit guarantee during the financial period.

23 Earnings per share

	Current year quarter 31/3/2016	Preceding year corresponding quarter 31/3/2015	Three months to 31/3/2016	Three months to 31/3/2015
Profit attributable to the Owners of the Company (RM'000)	5,373	467	5,373	467
Weighted average number of shares ('000)	775,245	775,245	775,245	775,245
Basic eamings per share (sen)	0.69	0.06	0.69	0.06

DNeX

DAGANG NEXCHANGE BERHAD (10039-P)
Incorporated in Malaysia

Quarterly Report On Consolidated Results For The First Quarter Ended 31 March 2016

24 Breakdown of realised and unrealised profits or losses

The breakdown of the accumulated losses of the Group as at 31 March 2016, into realised and unrealised losses, pursuant to the directive, is as follows:

	As at end of current financial year end 31/3/2016 RM'000	As at preceding financial year end 31/12/2015 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(36,651)	(41,258)
- Unrealised	(867)	36
	(37,518)	(41,222)
Less: Consolidation adjustments	(11,104)	(12,773)
Total accumulated losses	(48,622)	(53,995)

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

25 Authorisation for issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors.

Kuala Lumpur
13 May 2016

By Order of the Board
KEH CHING TYNG (MAICSA 7050134)
Company Secretary

Crowe Horwath™

Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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Date: 20 JUN 2016

The Board of Directors
DAGANG NeXCHANGE BERHAD ("DNeX")
Tower 3, Avenue 5, The Horizon,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.

Dear Sirs

ACCOUNTANTS' REPORT
OGPC SDN. BHD.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of OGPC Sdn. Bhd. ("OGPC") (the "Company") and its subsidiary (collectively known as the "Group" or the "OGPC Group"). The consolidated financial statements comprise the consolidated statements of financial position as at 31 December 2012, 2013, 2014 and 2015 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the financial years ended 31 December 2012, 2013, 2014 and 2015 (the "Relevant Periods"), and notes to the consolidated financial statements, including a summary of significant accounting policies, as set out on pages 3 to 61.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of OGPC are responsible for the preparation of the consolidated financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines - Equity issued by the Securities Commission Malaysia. The Directors are also responsible for such internal accounting control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with the approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Crowe Horwath™

ACCOUNTANTS' REPORT
OGPC SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Company No: 300347-H

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2012, 2013, 2014 and 2015 and of its financial performance and cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines - Equity issued by the Securities Commission Malaysia.

OTHER MATTER

The significant event subsequent to the end of the financial year ended 31 December 2015 has been disclosed in Note 21 to this report.

RESTRICTION ON DISTRIBUTION AND USE

This report is made solely to you as a body and for the inclusion in the Abridged Prospectus of Dagang NeXchange Berhad in relation to the acquisitions of the Group. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Crowe Horwath

Crowe Horwath
Firm No: AF 1018
Chartered Accountants
Kuala Lumpur

Chan Kuan Chee
Approval No: 2271/10/17(J)
Chartered Accountant

OGPC SDN. BHD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012, 2013, 2014 AND 2015

		THE GROUP			
	NOTE	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	8,038	8,237	7,703	10,137
		8,038	8,237	7,703	10,137
CURRENT ASSETS					
Inventories	5	3,222	5,678	5,455	3,932
Trade receivables	6	27,298	32,497	29,392	22,657
Other receivables, deposits and prepayments	7	147	128	1,160	471
Tax recoverable		35	163	179	276
Fixed deposits with licensed banks	8	9,030	8,596	6,743	1,872
Cash and bank balances		50,144	60,071	46,634	59,500
		89,876	107,133	89,563	88,708
TOTAL ASSETS		97,914	115,370	97,266	98,845
EQUITY AND LIABILITIES					
EQUITY					
Share capital	9	500	500	500	500
Retained profits	10	70,333	80,078	72,882	79,572
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		70,833	80,578	73,382	80,072
NON-CONTROLLING INTERESTS		2,449	2,983	2,627	2,943
TOTAL EQUITY		73,282	83,561	76,009	83,015
NON-CURRENT LIABILITY					
Deferred tax liabilities	11	30	30	30	1,408
CURRENT LIABILITIES					
Trade payables	12	23,239	26,615	13,710	12,520
Other payables, deposits and accruals	13	987	3,276	4,752	1,902
Provision for taxation		376	1,888	2,765	-
		24,602	31,779	21,227	14,422
TOTAL LIABILITIES		24,632	31,809	21,257	15,830
TOTAL EQUITY AND LIABILITIES		97,914	115,370	97,266	98,845

OGPC SDN. BHD.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2012, 2013, 2014 AND 2015

		THE GROUP			
	NOTE	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
REVENUE	14	114,565	137,066	89,306	101,910
COST OF SALES		(85,921)	(100,597)	(57,408)	(69,900)
GROSS PROFIT		28,644	36,469	31,898	32,010
OTHER INCOME		2,294	3,816	2,472	7,777
ADMINISTRATIVE EXPENSES		(6,547)	(6,879)	(7,720)	(8,371)
OTHER EXPENSES		(1,370)	(891)	(685)	(2,236)
PROFIT BEFORE TAXATION	15	23,021	32,515	25,965	29,180
INCOME TAX EXPENSE	16	(6,296)	(7,236)	(7,075)	(7,174)
PROFIT AFTER TAXATION		16,725	25,279	18,890	22,006
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		16,725	25,279	18,890	22,006
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		16,087	24,745	18,804	21,690
Non-controlling interests		638	534	86	316
		16,725	25,279	18,890	22,006
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		16,087	24,745	18,804	21,690
Non-controlling interests		638	534	86	316
		16,725	25,279	18,890	22,006

OGPC SDN. BHD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2012, 2013, 2014 AND 2015

	Note	Non-Distributable Share Capital RM'000	Distributable Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
The Group						
Balance at 1.1.2012		500	69,246	69,746	1,811	71,557
Profit after taxation for the financial year/Total comprehensive income for the financial year		-	16,087	16,087	638	16,725
Contributions by and distributions to owners of the Company:						
Dividends:						
- by the Company	17	-	(15,000)	(15,000)	-	(15,000)
Balance at 31.12.2012		500	70,333	70,833	2,449	73,282

OGPC SDN. BHD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2012, 2013, 2014 AND 2015 (CONT'D)

THE GROUP	NOTE	NON-DISTRIBUTABLE SHARE CAPITAL RM'000	DISTRIBUTABLE RETAINED PROFITS RM'000	ATTRIBUTABLE TO OWNERS OF THE COMPANY RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
Balance at 31.12.2012/1.1.2013		500	70,333	70,833	2,449	73,282
Profit after taxation for the financial year/Total comprehensive income for the financial year		-	24,745	24,745	534	25,279
Contributions by and distributions to owners of the Company:						
Dividends:						
- by the Company	17	-	(15,000)	(15,000)	-	(15,000)
Balance at 31.12.2013		500	80,078	80,578	2,983	83,561

OGPC SDN. BHD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2012, 2013, 2014 AND 2015 (CONT'D)

	Note	Non-Distributable Share Capital RM'000	Distributable Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
The Group						
Balance at 31.12.2013/1.1.2014		500	80,078	80,578	2,983	83,561
Profit after taxation for the financial year/Total comprehensive income for the financial year		-	18,804	18,804	86	18,890
Contributions by and distributions to owners of the Company:						
Dividends:						
- by the Company	17	-	(26,000)	(26,000)	-	(26,000)
- by a subsidiary to non-controlling interests		-	-	-	(442)	(442)
Balance at 31.12.2014		500	72,882	73,382	2,627	76,009

OGPC SDN. BHD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2012, 2013, 2014 AND 2015 (CONT'D)

THE GROUP	NOTE	NON-DISTRIBUTABLE SHARE CAPITAL RM'000	DISTRIBUTABLE RETAINED PROFITS RM'000	ATTRIBUTABLE TO OWNERS OF THE COMPANY RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
Balance at 31.12.2014/1.1.2015		500	72,882	73,382	2,627	76,009
Profit after taxation for the financial year/Total comprehensive income for the financial year		-	21,690	21,690	316	22,006
Contributions by and distributions to owners of the Company:						
Dividends:						
- by the Company	17	-	(15,000)	(15,000)	-	(15,000)
Balance at 31.12.2015		500	79,572	80,072	2,943	83,015

OGPC SDN. BHD.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2012, 2013, 2014 AND 2015

THE GROUP	Note	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES					
Profit before taxation		23,021	32,515	25,965	29,180
Adjustments for:-					
Depreciation of property, plant, and equipment		405	548	547	482
Impairment loss on trade receivables		-	-	-	1,644
Loss on disposal of property, plant and equipment		-	-	-	29
Property, plant, and equipment written off		16	-	5	32
Interest income		(65)	(65)	(244)	(59)
Unrealised loss/(gain) on foreign exchange (net)		976	(3,419)	(1,113)	(6,309)
Operating profit before working capital changes		24,353	29,579	25,160	24,999
Decrease/(Increase) in inventories		1,687	(2,456)	223	1,523
(Increase)/Decrease in trade and other receivables		(9,132)	(5,180)	2,073	5,780
(Decrease)/Increase in trade and other payables		(17,459)	5,665	(11,429)	(4,040)
CASH FLOWS (FOR)/FROM OPERATIONS		(551)	27,608	16,027	28,262
Income tax paid		(6,037)	(5,912)	(6,393)	(8,658)
Income tax refunded		1,034	60	179	-
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(5,554)	21,756	9,813	19,604
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Interest received		65	65	244	59
Purchase of property, plant and equipment		(1,162)	(747)	(18)	(2,980)
Sale proceeds from disposal of property, plant and equipment		-	-	-	3
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(1,097)	(682)	226	(2,918)
BALANCE CARRIED FORWARD		(6,651)	21,074	10,039	16,686

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CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2012, 2013, 2014 AND 2015 (CONT'D)

THE GROUP	Note	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
BALANCE BROUGHT FORWARD		(6,651)	21,074	10,039	16,686
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Withdrawal/(Placement) of pledged deposits		2,193	(1,984)	4,570	1,299
Dividend paid	17	(15,000)	(15,000)	(26,000)	(15,000)
Dividend paid to non-controlling interests		-	-	(442)	-
NET CASH FOR FINANCING ACTIVITIES		(12,807)	(16,984)	(21,872)	(13,701)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(19,458)	4,090	(11,833)	2,985
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(976)	3,419	1,113	6,309
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		73,851	53,417	60,926	50,206
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	18	53,417	60,926	50,206	59,500

OGPC SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 Background Information

The Company (Registration Number 300347-H) is a private company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The registered office and principal place of business are as follows:

Registered office:	B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan.
Principal place of business:	No. 1 & 3, Jalan Riyal U3/37, i-PARC3 @ Shah Alam, Seksyen U3, 40150 Shah Alam, Selangor Darul Ehsan.

Details of the Group at the date of this report are as follows:-

Name of Company	Date of Incorporation	Country of Incorporation	Issued and Paid-up Capital RM'000	Effective Equity Interest	Principal Activities
OGPC Sdn. Bhd. ("OGPC")	14 May 1994	Malaysia	500	100%	The provision of engineering and technical support services for the oil and gas industry.
OGPC O & G Sdn. Bhd. ("OGPCOG")	6 February 2008	Malaysia	1,000	48%	Sale of oil and gas related equipment, provision of engineering and technical support services for the oil and gas industry.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

2.1 During the current financial year, the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)

Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions

Annual Improvements to MFRSs 2010 – 2012 Cycle

Annual Improvements to MFRSs 2011 – 2013 Cycle

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

2.2 The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers & Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

2. BASIS OF PREPARATION (CONT'D)

2.2 The above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon its initial application except as follows:-

(i) MFRS 9 (IFRS 9 issued by IASB in July 2015) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. The Group is in the process of making an assessment of the financial impact arising from the adoption of MFRS 9 and the extent of the impact has not been determined.

(ii) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(c) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(e) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(f) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 BASIS OF CONSOLIDATION (CONT'D)

(b) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The Company holds 48.0% of OGPCOG, the directors of the Company and OGPCOG are the same and exercise management control in the Group. Consequently, OGPCOG is a subsidiary of the Company and the Company consolidates its investment in OGPCOG.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

3.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

3.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is stated at cost less impairment losses and is not depreciated.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Buildings	2%
Renovation	10%
Office equipment and computers	10%
Furniture and fittings	10%
Motor vehicles	20%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Factory buildings under construction represent assets under construction, and which are not ready for commercial use at the end of the reporting period. Factory buildings under construction is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets is completed and ready for commercial use. Cost of the factory buildings under construction included direct costs, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

3.8 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

With the exception of available-for-sale debt instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss .and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rate basis.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 IMPAIRMENT (CONT'D)

(b) Impairment of Non-Financial Assets (Cont'd)

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The cost of raw materials and trading merchandise comprise the original purchase price plus cost of bringing the inventories to their present location and condition. The costs of work-in-progress and finished goods comprise the cost of raw materials, direct labour and a proportion of the production overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 INCOME TAXES

Income tax for the reporting period comprises current tax and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

3.12 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) both entities are joint ventures of the same third party.
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) the entity is controlled or jointly controlled by a person identified in (a) above.
(vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

3.15 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

3.16 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 REVENUE AND OTHER INCOME

(a) **Sale of Goods**

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of goods and services tax, returns, cash and trade discounts.

(b) **Services**

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably by reference to the stage of completion at the end of the reporting period. The stage of completion is determined by reference to the surveys of work performed. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(c) **Interest Income**

Interest income is recognised on an accrual basis using the effective interest method.

(d) **Dividend Income**

Dividend income from investment is recognised when the right to receive dividend payment is established.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold Land and Buildings RM'000	Factory Buildings Under Construction RM'000	Renovation RM'000	Office Equipment and Computers RM'000	Furniture and Fittings RM'000	Motor Vehicles RM'000	Total RM'000
Cost							
At 1.1.2012	820	5,440	199	349	328	1,763	8,899
Additions	-	1,087	-	74	1	-	1,162
Written off	-	-	-	(84)	-	-	(84)
At 31.12.2012/1.1.2013	820	6,527	199	339	329	1,763	9,977
Additions	-	726	-	21	-	-	747
Transfer from/(to)	7,253	(7,253)	-	-	-	-	-
At 31.12.2013/1.1.2014	8,073	-	199	360	329	1,763	10,724
Additions	-	-	-	16	2	-	18
Written off	-	-	-	(9)	(7)	-	(16)
At 31.12.2014/1.1.2015	8,073	-	199	367	324	1,763	10,726
Additions	-	-	1,322	475	1,183	-	2,980
Disposal	-	-	-	(24)	(48)	-	(72)
Written off	-	-	(23)	(115)	(59)	-	(197)
At 31.12.2015	8,073	-	1,498	703	1,400	1,763	13,437

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE GROUP	FREEHOLD LAND AND BUILDINGS RM'000	FACTORY BUILDINGS UNDER CONSTRUCTION RM'000	RENOVATION RM'000	OFFICE EQUIPMENT AND COMPUTERS RM'000	FURNITURE AND FITTINGS RM'000	MOTOR VEHICLES RM'000	TOTAL RM'000
ACCUMULATED DEPRECIATION							
At 1.1.2012	213	-	169	208	281	731	1,602
Depreciation charges	16	-	6	28	8	347	405
Written off	-	-	-	(68)	-	-	(68)
At 31.12.2012/1.1.2013	229	-	175	168	289	1,078	1,939
Depreciation charges	162	-	6	29	8	343	548
At 31.12.2013/1.1.2014	391	-	181	197	297	1,421	2,487
Depreciation charges	161	-	7	30	7	342	547
Written off	-	-	-	(4)	(7)	-	(11)
At 31.12.2014/1.1.2015	552	-	188	223	297	1,763	3,023
Depreciation charges	162	-	134	67	119	-	482
Disposal	-	-	-	(12)	(28)	-	(40)
Written off	-	-	(14)	(96)	(55)	-	(165)
At 31.12.2015	714	-	308	182	333	1,763	3,300

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE GROUP	FREEHOLD LAND AND BUILDINGS RM'000	FACTORY BUILDINGS UNDER CONSTRUCTION RM'000	RENOVATION RM'000	OFFICE EQUIPMENT AND COMPUTERS RM'000	FURNITURE AND FITTINGS RM'000	MOTOR VEHICLES RM'000	TOTAL RM'000
NET BOOK VALUE							
At 31.12.2012	591	6,527	24	171	40	685	8,038
At 31.12.2013	7,682	-	18	163	32	342	8,237
At 31.12.2014	7,521	-	11	144	27	-	7,703
At 31.12.2015	7,359	-	1,190	521	1,067	-	10,137

Included in net book value of property, plant and equipment at the end of the Relevant Periods are the following assets pledged to financial institutions as security for banking facilities granted to the Group:-

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Freehold land and buildings	591	574	-	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INVENTORIES

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
At cost:				
Trading merchandise in transit	3,222	5,678	5,455	3,932

6. TRADE RECEIVABLES

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Trade receivables	27,298	32,497	29,392	24,301
Allowance for impairment losses	-	-	-	(1,644)
	27,298	32,497	29,392	22,657

	2012	2013	2014	2015
Allowance for impairment losses:				
At 1 January	-	-	-	-
Addition during the financial year (Note 15)	-	-	-	(1,644)
At 31 December	-	-	-	(1,644)

The normal trade credit terms granted to the Group at the end of the Relevant Periods are as follows:-

	2012	2013	2014	2015
Credit terms (days)	30 to 60	30 to 60	30 to 60	30 to 60

7. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Other receivables	93	41	1,040	419
Deposits	54	85	120	52
Prepayments	-	2	-	-
	147	128	1,160	471

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. FIXED DEPOSITS WITH LICENSED BANKS

Included in the fixed deposits were the following deposits pledged to licensed banks as security for banking facilities granted to the Group:-

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Fixed deposits pledged to licensed banks	5,757	7,741	3,171	1,872

The effective interest rates and maturity periods of the fixed deposits at the end of the Relevant Periods are as follows:-

	2012	2013	2014	2015
Effective interest rate %	0.01% to 3.40%	0.01% to 3.05%	0.01% to 3.05%	0.01% to 3.15%
Maturity period (days)	30 to 90	30 to 90	30 to 90	30 to 90

9. SHARE CAPITAL

	2012	2013	2014	2015
		Number of shares ('000)		
Ordinary share of RM1 each				
Authorised	500	500	500	500
Issued and fully paid-up	500	500	500	500

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Ordinary share of RM1 each				
Authorised	500	500	500	500
Issued and fully paid-up	500	500	500	500

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. RETAINED PROFITS

Under the single-tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

11. DEFERRED TAX LIABILITIES

	At 1 January RM'000	Recognised in Profit or Loss (Note 16) RM'000	At 31 December RM'000
2015			
Deferred Tax Liabilities			
Property, plant and equipment	30	112	142
Others	-	1,266	1,266
	30	1,378	1,408
2012/2013/2014			
Deferred Tax Liabilities			
Property, plant and equipment	30	-	30

12. TRADE PAYABLES

The normal trade credit terms granted to the Group at the end of the Relevant Periods are as follows:-

	2012	**2013**	**2014**	**2015**
Credit terms (days)	30 to 60	30 to 60	30 to 60	30 to 60

13. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	2012 RM'000	**2013** RM'000	**2014** RM'000	**2015** RM'000
Other payables	952	3,245	4,681	1,830
Accruals	35	31	71	72
	987	3,276	4,752	1,902

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. REVENUE

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Sale of oil and gas related equipment	105,295	120,113	78,561	87,304
Implementation services arising from sale of oil and gas related equipment	9,270	16,953	10,745	14,606
	114,565	137,066	89,306	101,910

15. PROFIT BEFORE TAXATION

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Audit fee:				
- statutory:				
- for the financial year	37	47	65	60
- underprovision in the previous financial year	9	12	2	1
- special	-	-	88	44
Depreciation of property, plant and equipment (Note 4)	405	548	547	482
Directors' remuneration:				
- fees	180	180	180	180
- other emoluments	971	1,161	1,621	1,839
Impairment loss on trade receivables (Note 6)	-	-	-	1,644
Loss on disposal of property, plant and equipment	-	-	-	29
Loss on foreign exchange:				
- realised	-	17	105	50
- unrealised	976	-	30	-
Property, plant and equipment written off (Note 4)	16	-	5	32
Rental of premises	39	38	40	41
Rental of machinery and equipment	4	7	6	7
Staff costs:				
- salaries, bonus and allowances	2,348	3,438	3,606	4,134
- defined contribution plan	298	338	357	429
- other benefits	101	178	195	241
Bad debts recovered	(289)	(95)	(66)	(238)
Compensation received	(1,700)	-	-	-
Gain on foreign exchange:				
- realised	(2)	(9)	-	(428)
- unrealised	-	(3,419)	(1,143)	(6,309)
Interest income	(65)	(65)	(244)	(59)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INCOME TAX EXPENSE

	2012 RM'000	**2013** RM'000	**2014** RM'000	**2015** RM'000
Current tax expense:				
- for the financial year	6,280	7,637	7,533	6,039
- under/(over)provision in the previous financial year	16	(401)	(458)	(243)
	6,296	7,236	7,075	5,796
Deferred tax (Note 11):				
- origination and recognition of temporary differences	-	-	-	1,378
	6,296	7,236	7,075	7,174

The corporate tax rate on the first RM500,000 of chargeable income is 20%. The tax rate applicable to the balance of the chargeable income is 25%.

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:-

	2012 RM'000	**2013** RM'000	**2014** RM'000	**2015** RM'000
Profit before taxation	23,021	32,515	25,965	29,180
Tax at applicable tax rate of 25%	5,755	8,129	6,491	7,295
Tax effects of:-				
Differential in tax rates	(50)	(50)	(50)	(50)
Non-deductible expenses	558	347	1,378	172
Non-taxable income	-	(789)	(286)	-
Deferred tax assets not recognised during the financial year	17	-	-	-
Under/(over)provision of current taxation in the previous financial year	16	(401)	(458)	(243)
Income tax expense for the financial year	6,296	7,236	7,075	7,174

The statutory tax rate will be reduced to 24% from the current financial year's rate of 25%, effective year of assessment 2016.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. DIVIDENDS

Paid:	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
First single-tier interim dividend of RM10.00 per ordinary share, in respect of the financial year ended 31 December 2012	5,000	-	-	-
Second single-tier interim dividend of RM20.00 per ordinary share, in respect of the financial year ended 31 December 2012	10,000	-	-	-
Single-tier interim dividend of RM30.00 per ordinary share, in respect of the financial year ended 31 December 2013	-	15,000	-	-
First single-tier interim dividend of RM12.00 per ordinary share, in respect of the financial year ended 31 December 2014	-	-	6,000	-
Second single-tier interim dividend of RM40.00 per ordinary share, in respect of the financial year ended 31 December 2014	-	-	20,000	-
Single tier interim dividend of RM30.00 per ordinary share, in respect of the financial year ended 31 December 2015	-	-	-	15,000
	15,000	15,000	26,000	15,000

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Fixed deposits with licensed banks (Note 8)	9,030	8,596	6,743	1,872
Cash and bank balances	50,144	60,071	46,634	59,500
	59,174	68,667	53,377	61,372
Less: Fixed deposits pledged as security (Note 8)	(5,757)	(7,741)	(3,171)	(1,872)
	53,417	60,926	50,206	59,500

19. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Other than those disclosed elsewhere in the financial statements, the Group carried out the following significant transactions with its related parties during the financial year:-

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
(i) Staff secondment charges from a related party	154	170	186	193
(ii) Key management personnel compensation				
- short term remuneration of directors and key management personnel	1,151	1,341	1,801	2,019

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. CAPITAL COMMITMENTS

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Contracted but not provided for:-				
Purchase of property, plant and equipment	625	-	-	-

21. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 18 June 2014, the shareholders of the Company entered into a conditional Share Sale Agreement ("SSA") with Dagang NeXchange ("DNeX") to dispose of its entire issued and paid-up capital as follows:

(i) 500,000 ordinary shares of RM1.00 each representing 100.0% of the issued and paid-up capital of OGPC Sdn. Bhd. for a total consideration of RM196,594,821; and

(ii) 520,000 ordinary shares of RM1.00 each representing 52.0% of the issued and paid-up capital of OGPC O & G Sdn. Bhd., a 48.0% owned subsidiary, for a total consideration of RM6,405,179.

(Collectively, referred herein after as the "Proposed Disposals").

On 5 March 2015, the shareholders of the Company have subsequently entered into a supplemental agreement with DNeX to revise the total disposal consideration to RM170,000,000 ("Revised Proposed Disposals"). The Revised Proposed Disposals have not been completed as of the date of the financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the end of the Relevant Periods are as follows:-

	2012 RM	2013 RM	2014 RM	2015 RM
1 United States Dollar	3.103	3.328	3.540	4.294
1 Euro	4.104	4.596	4.310	4.690
1 British Pound Sterling	5.001	5.477	5.490	6.366
1 Singapore Dollar	2.537	2.628	2.680	3.036
1 Japanese Yen	0.036	0.032	0.029	0.036

23. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

23.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar, Euro, British Pound Sterling and etc. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) that based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) **Market Risk (Cont'd)**

(i) *Foreign Currency Risk (Cont'd)*

Foreign currency exposure

2012	**United States Dollar** RM'000	**Euro** RM'000	**British Pound Sterling** RM'000	**Singapore Dollar** RM'000	**Japanese Yen** RM'000	**Ringgit Malaysia** RM'000	**Total** RM'000
Financial Assets							
Trade receivables	8,079	4,784	6,733	-	-	7,702	27,298
Other receivables and deposits	-	-	-	-	-	147	147
Fixed deposits with licensed banks	5,158	1,516	-	-	-	2,356	9,030
Cash and bank balances	22,294	9,793	5,253	-	-	12,804	50,144
	35,531	16,093	11,986	-	-	23,009	86,619

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure

2012	United States Dollar RM'000	Euro RM'000	British Pound Sterling RM'000	Singapore Dollar RM'000	Japanese Yen RM'000	Ringgit Malaysia RM'000	Total RM'000
Financial Liabilities							
Trade payables	8,822	3,304	8,983	118	323	1,689	23,239
Other payables, deposits and accruals	-	-	-	-	-	987	987
	8,822	3,304	8,983	118	323	2,676	24,226
Net financial assets/(liabilities)	26,709	12,789	3,003	(118)	(323)	20,333	62,393
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	-	-	-	-	-	(20,333)	(20,333)
Currency Exposure	26,709	12,789	3,003	(118)	(323)	-	42,060

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) **Market Risk (Cont'd)**

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure

2013	United States Dollar RM'000	Euro RM'000	British Pound Sterling RM'000	Singapore Dollar RM'000	Japanese Yen RM'000	Ringgit Malaysia RM'000	Total RM'000
Financial Assets							
Trade receivables	4,735	2,843	15,828	-	273	8,818	32,497
Other receivables and deposits	-	-	-	-	-	126	126
Fixed deposits with licensed banks	4,887	1,698	-	-	-	2,011	8,596
Cash and bank balances	20,511	8,551	6,941	-	-	24,068	60,071
	30,133	13,092	22,769	-	273	35,023	101,290

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure

2013	United States Dollar RM'000	Euro RM'000	British Pound Sterling RM'000	Singapore Dollar RM'000	Japanese Yen RM'000	Ringgit Malaysia RM'000	Total RM'000
Financial Liabilities							
Trade payables	2,397	4,822	16,506	3	65	2,822	26,615
Other payables, deposits and accruals	-	-	-	-	-	3,276	3,276
	2,397	4,822	16,506	3	65	6,098	29,891
Net financial assets/(liabilities)	27,736	8,270	6,263	(3)	208	28,925	71,399
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	-	-	-	-	-	(28,925)	(28,925)
Currency Exposure	27,736	8,270	6,263	(3)	208	-	42,474

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure

2014	United States Dollar RM'000	Euro RM'000	British Pound Sterling RM'000	Singapore Dollar RM'000	Japanese Yen RM'000	Ringgit Malaysia RM'000	Total RM'000
Financial Assets							
Trade receivables	11,142	326	9,084	93	104	8,643	29,392
Other receivables and deposits	286	744	-	-	-	130	1,160
Fixed deposits with licensed banks	4,387	-	-	-	-	2,356	6,743
Cash and bank balances	22,807	8,301	7,236	-	-	8,290	46,634
	38,622	9,371	16,320	93	104	19,419	83,929

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) **Market Risk (Cont'd)**

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure

2014	United States Dollar RM'000	Euro RM'000	British Pound Sterling RM'000	Singapore Dollar RM'000	Japanese Yen RM'000	Ringgit Malaysia RM'000	Total RM'000
Financial Liabilities							
Trade payables	3,804	1,932	5,640	239	84	2,011	13,710
Other payables, deposits and accruals	-	68	-	-	-	4,684	4,752
	3,804	2,000	5,640	239	84	6,695	18,462
Net financial assets/(liabilities)	34,818	7,371	10,680	(146)	20	12,724	65,467
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	-	-	-	-	-	(12,724)	(12,724)
Currency Exposure	34,818	7,371	10,680	(146)	20	-	52,743

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure

2015	United States Dollar RM'000	Euro RM'000	British Pound Sterling RM'000	Singapore Dollar RM'000	Japanese Yen RM'000	Ringgit Malaysia RM'000	Total RM'000
Financial Assets							
Trade receivables	8,056	423	4,991	-	2,615	6,572	22,657
Other receivables and deposits	78	-	-	-	79	314	471
Fixed deposits with licensed banks	-	-	-	-	-	1,872	1,872
Cash and bank balances	29,031	3,120	4,143	-	-	23,206	59,500
	37,165	3,543	9,134	-	2,694	31,964	84,500

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure

2015	United States Dollar RM'000	Euro RM'000	British Pound Sterling RM'000	Singapore Dollar RM'000	Japanese Yen RM'000	Ringgit Malaysia RM'000	Total RM'000
Financial Liabilities							
Trade payables	4,398	1,459	3,458	573	1,367	1,265	12,520
Other payables, deposits and accruals	-	42	-	-	-	1,860	1,902
	4,398	1,501	3,458	573	1,367	3,125	14,422
Net financial assets/(liabilities)	32,767	2,042	5,676	(573)	1,327	28,839	70,078
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	-	-	-	-	-	(28,839)	(28,839)
Currency Exposure	32,767	2,042	5,676	(573)	1,327	-	41,239

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the Relevant Periods, with all other variables held constant:-

		2012 RM'000		2013 RM'000		2014 RM'000		2015 RM'000
Effects On Profit After Taxation And Equity								
United States Dollar/RM:								
- strengthened by 10%	+	2,003	+	2,080	+	2,611	+	2,458
- weakened by 10%	-	2,003	-	2,080	-	2,611	-	2,458
Euro/RM:								
- strengthened by 10%	+	959	+	620	+	553	+	153
- weakened by 10%	-	959	-	620	-	553	-	153
British Pound Sterling/RM:								
- strengthened by 10%	+	225	+	470	+	801	+	426
- weakened by 10%	-	225	-	470	-	801	-	426
Singapore Dollar/RM:								
- strengthened by 10%	-	9	-	#	-	11	-	43
- weakened by 10%	+	9	+	#	+	11	+	43
Japanese Yen/RM:								
- strengthened by 10%	-	24	+	16	+	2	+	100
- weakened by 10%	+	24	-	16	-	2	-	100

Note:
\# Less than RM300

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) **Market Risk (Cont'd)**

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial assets is disclosed in Note 8 to the financial statements.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the Relevant Periods, with all other variables held constant:-

		2012 RM'000		2013 RM'000		2014 RM'000		2015 RM'000
Effects On Profit After Taxation								
Increase of 100 basis points	+	68	+	64	+	51	+	14
Decrease of 100 basis points	-	68	-	64	-	51	-	14
Effects On Equity								
Increase of 100 basis points	+	68	+	64	+	51	+	14
Decrease of 100 basis points	-	68	-	64	-	51	-	14

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 150 days, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit Risk Concentration Profile

	2012	2013	2014	2015
Number of customers	3	2	2	2
Percentage	63%	61%	35%	29%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Exposure to credit risk

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including related parties) at the end of the reporting period is as follows:-

	2012 RM'000	**2013** RM'000	**2014** RM'000	**2015** RM'000
Dubai	1,126	-	-	-
Korea	178	191	-	-
Singapore	124	624	-	-
Myanmar	340	-	-	-
Malaysia	25,530	31,682	29,217	21,721
Indonesia	-	-	175	599
India	-	-	-	9
United Kingdom	-	-	-	328
	27,298	32,497	29,392	22,657

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group after deducting any allowance for impairment losses (where applicable).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the Relevant Periods is as follows:-

2012	**Gross Amount** RM'000	**Individual Impairment** RM'000	**Carrying Value** RM'000
Not past due	20,695	-	20,695
Past due:			
- less than 30 days	5,040	-	5,040
- 30 - 60 days	87	-	87
- 60 - 90 days	1,279	-	1,279
- 90 - 120 days	197	-	197
- above 120 days	-	-	-
	27,298	-	27,298

2013	**Gross Amount** RM'000	**Individual Impairment** RM'000	**Carrying Value** RM'000
Not past due	21,236	-	21,236
Past due:			
- less than 30 days	5,702	-	5,702
- 30 - 60 days	2,916	-	2,916
- 60 - 90 days	1,929	-	1,929
- 90 - 120 days	714	-	714
- above 120 days	-	-	-
	32,497	-	32,497

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing analysis (Cont'd)

The ageing analysis of the Group's trade receivables at the end of the Relevant Periods is as follows (Cont'd):-

2014	**Gross Amount** RM'000	**Individual Impairment** RM'000	**Carrying Value** RM'000
Not past due	25,562	-	25,562
Past due:			
- less than 30 days	960	-	960
- 30 - 60 days	490	-	490
- 60 - 90 days	1,908	-	1,908
- 90 - 120 days	-	-	-
- above 120 days	472	-	472
	29,392	-	29,392

2015	**Gross Amount** RM'000	**Individual Impairment** RM'000	**Carrying Value** RM'000
Not past due	8,117	-	8,117
Past due:			
- less than 30 days	7,317	-	7,317
- 30 - 60 days	2,857	-	2,857
- 60 - 90 days	1,738	218	1,520
- 90 - 120 days	1,506	44	1,462
- above 120 days	2,766	1,382	1,384
	24,301	1,644	22,657

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing analysis (Cont'd)

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and adequate working capital to meet its obligations as and when they fall due.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

2012	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
Trade payables	23,239	23,239	23,239
Other payables, deposits and accruals	987	987	987
	24,226	24,226	24,226

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

2013	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
Trade payables	26,615	26,615	26,615
Other payables, deposits and accruals	3,276	3,276	3,276
	29,891	29,891	29,891

2014	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
Trade payables	13,710	13,710	13,710
Other payables, deposits and accruals	4,752	4,752	4,752
	18,462	18,462	18,462

2015	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
Trade payables	12,520	12,520	12,520
Other payables, deposits and accruals	1,902	1,902	1,902
	14,422	14,422	14,422

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest.

At the end of the reporting period, the Group does not have any bank borrowings. Hence, the debt-to-equity ratio is not presented as it does not provide a meaningful indicator of the risk of borrowings.

23.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Financial Assets				
Loan and receivables financial assets				
Trade receivables	27,298	32,497	29,392	22,657
Other receivables and deposits	147	126	1,160	471
Fixed deposits with licensed banks	9,030	8,596	6,743	1,872
Cash and bank balances	50,144	60,071	46,634	59,500
	86,619	101,290	83,929	84,500
Financial Liabilities				
Other financial liabilities				
Trade payables	23,239	26,615	13,710	12,520
Other payables, deposits and accruals	987	3,276	4,752	1,902
	24,226	29,891	18,462	14,422

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.4 FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values in the statements of financial position.

The fair values of the financial assets and financial liabilities of the Group that is maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

23.4 FAIR VALUE INFORMATION (CONT'D)

The Company	Fair Value Of Financial Instruments Not Carried At Fair Value Level 2 RM'000	**Total Fair Value** RM'000	**Carrying Amount** RM'000
2012			
Financial Liabilities			
Corporate guarantee given to licensed banks for credit facilities granted to a subsidiary	#	#	#
2013			
Financial Liabilities			
Corporate guarantee given to licensed banks for credit facilities granted to a subsidiary	#	#	#
2014			
Financial Liabilities			
Corporate guarantee given to licensed banks for credit facilities granted to a subsidiary	-	-	-
2015			
Financial Liabilities			
Corporate guarantee given to licensed banks for credit facilities granted to a subsidiary	-	-	-

The Company provides corporate guarantee to licensed banks for credit facilities granted to a subsidiary. The fair value of the financial corporate guarantee is negligible as the probability of the subsidiary defaulting on the financing facilities is remote.

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STATEMENT BY DIRECTORS

We, Azman Bin Karim and Khoo Kok Seng, being two of the directors of OGPC Sdn. Bhd., state that, in the opinion of the directors, the consolidated financial statements set out on pages 3 to 61 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines - Equity issued by the Securities Commission Malaysia so as to give a true and fair view of the consolidated financial position of the Group as at 31 December 2012, 2013, 2014 and 2015 and of its financial performance and cash flows for the financial years ended on those dates.

Azman Bin Karim

Khoo Kok Seng

Date: 15 JUN 2016

EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT ON STRATEGIC ANALYSIS OF THE OIL FIELD SERVICES AND EQUIPMENT INDUSTRY IN MALAYSIA PREPARED BY PROTÉGÉ

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Protégé
ASSOCIATES

20 JUN 2016

The Board of Directors
Dagang NeXchange Berhad
Tower 3, Avenue 5,
The Horizon, Bangsar South,
No. 8, Jalan Kerenchi,
59200 Kuala Lumpur.

Dear Sirs,

Executive Summary of the Independent Market Research Report Titled 'Strategic Analysis of the Oil Field Services and Equipment Industry in Malaysia'

This Executive Summary of the Independent Market Research ("IMR") report titled 'Strategic Analysis of the Oil Field Services and Equipment Industry in Malaysia' is prepared by Protégé Associates Sdn. Bhd. ("Protégé Associates") for inclusion in the Abridged Prospectus of Dagang NeXchange Berhad to its shareholders in relation to the Rights Issue.

1 MALAYSIAN ECONOMIC OVERVIEW

The Malaysian economy registered a commendable growth in 2015 against a backdrop of challenging developments such as a lowing world trade, heightened volatility in the international financial markets and the collapse of energy prices. Malaysia's real gross domestic product ("GDP") expanded at a slower pace of 5.0 percent in 2015 as compared to 6.0 percent registered in 2014. The growth is mainly driven by the continued expansion in domestic demand.

The Malaysian economy is expected to grow by 4.0 percent to 4.5 percent in 2016. The services sector and manufacturing sector are expected to remain the largest contributor to the economy by accounting for more than half of Malaysia's real GDP in 2016

2 OVERVIEW OF THE OIL AND GAS INDUSTRY

2.1 DESCRIPTION

The oil and gas industry revolves around the exploration, extraction and processing of fossil fuels, namely crude oil and natural gas.

Crude oil is a non-renewable fossil fuel comprising a mixture of hydrocarbons that exist in liquid form in the earth's crust.

Natural gas is a non-renewable fossil fuel, in the form of a combustible mixture of hydrocarbon gases. Originally discovered as a by-product of crude oil extraction, natural gas is commercially extracted from oil fields and natural gas fields.

The oil and gas industry is primarily segmented into the upstream, midstream and downstream sectors. The upstream sector involves the exploration, development and production (extraction) of crude oil or gas from onshore or offshore oil or gas fields, while the midstream sector involves the pipeline and transportation of crude oil or gas. Lastly, the downstream sector comprises the refining of natural gas; and the more commercial functions of distribution and marketing of oil and gas products. In general, the midstream sector is clustered with the downstream sector, hence dividing the oil and gas industry into 2 primary sectors; upstream and downstream.

2.1.1 Upstream Sector

The upstream sector is also known as the Exploration and Production ("E&P") sector as it involves the early phases in the oil and gas industry value chain. E&P activities are investment heavy and lengthy processes.

Exploration

Crude oil and natural gas are naturally found together, as they are formed through the same geological process. Wherever there is a crude oil deposit, natural gas is also found in pockets of spaces within the rocks. In order to ascertain the presence of crude oil and natural gas in a given geographical location, a series of geological studies is conducted by examining the surface structure of the earth. Once an area has been determined to have a high probability of containing crude oil and natural gas deposits, further tests are conducted.

Once the existence of crude oil and natural gas reservoirs has been confirmed, the extraction phase begins. Natural gas and crude oil are extracted from the ground through drilling methods.

2.1.2 Midstream Sector

The midstream sector is considered the conduit between the upstream and downstream and it mainly revolves around getting the crude oil retrieved in the upstream sector to the downstream processing facilities that process them into various finished products in consumers' daily lives. The midstream sector largely involves the processing, transportation, storing and/or marketing of crude or refined petroleum products.

2.1.3 Downstream Sector

In the downstream sector, the crude oil and natural gas are processed to yield usable petroleum products through distillation and refining processes.

The processed products are then distributed and sold to industries such as transportation, aviation, manufacturing and agriculture.

2.2 OVERVIEW OF THE GLOBAL OIL AND GAS INDUSTRY

The global oil and gas industry has been experiencing encouraging growth in recent years. Total production of crude oil in the world increased from approximately 72.91 million barrels per day in 2013 to 73.42 million barrels per day in 2014 supported mainly by non-Organization of the Petroleum Exporting Countries ("non-OPEC") production countries. In particular, the United States of America ("US") registered an estimated double-digit production growth rates in 2014, which can be partly attributed to the shale oil boom. Protégé Associates estimates that global crude oil production further increased to 75.40 million barrels per day in 2015. Figure 1 below depicts the world crude oil production from 2011 to 2015.

Figure 1: World Crude Oil Production, 2011-2015

Year	Crude Oil Production (1,000 barrels per day)
2011	70,426.7
2012	72,784.6
2013	72,909.2
2014	73,420.1
2015^e	75,403.4

Note: ^{e} denotes estimate

Source: Extracted from the IMR report

On a closer look, major crude oil producers in the world for 2014 were the US, Russia and Saudi Arabia with 8.7 million barrels per day, 10.2 million barrels per day and 9.7 million barrels per day produced respectively. Figure 2 below depicts the crude oil production of selected producers in the world in 2014.

Figure 2: Crude Oil Production of Selected Producers in the World, 2014

Country	Crude Oil Production (1,000 barrels per day)
Algeria	1,192.8
Angola	1,653.7
Brazil	2,254.6
Canada	1,399.0
China	4,194.6

Country	Crude Oil Production (1,000 barrels per day)
Iraq	3,110.5
Islamic Republic of Iran ("IR Iran")	3,117.1
Kazakhstan	1,344.8
Libya	479.9
Kuwait[1]	2,866.8
Mexico	2,428.0
Nigeria	1,807.0
Norway	1,517.8
Saudi Arabia[1]	9,712.7
Russia	10,221.1
United Arab Emirates	2,794.0
US	8,662.7
Venezuela	2,682.6

Note: [1] Figures include share of production from Neutral Zone

Source: Extracted from the IMR report

In 2014, crude oil production in the US improved to 8.7 million barrels per day. The hike in production stems from the US's extraction of energy from shale rocks. As with crude oil, the marketed production of natural gas in the world also increased in 2014. The world marketed production of natural gas in 2014 stood at approximately 3.57 trillion standard cubic metres as compared to 3.53 trillion standard cubic metres in 2013. Figure 3 below depicts the world marketed production of natural gas from 2011 to 2014.

Figure 3: World Marketed Production of Natural Gas, 2011-2014

Year	Marketed Production of Natural Gas (million standard cubic metres)
2011	3,343,305.8
2012	3,482,673.9
2013	3,531,837.0
2014	3,566,249.3

Note:

Marketed production corresponds to gross production, minus the volumes of gas flared or re-injected into fields, minus the shrinkage.

Source: Extracted from the IMR report

Major marketed producers of natural gas in 2014 were the US and Russia with approximately 729.53 billion standard cubic metres and approximately 642.92 billion standard cubic metres produced respectively. Figure 4 below depicts the marketed production of natural gas of selected producers in the world in 2014.

Figure 4: Marketed Production of Natural Gas of Selected Producers in the World, 2014

Country	Marketed Production of Natural Gas (million standard cubic metres)
Canada	161,274
China	128,481
IR Iran	212,796
Norway	111,014
Qatar	174,057
Russia	642,917
US	729,529

Source: Extracted from the IMR report

In terms of international trade, major exporters of crude oil are Russia, Iraq, Saudi Arabia, United Arab Emirates, Nigeria and Canada. Saudi Arabia was the biggest crude oil exporter in 2014 with more than 7 million barrels per day recorded for the year. Figure 5 below depicts the crude oil exports of selected countries in 2014.

Figure 5: Crude Oil Exports of Selected Countries, 2014

Country	Crude Oil Exports (1,000 barrels per day)
Angola	1,608
Canada	2,266
Iraq	2,516
IR Iran	1,109
Kuwait	1,995
Mexico	1,220
Nigeria	2,120
Norway	1,203
Russia	4,487
Saudi Arabia	7,153
United Arab Emirates	2,497

Country	Crude Oil Exports (1,000 barrels per day)
Venezuela	1,965

Note: Data may include exports of lease condensates, re-exports, petroleum products from gas plants and changes in the quantity of oil and petroleum products in transit

Source: Extracted from the IMR report

Major importers of crude oil are the US, China, Japan, India and South Korea. The US was the biggest crude oil importer in 2014 with more than 7 million barrels per day recorded for the year. It was followed by China which its crude oil import grew by 9.6 percent to approximately 6.2 million barrels per day in 2014. This trend is expected to grow and China is expected to take the lead as the global importer of crude oil from 2015 onwards. Figure 6 below depicts the crude oil imports of selected countries in 2014.

Figure 6: Crude Oil Imports of Selected Countries, 2014

Country	Crude Oil Imports (1,000 barrels per day)
China	6,186
France	1,077
Germany	1,804
India	3,787
Italy	1,087
Japan	3,237
Netherlands	957
South Korea	2,469
Spain	1,192
United Kingdom	999
US	7,388

Note: Data may include imports of lease condensates and changes in the quantity of oil in transit

Source: Extracted from the IMR report

A mixed trend in terms of oil trade has been witnessed among the different countries throughout the world as at March 2016. US crude oil imports stood at close to 7.6 million barrels per day in March 2016, representing 132,000 barrels per day higher from its previous month. In Japan, crude oil imports increased by 60,000 barrels per day in February 2016 as compared to the previous month. China's crude oil import improved by 1.7 million barrels per day in February 2016 while India's crude oil import was 2,000 barrels per day higher in February 2016 comparing to the previous month.

In terms of natural gas, major exporters are the US, Canada, Russia, Netherlands, Norway, Qatar, Turkmenistan and Algeria. Russia was the biggest natural gas exporter in 2014 with approximately 195.2 billion standard cubic metres recorded for the year. Indonesia and Malaysia are major exporters of natural gas in the Southeast Asia region in 2014. Figure 7 below depicts the natural gas exports of selected countries in 2014.

Figure 7: Natural Gas Exports of Selected Countries, 2014

Country	Natural Gas Exports (million standard cubic metres)
Algeria	44,190
Canada	79,317
Indonesia	32,144
Malaysia	35,400
Netherlands	58,661
Norway	106,759
Qatar	122,628
Russia	195,175
Turkmenistan	45,796
US	43,350

Source: Extracted from the IMR report

Major importers of natural gas are the US, France, Germany, Italy, Turkey, the United Kingdom, Japan, China and South Korea. Japan was the biggest natural gas importer in 2014 with more than 120 billion standard cubic metres recorded for the year. Figure 8 below depicts the natural gas imports of selected countries in 2014.

Figure 8: Natural Gas Imports of Selected Countries, 2014

Country	Natural Gas Imports (million standard cubic metres)
China	55,944
France	45,134
Germany	105,490
Italy	55,758
Japan	123,908
Russia	29,130
South Korea	49,017
Spain	36,383

Country	Natural Gas Imports (million standard cubic metres)
Turkey	49,043
Ukraine	19,133
United Kingdom	43,405
US	76,328

Source: Extracted from the IMR report

Despite the growing production of oil, total proven crude oil reserves in the world have continued to increase in recent years. The total world proven crude oil reserves increased to approximately 1.493 trillion barrels as at the end of 2014, as compared to 1.490 trillion barrels as at the end of 2013. Countries that had large proven crude oil reserves of more than 100 billion barrels as at end of 2014 were Venezuela, IR Iran, Iraq, Kuwait and Saudi Arabia. Figure 9 below depicts the world proven crude oil reserves from 2011 to 2014.

Figure 9: World Proven Crude Oil Reserves, 2011-2014

Year	Proven Crude Oil Reserves (million barrels)
2011	1,467,811
2012	1,480,251
2013	1,490,134
2014	1,492,880

Note: Figures as at year-end

Source: Extracted from the IMR report

On the other hand, total proven natural gas reserves in the world improved to 201.14 trillion standard cubic metres in 2014, as compared to 199.41 trillion standard cubic metres in 2013. Countries that had more than 10 trillion standard cubic metres in proven natural gas reserves in 2014 were Russia, IR Iran and Qatar. Figure 10 below depicts the world proven natural gas reserves from 2011 to 2014.

Figure 10: World Proven Natural Gas Reserves, 2011-2014

Year	Proven Natural Gas Reserves (billion standard cubic metres)
2011	196,496
2012	200,069
2013	199,410

Year	Proven Natural Gas Reserves (billion standard cubic metres)
2014	201,140

Source: Extracted from the IMR report

The rising trend in the proven crude oil and natural gas reserves from 2013 to 2014 was mainly due to the continuing oil and gas exploration activities and the advancement in oil and gas related technologies. Total producing wells (excluding shut-in wells) around the world registered a 8.0 percent growth from the period of 2013 to 2014. Figure 11 below depicts the number of producing wells in the world from 2011 to 2014.

Figure 11: World Producing Wells, 2011-2014

Year	Number of Producing Wells
2011	971,879
2012	981,598
2013	981,696
2014	1,060,232

Note: Excluding shut-in wells

Source: Extracted from the IMR report

Moving downstream, the global refining capacity has continued to expand in 2014. World refining capacity in 2014 stood at 95.7 million barrels per calendar day – a slight increase of approximately 1.0 percent from the 94.8 million barrels per calendar day in 2013. Figure 12 below depicts the world refinery capacity from 2011 to 2014.

Figure 12: World Refinery Capacity, 2011-2014

Year	Refinery Capacity (1,000 barrels per calendar day)
2011	94,274.0
2012	94,725.7
2013	94,808.2
2014	95,716.6

Source: Extracted from the IMR report

In 2014, more than a quarter of the world refinery capacity was located in the Asia and Pacific region. China, Japan, India, South Korea, Singapore, Taiwan and Indonesia each had refinery capacity of more than 1 million barrels per calendar day that year. Countries outside the Asia and Pacific region with significant refinery capacity in 2014 included the US, Russia, Germany, Italy, Canada, Brazil and Saudi Arabia. Figure 13 below depicts the refinery capacity of selected countries in 2014.

Figure 13: Refinery Capacity of Selected Countries, 2014

Country	Refinery Capacity (1,000 barrels per calendar day)
Brazil	2,208.0
Canada	2,049.7
China	12,337.3
India	4,319.0
Italy	2,046.0
Japan	3,947.0
Germany	2,188.0
Russia	6,004.0
Saudi Arabia	2,907.0
South Korea	2,958.5
US	17,859.0

Source: Extracted from the IMR report

Refinery utilisation rate in the US was recorded at an average of 89.8 percent in January 2016. And in March 2016, the refinery utilisation rate in the US stood at an average of 89.2 percent. As for their European counterparts, refineries ran at an average of 88.8 percent in January 2016 and moderated to an average of 86.7 percent in March 2016. Meanwhile in Japan, the country's refinery utilisation rate persisted at an average of 89.4 percent from January to March 2016.

Petroleum products are obtained from the processing of crude oil, unfinished oils, natural gas liquids and other hydrocarbon compounds. The output of petroleum products in the world increased from approximately 85.8 million barrels per day in 2013 to approximately 86.7 million barrels per day in 2014. The US, China and Russia registered the highest output of petroleum products in 2014 with 19.4 million barrels per day, 10.8 million barrels per day and 6.6 million barrels respectively. The following Figure 14 depicts the world output of petroleum products from 2011 to 2014.

Figure 14: World Output of Petroleum Products, 2011-2014

Year	Output of Petroleum Products (1,000 barrels per day)
2011	85,565
2012	85,666
2013	85,777
2014	86,668

Source: Extracted from the IMR report

Major exporters of petroleum products are the US, Russia, Netherlands and Singapore. The US was the biggest petroleum products exporter in 2014 with 3.8 million barrels per day recorded for the year. Figure 15 below depicts the petroleum products exports of selected countries in 2014.

Figure 15: Petroleum Products Exports of Selected Countries, 2014

Country	Petroleum Products Exports (1,000 barrels per day)
Netherlands	2,129
Russia	2,183
Saudi Arabia	988
Singapore	1,772
US	3,834

Note: Data may include re-exports and exports of petroleum products from gas plants, change in the quantity of petroleum products in transit.

Source: Extracted from the IMR report

Major importers of petroleum products are the US, Netherlands, Japan and Singapore. Singapore was the biggest petroleum products importer in 2014 with more than 2 million barrels per day recorded for the year. Figure 16 below depicts the petroleum products imports of selected countries in 2014.

Figure 16: Petroleum Products Imports of Selected Countries, 2014

Country	Petroleum Products Imports (1,000 barrels per day)
China	958
France	905
Japan	1,076
Netherlands	1,802

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Country	Petroleum Products Imports (1,000 barrels per day)
Singapore	2,389
US	1,356

Note: Data may include petroleum products from gas plants and change in the quantity of petroleum products in transit.

Source: Extracted from the IMR report

In terms of pricing, oil prices were generally lower in 2014 as compared to 2013 based on the price trend in the OPEC Reference Basket ("ORB") that has been used as a proxy to the overall oil pricing trend in the world. The yearly ORB price in 2014 dropped to USD96.29 per barrel as compared to USD105.87 per barrel in 2013. Figure 17 below depicts the yearly ORB prices from 2011 to 2014.

Figure 17: Yearly ORB Prices, 2011-2014

Year	Yearly Basket Price (USD per barrel)
2011	107.46
2012	109.45
2013	105.87
2014	96.29

Note: ORB is currently made up of Saharan Blend (Algeria), Girassol (Angola), Oriente (Ecuador), Iran Heavy (IR Iran), Basrah Light (Iraq), Kuwait Export (Kuwait), Ess Sider (Libya), Bonny Light (Nigeria), Marine (Qatar), Arab Light (Saudi Arabia), Murban (United Arab Emirates) and Merey (Venezuela)

Source: Extracted from the IMR report

The unfavourable pricing trend was attributed to the increasing shale oil output from the US as a result of new technology development which allows the drilling of hydrocarbons deep beneath the Earth's surface. While production expansion from the US has raised the global crude oil inventories, demand has underperformed with weakening demand from Europe and Japan. These have resulted in oversupply within the oil and gas industry and accordingly, weighing on the commodity pricing.

The downward pricing trend persisted in 2015 amid high production during the year. Protégé Associates estimates that the world crude oil production increased to 75.4 million barrels per day, mainly attributed to higher production from the US and OPEC. US crude oil production is estimated to improve to 9.4 million barrels per day (2014: 8.7 million barrels per day) while OPEC crude oil production is estimated to increase to 31.8 million barrels per day (2014: 30.7 million barrels per day). Nonetheless, demand has continued to underperform amid weaker demand mainly from China and Europe. Consequently, crude oil price dropped to an average of USD50.8 per barrel in 2015 due to supply glut.

On a positive note, the medium-term and long-term oil demand in the world is expected to continue rising moving forward. World oil demand in 2015 and 2040 is projected to reach 92.3 million barrels per day and 111.1 million barrels per day respectively on the back of sustained global economic growth and rising car ownership. Nevertheless, global oil demand is expected to be slightly restrained due to the development of advanced vehicle technologies. Figure 18 below depicts world oil demand outlook in 2015, 2020, 2025, 2030 and 2035 and 2040.

Figure 18: World Oil Demand Outlook, 2015, 2020, 2025, 2030, 2035 and 2040

Year	Oil Demand (million barrels per day)
2015	92.3
2020	96.9
2025	101.3
2030	104.8
2035	108.0
2040	111.1

Source: Extracted from the IMR report

On a closer look, the demand for petroleum products in the world is also expected to rise over the medium-term and long-term period. Figure 19 below depicts the global product demand in 2015, 2020, 2025, 2030 and 2035 and 2040.

Figure 19: Global Product Demand, 2015, 2020, 2025, 2030, 2035 and 2040

Products		million barrels per day					
		2015	2020	2025	2030	2035	2040
Light products	Ethane / Liquefied petroleum gas	10.3	11.0	11.6	12.1	12.4	12.6
	Naphtha	6.2	6.6	7.1	7.6	8.1	8.8
	Gasoline	23.6	24.6	25.4	25.9	26.3	26.7
Middle distillates	Jet / Kerosene	6.8	7.3	7.8	8.2	8.7	9.2
	Diesel / Gasoil	27.1	29.7	31.7	33.3	34.7	36.1

Products		million barrels per day					
		2015	2020	2025	2030	2035	2040
Heavy products	Residual fuel*	7.8	7.1	6.9	6.6	6.3	6.0
	Other**	10.4	10.6	10.9	11.2	11.5	11.8
	Total	92.3	96.9	101.3	104.8	108.0	111.1

Notes:

** Includes refinery fuel oil*

*** Includes bitumen, lubricants, waxes, still gas, coke, sulphur, direct use of crude oil, etc.*

Source: Extracted from the IMR report

2.3 OVERVIEW OF THE MALAYSIAN OIL AND GAS INDUSTRY

Malaysia's total average production increased by 2.3 percent from 1,621,000 barrels of oil equivalent ("boe") per day in 2013 to 1,658,000 boe per day in 2014.

On a closer look, the average crude oil and condensate production in Malaysia increased by 4.9 percent to 603,000 boe per day in 2014 as compared to 575,000 boe per day in 2013 while gas production averaged at 1,055,000 boe per day in 2014 as compared to 1,046,000 boe per day in 2013. Figure 20 below depicts Malaysia's average oil and gas production from 2011 to 2014.

Figure 20: Malaysia's Average Oil and Gas Production, 2011-2014

Year	'000 boe per day			
	Crude Oil	Condensate	Gas	Total
2011	460	109	989	1,558
2012	472	114	1,001	1,587
2013	462	113	1,046	1,621
2014	494	109	1,055	1,658

Source: Extracted from the IMR report

There was also an improvement in the value of gross output of petroleum and natural gas industry in Malaysia for 2013. The value of gross output of petroleum and natural gas industry in Malaysia increased from RM109.37 billion in 2012 to RM119.05 billion in 2014. Figure 21 below depicts the value of gross output of the petroleum and natural gas industry in Malaysia from 2011 to 2014.

Figure 21: Value of Gross Output of the Petroleum and Natural Gas Industry in Malaysia, 2011-2014

Year	Value of Gross Output (RM billion)	Annual Growth (%)
2011	109.19	11.3
2012	109.37	0.2
2013	115.10	5.2
2014	119.05	3.4

Source: Extracted from the IMR report

The overall production level of crude oil in Malaysia is shaped by the National Depletion Policy, which was implemented to safeguard the exploitation of the national oil reserves and therefore ensuring the sustainability of its development. Malaysia's total discovered resources as at 1 January 2015 stood at 23.2 billion boe as compared to 22.6 billion boe as at 1 January 2014. Figure 22 below depicts Malaysia's Petroleum Resources as at 1 January 2014 and 1 January 2015.

Figure 22: Malaysia's Petroleum Resources, 1 January 2014 and 1 January 2015

Petroleum Resources (billion boe)		1 January 2014	1 January 2015
Crude Oil and Condensate	Reserve (2P)	3.8	3.6
	Contingent Resources (2C)	2.0	2.4
Natural Gas	Reserve (2P)	6.6	7.2
	Contingent Resources (2C)	10.2	10.0
Total Discovered		**22.6**	**23.2**
Petroliam Nasional Berhad ("**PETRONAS**") **Entitlement**		**7.5**	**7.9**
ORRR (3 years average)		**1.94x**	**2.07x**

Note: 2P denotes proved and probable while 2C denotes best estimate

Source: Extracted from the IMR report

In 2014, 12.9 million metric tonnes of crude petroleum and 25.5 million metric tonnes of liquefied natural gas ("LNG") were exported – higher than the 11.8 million metric tonnes of crude petroleum and 24.9 million metric tonnes of LNG exported in 2013. During the same year, total imports volume for crude petroleum increased to 10.4 million metric tonnes as compared to 8.9 million metric tonnes in 2013.

Moving to 2015, crude petroleum exports increased to 15.6 million metric tonnes while LNG exports were higher at slightly over 25.1 million metric tonne. During the same year, total imports volume for crude petroleum dropped to 8.9 million metric tonnes. Figure 23 below depicts Malaysia's external trade volume for crude petroleum and LNG from 2011 to 2015.

Figure 23: Malaysia's External Trade Volume of Crude Petroleum and LNG, 2011-2015

Year	Exports ('000 metric tonnes)		Imports ('000 metric tonnes)
	Crude Petroleum	LNG	Crude Petroleum
2011	12,682	24,487	9,687
2012	11,863	23,350	10,854
2013	11,819	24,873	8,931
2014	12,562	25,087	10,433
2015	15,648	25,154	8,939

Source: Extracted from the IMR report

The total exports value of crude petroleum and LNG in 2014 stood at RM33.79 billion and RM64.29 billion respectively while the total imports value of crude petroleum stood at RM24.99 billion for the year. In 2015, total exports value of crude petroleum and LBG stood at RM26.08 billion and RM47.07 billion respectively while the total imports value of crude petroleum stood at RM12.37 billion. Figure 24 below depicts Malaysia's external trade value for crude petroleum and LNG from 2011 to 2015.

Figure 24: Malaysia's External Trade Value of Crude Petroleum and LNG, 2011-2015

Year	Exports (RM billion)		Imports (RM billion)
	Crude Petroleum	LNG	Crude Petroleum
2011	32.45	52.05	24.01
2012	31.95	56.13	27.28
2013	31.64	59.57	21.87
2014	33.72	64.75	24.99
2015	26.08	47.07	12.37

Source: Extracted from the IMR report

At the downstream side, the production volume of selected main refined petroleum products in Malaysia from 2011 to 2015 is depicted in Figure 25 below.

Figure 25: Production Volume of Selected Main Refined Petroleum Products in Malaysia, 2011-2015

Selected Main Refined Petroleum Products	'000 metric tonnes				
	2011	2012	2013	2014	2015
Blended lubricating oil	148	148	154	156	88
Diesel Oil	10,000	11,755	11,234	11,070	11,395
Fuel Oil	2,790	3,226	2,399	2,915	2,642
Gasoline	5,510	5,543	5,331	5,289	5,284
Kerosene	3,560	3,504	3,270	3,487	3,706
Liquefied Petroleum Gas	3,036	2,804	2,534	2,377	2,293
Naphtha	3,397	4,163	3,969	3,486	3,787

Source: Extracted from the IMR report

There was a mixing trend in the production of the selected main refined petroleum products in 2014, with the production volume of blended lubricating oil, fuel oil and kerosene increasing in the year, while the production volume of diesel oil, gasoline, liquefied petroleum gas and naphtha decreasing during the said period. The sales value of selected main refined petroleum products in Malaysia from 2011 to 2013 is depicted in Figure 26 below.

Figure 26: Sales Value of Selected Main Refined Petroleum Products in Malaysia, 2011-2013

Selected Main Refined Petroleum Products	RM million		
	2011	2012	2013
Blended lubricating oil	802	805	826
Diesel Oil	30,078	33,625	34,033
Fuel Oil	3,928	5,379	4,148
Gasoline	15,910	24,624	18,107
Kerosene	10,605	11,040	9,823
Liquefied Petroleum Gas	2,289	2,711	2,264
Naphtha	8,040	8,961	9,122

Source: Extracted from the IMR report

Among all the selected main refined petroleum products depicted in Figure 26, the sales value of diesel oil was the highest with RM34.03 billion recorded in 2013. It is followed by gasoline with a sales value of RM18.11 billion. The sales value of blended lubricating oil was the lowest at only RM826 million.

In 2014, the export volume of petroleum products decreased to 22.4 million metric tonnes as compared to 22.9 million metric tonnes in 2013. During the same year, total import volume for crude petroleum increased to 26.6 million metric tonnes as compared to 25.4 million metric tonnes in 2013. In 2015, the export volume of petroleum products further dropped to around 20.9 million metric tonnes while import volume expanded to around 29.4 million metric tonnes. Figure 27 below depicts Malaysia's external trade volume for petroleum products from 2011 to 2015.

Figure 27: Malaysia's External Trade Volume of Petroleum Products, 2011-2015

Year	Exports ('000 metric tonnes)	Imports ('000 metric tonnes)
2011	12,181	12,808
2012	17,653	17,507
2013	22,853	25,361
2014	22,376	26,629
2015	20,854	29,374

Source: Extracted from the IMR report

The total export value of petroleum products in 2014 stood at RM60.42 billion while the total import value of petroleum products stood at RM74.56 billion for the year. In 2015, the total export value of petroleum products stood at RM41.44 billion while the total import value of petroleum products stood at RM57.28 billion. Figure 28 below depicts Malaysia's external trade value for petroleum products from 2011 to 2015.

Figure 28: Malaysia's External Trade Value of Petroleum Products, 2011-2015

Year	Exports (RM billion)	Imports (RM billion)
2011	33.04	32.72
2012	47.63	48.20
2013	61.28	69.57
2014	60.42	74.57
2015	41.44	57.28

Source: Extracted from the IMR report

More recently, the oil and gas industry were affected by unfavourable prices. Lower oil prices adversely affect the business profitability of oil companies thus forcing them to reassess their development projects and focus on driving prudent cost management. In Malaysia, PETRONAS expects oil prices to remain low in 2016 and accordingly has announced a cut in its operational expenditure and capital expenditure for 2016 by between RM15 billion to RM20 billion. The reduction is also part of PETRONAS' move to reduce the capital expenditure and operational expenditure by RM50 billion over the next 4 years.

Nonetheless, growth in the local oil and gas industry is expected to be supported by the inclusion of oil, gas and energy as one of the National Key Economic Areas ("NKEAs") that are given priority in terms of investments and policy support under the Economic Transformation Programme ("ETP"). A 5.0 percent annual growth in the decade from 2010 to 2020 is being targeted by the oil, gas and energy NKEA.

3 STRATEGIC ANALYSIS OF THE OIL FIELD SERVICES AND EQUIPMENT INDUSTRY IN MALAYSIA

3.1 BACKGROUND AND DEFINITION

The oil field services and equipment ("OFSE") industry revolves around the provision of services and equipment supporting the upstream sector, or E&P activities, of the oil and gas industry. To provide a better understanding of the OFSE industry, this chapter begins with an introduction to the E&P activities of the oil and gas industry, followed by an introduction to the OFSE industry.

3.1.1 The E&P Activities

The E&P activities are the early phases in the oil and gas industry value chain. Generally, the E&P activities covers 4 main stages, namely formation evaluation, exploration and appraisal, field development, and operations and maintenance of oil and gas reserves. Figure 29 below details the E&P activities of the oil and gas industry, with description on each stage of the E&P activities.

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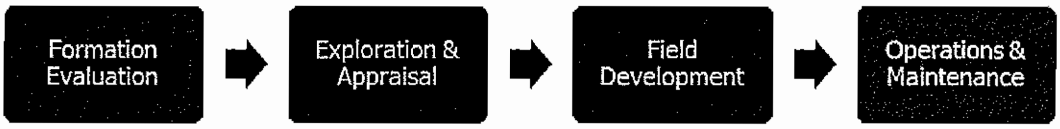
Figure 29: The E&P Activities of Oil and Gas Industry



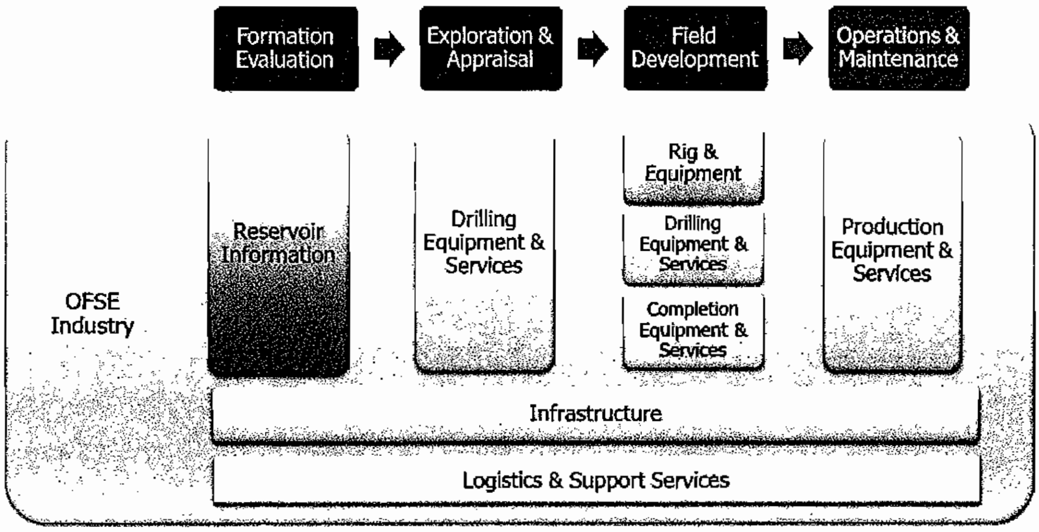
Stage	Description
Formation evaluation	Using seismic acquisition to determine the ability of a borehole to produce petroleum.
Exploration and appraisal	Conducting the drilling phase to determine the type and volume of oil and gas reserves.
Field development	Drilling and completion of production wells, and construction and fabrication of processing facilities such as oil rigs or offshore platforms.
Operation and maintenance	Commencement of hydrocarbon production, and maintenance of production wells and processing facilities.

Source: Extracted from the IMR report

3.1.2 The OFSE Industry

The OFSE industry plays an important supporting role to the upstream sector through the provision of services and equipment that are required for E&P activities. Generally, the provision of services and equipment by the OFSE industry can be categorised into 7 main segments namely reservoir information, drilling equipment and services, rig and equipment, completion equipment and services, production equipment and services, infrastructure, and lastly, logistics and support services as depicted in Figure 30 below.

Figure 30: E&P Activities and the OFSE Industry



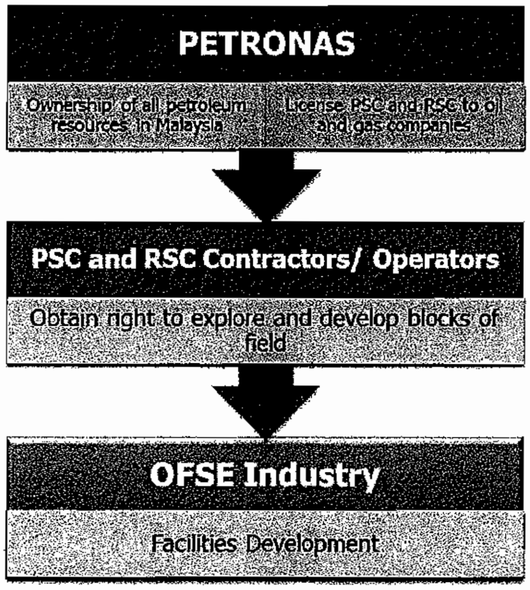
Source: Extracted from the IMR report

The different segments of the OFSE industry caters to different stages in the E&P activities. Of all 4 stages of E&P activities (i.e. formation evaluation, exploration and appraisal field development and operation and maintenance), field development is the most expenditure intensive and dependent on the OFSE industry for the provision of rig and equipment, drilling equipment and services, completion equipment and services, and infrastructure, logistics and other support services.

OGPC Sdn Bhd ("OGPC") and OGPC O&G Sdn Bhd ("OGPCOG") (collectively known as OGPC Group hereon) are involved in the OFSE industry with the provision of completion equipment and services, as well as production equipment and services. Its completion equipment and services include valves, heating systems, compressors and pumps, whereas its production equipment and services include pump servicing, pipeline cleaning, loading arm servicing, compressor servicing, flare system servicing, valve servicing, pipeline insulation, heat tracing and underwater inspection.

3.2 THE E&P PROJECT LIFECYCLE IN MALAYSIA

Figure 31: The E&P Project Lifecycle in Malaysia, and the Respective Players



Source: Extracted from the IMR report

PETRONAS

PETRONAS was incorporated on 17 August 1974 as the national oil company of Malaysia. Under the Petroleum Development Act 1974, PETRONAS was granted the ownership of all petroleum resources in the country and was entrusted with the duty to undertake development and value adding activities of petroleum resources in the country. This makes PETRONAS the primary regulator of oil and gas industry in Malaysia where it manages the optimal exploitation of hydrocarbon resources to ensure the sustainable development of the country's petroleum industry, and to improve domestic acreages to attract investment and protect the national interest. In an E&P project, PETRONAS owns the right to license Production Sharing Contract ("PSC") and Risk Service Contract ("RSC") to oil and gas companies to perform exploration and development of hydrocarbon resources in Malaysia.

PSC and RSC Contractors/ Operators

The PSC and RSC contractors/ operators obtain the right to explore and develop blocks of oil fields from PETRONAS. The PSC contractors assume all risks and are responsible for the sourcing of all funds in initiating hydrocarbon production. PETRONAS is involved in oil and gas exploration and development via its wholly owned subsidiary, PETRONAS Carigali, which is also among one of the PSC contractors. By owning the right, these PSC contractors are permitted to explore and develop the blocks of fields outlined in the contract for pre-determined period of time.

In addition to the PSC mechanism, PETRONAS also awards RSC for the development of small and marginal fields. This is aimed at improving the oil production in Malaysia by encouraging oil and gas contractors to tap into smaller and marginal fields that were neglected in the past. Under the RSC mechanism, PETRONAS is designated as the owner of the project while the RSC contractors assume the role of service provider. The RSC contractors are required to contribute the upfront capital for the development, and receive payment from the first production and throughout the duration of the contract.

The OFSE Industry

The OFSE industry comprise of market players engaged by PSC contractors which award projects to OFSE players such as fabricators for facilities development, ranging from fabrication of new facilities to conversion or refurbishment of existing facilities. In addition, some OFSE fabricators that are awarded with RSC may also assume this role. These fabricators are companies with strong technical background that are capable of carrying out large-scale integrated projects.

It is also common for local fabricators to team up or partner with foreign players to supplement their operations. This helps the local fabricators to boost their technical profile and keep them abreast of the latest technological development in the industry. Examples of local fabricators include SapuraKencana Petroleum Berhad ("SapuraKencana"), Malaysia Marine and Heavy Engineering Holdings Bhd ("MMHE") and TH Heavy Engineering Bhd ("TH Heavy Engineering"). Fabricators are likely to assume the lead role in the projects and delegate different packages of works to sub-contractors.

The sub-contractors in the OFSE industry consist of players that provide various services and services to supplement the completion of an E&P project. This includes OFSE players that supply individual equipment and spare parts to the fabricators. These sub-contractors deal mainly with the fabricators via service tenders by the fabricators or equipment procurement for the fabricators, although the sub-contractors also hold the opportunity to supply directly to the PSC. Leveraging on their knowledge on equipment and spare parts, some sub-contractors are also involved in the provision of maintenance services. For example, OGPC Group is involved in the OFSE industry with the provision of equipment and spare parts of foreign brands to the fabricators, in addition to the provision of equipment maintenance services.

3.3 MARKET DYNAMICS SCORECARD

Due to the diverse variety and nature of OFSE available in the market, along with the multitude of requirements and market participants serving the OFSE industry, the market size of the OFSE industry is not readily available. The OFSE industry is driven as a result of the demand created from the oil and gas industry and is used as a direct assessment of the market performance of the OFSE industry. The market dynamics for the OFSE industry in tandem with the oil and gas industry in Malaysia are shown in Figure 32 below.

Figure 32: Market Dynamics Scorecard for the Oil and Gas and OFSE Industries in Malaysia

Market Dynamics Indicators	Measurement	Trends
2015 Oil and Gas Industry Size* (RM billion)	72.54	-
2020 Forecast Oil and Gas Industry Size* (RM billion)	77.61	-
Forecast Period Market Compound Annual Growth Rate ("CAGR") * (2015 – 2020) (%)	1.4	-
2015-2020 Demand Conditions of OFSE Industry	Supportive and underpinned by continuous investment in the upstream sector of the oil and gas industry, increasing push towards unconventional E&P activities and revitalisation of mature fields, and the persistence of fossil fuels as the main energy source	Volatile in the short to medium term
2015-2020 Supply Conditions of OFSE Industry	Favourable with continuous support from the Malaysian government	Stable

Note:
** The oil and gas industry creates demand for OFSE and hence acts as a proxy to illustrate the growth of the OFSE industry.*

Source: Extracted from the IMR report

3.4 HISTORICAL INDUSTRY PERFORMANCE AND GROWTH FORECAST

Due to the variety and diverse nature of OFSE available in the market, along with the multitude of requirements and market participants serving the OFSE industry, the market size of the OFSE industry is not readily available. As such, the oil and gas industry is used instead to offer an assessment of the market performance of the OFSE industry. The oil and gas industry is a major consumer and customer of the OFSE industry, and it is highly representative of the market dynamics surrounding the growth and demand for OFSE.

Protégé Associates has provided the historical performance and growth forecast of the oil and gas industry in Malaysia based on the primary and secondary research as well as analytical works conducted. The main secondary researches were with the Department of Statistics Malaysia, the ETP handbook and its annual reports, OPEC and International Monetary Fund to ascertain the market size and project its growth. Then, Protégé Associates conducted primary research with the market players in the local oil and gas industry to further obtain their opinions regarding the market size and the projected growth. Annual reports of listed companies were also obtained to supplement our findings.

In 2013, the oil and gas industry was valued at RM118.30 billion, a 1.9 percent decline from the RM120.60 billion achieved in 2012. This was mainly attributed to a decrease in crude oil production from 585.6 thousand barrels per day in 2012, to 570.3 thousand barrels per day in 2013, coupled with lower prices which fell from an average of USD117.62 per barrel in 2012 to USD114.95 per barrel in 2013.

In the same year, the petrochemical industry was affected as Polypropylene Malaysia Sdn Bhd, a subsidiary of PETRONAS, suspended the use of its 80,000 tonnes per year polypropylene ("PP") plant in Kuantan at the end of 2012; followed by a capacity reduction of Lotte Chemical Titan (M) Sdn Bhd from 480 kilo tonnes per annum ("kta") to 400 kta in 2013. The cessation of PETRONAS from its vinyl chloride monomer and polyvinyl chloride ("PVC") business in 2013 also negatively impacted the oil and gas industry as a whole.

In 2014, the oil and gas industry has seen an increase in terms of production to 1,658,000 boe per day from 1,621,000 boe per day in 2013, attributing to the start-up of Tapis Enhanced Oil Recovery ("EOR") project, Malaysia's first large-scale EOR project, the start-up of oil production from a deepwater development namely the Gumusut-Kakap floating platform, and the start-up of natural gas production from Damar field. While the start-up of new production platform increases the crude oil supply from Malaysia, growth in 2014 is restrained by the slumping crude oil prices which begun around second half of 2014. In 2014, price of Dated Brent stood at an average of USD99 per barrel – representing a 9.2 percent year-on-year contraction from USD109 per barrel recorded in 2013. On the global front, increasing crude oil production from the US coupled with underperforming demand from Europe and Japan have resulted in crude oil oversupply and accordingly, weighing on the pricing. Nonetheless, the oil and gas industry in Malaysia recorded a marginal growth of 1.8 percent in 2014.

In 2015, the oil and gas industry registered a 39.8 percent contraction mainly due to downward pricing trend of benchmark Dated Brent which fell to an average of USD52.4 per barrel from USD99 per barrel recorded in the previous year. Consequently, prices across all petroleum products were lowered during the year. However, the negative impact was partially offset by higher oil and gas production that was supported by the production enhancement of existing fields, start-up of new production namely the Tanjong Baram Field which is estimated to produce an average 2,000 barrels of oil per day, coupled with stronger external demand for crude petroleum where the export of crude petroleum improved to 15.6 metric million tonnes in 2015 as opposed to 12.6 million metric tonnes in 2014. Figure 33 below depicts the market size and growth forecast for the oil and gas industry in Malaysia from 2012 to 2020.

Figure 33: Market Size and Growth Forecast for the Oil and Gas Industry in Malaysia, 2012 – 2020

Year	Market Size (RM billion)	Growth Rate (%)
2012	120.60	-
2013	118.30	-1.9
2014	120.46	1.8
2015	72.54	-39.8
2016	62.84	-13.4
2017	65.29	3.9
2018	68.17	4.4
2019	72.64	6.5
2020	77.61	6.8

CAGR (2015– 2020): 1.4 percent

Note:

All figures are rounded; the base year is 2014.

Source: Extracted from the IMR report

On global front, the prospect of oil prices remains uncertain in relation to unstable demand and supply conditions that may spur further volatility in oil prices. As at the date of publication, supply situations show no sign of tightening in the near term, and the return of an Iranian supply of crude into the international market further weigh on the supply glut. In terms of demand, economic slowdown in China is expected to soften their demand for energy products. Such mismatch in demand and supply conditions is poised to continue pressuring on the pricing recovery in the near term.

In Malaysia, PETRONAS expects oil prices to remain low in 2016 and accordingly has announced a cut in its operational expenditure and capital expenditure for 2016 by between RM15 billion to RM20 billion. The reduction is also part of PETRONAS' move to reduce the capital expenditure and operational expenditure by RM50 billion over the next 4 years. Therefore, demand for products and services from the OFSE industry could be affected in the medium term (2015 to 2018).

On a positive note, demand for oil and gas is projected to be sustainable in the long run. OPEC has projected the oil demand to increase by over 21 million barrels per day during the period of 2013 to 2040, reaching 111.1 million barrels per day by 2040. In addition, the long term prospect of the oil and gas industry is supported by an increasing global population and urbanisation that would drive the energy demand. The United Nations ("UN") has projected the global population to grow from 7.35 billion in 2015 to reach 9.73 billion by 2050, of which urban population would increase from 54.0 percent to 66.4 percent during the same period. Continuous demand for energy sources is anticipated to contribute to a sustainable oil and gas industry, and the OFSE industry may benefit from the need of equipment replacement within the oil and gas industry in long run.

3.5 COMPETITIVE ANALYSIS

Market participants within the OFSE industry can be broadly grouped into 2 categories i.e. the fabricators and sub-contractors as follows:

Fabricators

Fabricators participate in the OFSE industry through the provision of E&P facilities development services to PSC contractors. The provision of E&P facilities development services range from fabrication of new E&P facilities to conversion or refurbishment of existing E&P facilities. These fabricators are companies with strong technical background and are capable of carrying out large-scale integrated projects. Fabricators are likely to assume the lead role in the projects and delegate different packages of works to sub-contractors. In addition, some OFSE fabricators that are awarded with RSC may also assume this role.

Sub-Contractors

The sub-contractors in the OFSE industry consist of players that provide various equipment and services to supplement the completion of an E&P project. This includes OFSE players that supply individual equipment and spare parts to the fabricators. These sub-contractors deal mainly with the fabricators via service tenders by the fabricators or equipment procurement for the fabricators, although the sub-contractors also hold the opportunity to supply directly to the PSC. Leveraging on their knowledge on equipment and spare parts, some sub-contractors are also involved in the provision of maintenance services.

OGPC Group, for example, is a market participant in the sub-contracting segment with the provision of equipment and spare parts of foreign brands to the fabricators, in addition to the provision of equipment maintenance services.

3.5.1 Key Market Players

The fluid, diverse and competitive nature of the OFSE industry has resulted in a wide differentiation and diversification in terms of products/services offerings and business models by market participants. As such, it is almost impossible to perform a direct or like-for-like comparison on OGPC Group against other market participants within the OFSE industry. Nevertheless, Protégé Associates has identified several key market players that are comparable to OGPC Group in the OFSE industry based on the following criteria:-

- **Registered a turnover of over RM80 million based on latest publicly available financial information;**
- **Involved in the provision of pumps or valves; and**
- **Caters to the oil and gas industry.**

The list of key market players is not exhaustive and each market player's product offerings may not exactly coincide with others'. Market players may involve in the provision of equipment on top of pumps and valves.

Alfa Laval Malaysia Sdn Bhd ("Alfa Laval Malaysia")

Alfa Laval Malaysia is incorporated in Malaysia as a trading and distribution subsidiary of Alfa Laval Corporate AB ("Alfa Laval"), a Swedish manufacturer of equipment used in heat transfer, separation and fluid control. Alfa Laval Malaysia markets and supplies a broad range of heat exchangers, separators, decanters, pumps, valves and fittings to customers in a wide range of market segment, including the energy and environment, food and pharmaceutical, as well as marine and diesel segment. In the energy and environment segment, Alfa Laval Malaysia's products are supplied to industries like oil and gas, crude oil refinery, power, wastewater treatment, etc.

For the financial year ended ("FYE") 31 December 2014, Alfa Laval Malaysia recorded RM169.4 million in revenue.

Emerson Process Management (Malaysia) Sdn Bhd ("Emerson Malaysia")

Emerson Malaysia is incorporated in Malaysia as a trading and distribution subsidiary of Emerson Electric Corporation ("Emerson"), a US based company involved manufacturing and supply of products for process management, industrial automation, network power, climate technologies and commercial and residential solutions businesses. Under the process management segment, Emerson offers a wide range of measurement and analytical equipment, valves, regulators and final control elements, as well as system, controllers and software to a wide range of industries, including the oil and gas industry. Whereas under the industrial automation segment, Emerson offers products for fluid automation, industrial electrical products, materials joining and precision cleaning, mechanical power transmission, motors and drivers, as well as electric power generation for oil and gas, automotive, food and beverages, metal packaging, wind and solar and other industries.

For the FYE 30 September 2015, Emerson Malaysia recorded RM211.3 million in revenue.

Pantech Group Holdings Berhad ("Pantech")

Pantech, currently listed on the Main Market of Bursa Malaysia Securities Berhad, is involved in the manufacturing/ trading of pipes, fittings, flanges, valves and other components that serve a wide range of industries, including but not limited to oil and gas, marine and shipbuilding, palm oil, power plants, etc. Pantech is involved in the trading and supply of valves through its subsidiary, Pantech Corporation Sdn Bhd.

For the FYE 28 February 2015, Pantech recorded RM525.7 million in revenue, of which RM298.0 million was generated from its trading segment and RM227.8 million was contributed from its manufacturing segment.

Unimech Group Berhad ("Unimech")

Unimech, currently listed on the Main Market of Bursa Malaysia Securities Berhad, is principally involved in designing and manufacturing of industrial and residential valves, strainers, steel flanges, pipe fittings, rubber expansion bellows, vibration absorption sheets, roller, gaskets, as well as polyurethane casting and extrusion products. On top of that, Unimech is also involved in the importation and distribution of engineering equipment and components such as burners and broilers, heat exchanger tube cleaning equipment and descaling equipment, valves and gauges, etc. Other services provided by Unimech include overhaul of engineering equipment and parts replacement, consultancy on air pollution control, exhaust stock design, plant and process monitoring and recording systems. Unimech is involved in the trading of industrial valves for oil and gas industry in Malaysia through Unimech Valves Technology Sdn Bhd.

For the FYE 31 December 2015, Unimech recorded RM239.5 million in revenue, of which RM189.0 million was generated from its valves, instrumentation and fittings segment, RM23.0 million from its pumps segment.

3.5.2 Market Share Analysis

For FYE 31 December 2014, OGPC Group recorded total revenue of RM89.3 million. This is equivalent to less than 0.1 percent share of the larger oil and gas industry in Malaysia during the year. This is based on OGPC Group's revenue of RM89.3 million against the Malaysian oil and gas industry revenue of RM120.46 billion in 2014.

For FYE 31 December 2015, OGPC Group recorded total revenue of RM101.9 million. This is equivalent to less than 0.1 percent share of the larger oil and gas industry in Malaysia during the year. This is based on OGPC Group's revenue of RM101.9 million against the Malaysian oil and gas industry revenue of RM72.54 billion in 2015.

3.6 DEMAND AND SUPPLY CONDITIONS

3.6.1 Demand Conditions

Continuous Investment in the Upstream Sector of the Oil and Gas Industry

The Malaysian oil and gas industry continues to invest and develop its upstream sector, which brings derived demand for the service offerings of the OFSE industry. Investments and further development in the upstream sector include PETRONAS' activities, such as partnering with foreign contractors that possess the technologies and know-how to exploit deepwater and mature fields.

In terms of PETRONAS' expenditure in the upstream sector in particular for exploration, development and production activities, a total of RM52.32 billion was spent in 2014, up by approximately 44.5 percent compared to the previous year's expenditure of approximately RM36.22 billion. Out of the expenditure of RM52.32 billion, 54.0 percent or RM28.25 billion was invested in Malaysia.

Despite anticipation of continuous investment, the OFSE industry may see reduced demand from the oil and gas industry going forward as the industry shies away or defer from making new investments due to unfavourable oil prices. Crude oil prices dropped to an average of USD50.8 per barrel in 2015. Already, PETRONAS has announced a cut in its operational expenditure and capital expenditure for 2016 by between RM15 billion to RM20 billion. The reduction is also part of PETRONAS' move to reduce the capital expenditure and operational expenditure by RM50 billion over the next 4 years. Therefore, demand for products and services from the OFSE industry could be affected in the medium term (2015 to 2018).

Increasing Push towards Unconventional Exploration and Production Activities and Revitalising Mature Fields

There has been a decreasing trend in oil reserves discovered in shallow water fields. Meanwhile, the maturity of domestic fields, after years of steady and continuous production has resulted in lower production. Hence, the trend is shifting towards the deep and ultra deepwater exploration and production, looking into the development of marginal fields as well as revitalise mature fields to increase the remaining output.

Marginal fields that typically hold less than 30 million barrels of reserve are also being look into as a potential source of development. Due to the small size of the reserve, major oil and gas players often pay little interest towards marginal fields. Therefore, PETRONAS implemented the RSC model for marginal field contracts to motivate and encourage smaller players to participate in the development of marginal fields. This is certainly an advantage for smaller players as a RSC is more flexible than the usual PSC mechanism.

Nonetheless, PETRONAS has announced a cut in its operational expenditure and capital expenditure for 2016 by between RM15 billion to RM20 billion. The reduction is also part of PETRONAS' move to reduce the capital expenditure and operational expenditure by RM50 billion over the next 4 years. Therefore, demand for products and services from the OFSE industry could be affected in the medium term (2015 to 2018).

Fossil Fuels Persist as the Main Energy Source

Within Malaysia, the demand for energy is growing at a pace correlated with the industrialisation and economic development of the country.

Despite the government's recent effort to diversify the country's energy sources and promote the use of renewable energy, fossil fuels remain the most important source of energy supply in Malaysia. In 2013, petroleum products alone accounted for 56.6 percent of total energy consumption while natural gas made up another 21.9 percent. Coal and coke formed another 3.0 percent of total energy consumption and electricity formed 20.5 percent. In terms of electricity generation, the sector again possesses relatively high reliance on fossil fuels. In 2013, gas was the main energy source for electricity generation, constituting about 50.4 percent of total electricity generation. Coal comes second with 38.0 percent of total electricity generation. Hydro contributed 8.4 percent whereas diesel and oil contributed 1.2 percent and 1.1 percent respectively in 2013.

This shows that Malaysia relies heavily on fossil fuels especially that from the oil and gas industry, for energy supply.

Depleting Oil and Gas Reserves

There has been a general decreasing trend in oil reserves. From an energy rich country a decade ago, Malaysia is slowly and will soon join other countries that have to rely on imports to meet domestic consumption requirements. All major discoveries have already been developed and have been in production for more than 30 years. Therefore, after years of steady and continuous production, existing wells are now revealing lower production. A lower supply of oil and gas leads to reduced production activities that would result in a decreased demand for the OFSE industry.

However, the Malaysian government remained steadfast on its commitment to continue developing and growing the oil and gas industry. Under the ETP, the Malaysian government plans to rejuvenate existing fields through EOR, develop marginal fields through innovative solutions and intensify exploration activities. Therefore, impact from this factor is likely to remain low throughout the forecast period.

3.6.2 Supply Conditions

Continuous Support from the Malaysian Government

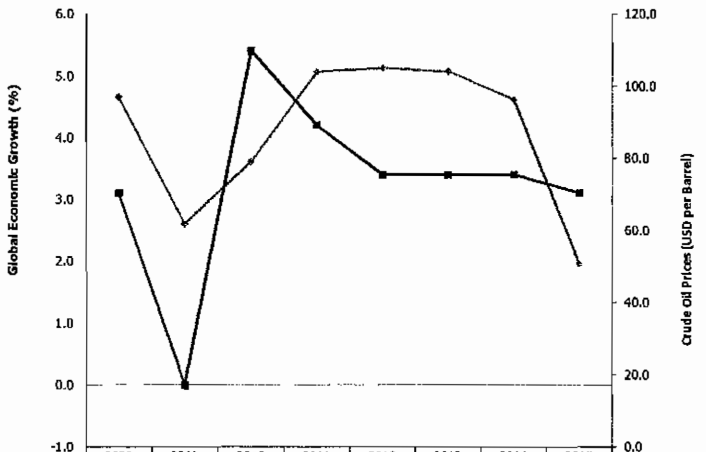
The Malaysian Government has been very supportive of the oil and gas industry as it is one of the most important growth contributors to Malaysian economy. For that reason, the oil, gas and energy industry has been identified as one of the NKEA under the ETP and it is forecasted to bring in an additional of RM131.4 billion of Gross National Income ("GNI") by 2020. The Malaysian OFSE industry is set to grow as the Malaysian government aims to position Malaysia as an OFSE hub for Asia Pacific as outlined under the oil, gas and energy NKEA of the ETP.

3.7 MARKET CHALLENGES

Fluctuations in Crude Oil Prices

Investment trends of oil producing companies do not follow a regular pattern. Historically, the oil and gas industry has seen increased investment for oil exploration and production activities when oil prices have been high. Investments are high when oil prices are high. When oil prices dipped, the industry has typically shied away from new investments. A combination of external factors such as geopolitical instability, economic cycle, catastrophic risk and global demand and supply of crude oil may lead to price volatility. This has caused the oil and gas industry to behave in a cyclical fashion. Hence, the OFSE industry may experience lower demand when oil prices are low while it may experience the reverse when the price of oil is high. Figure 34 shows the crude oil prices and global economic growth from 2008 to 2015 and Figure 35 below shows the crude oil production and prices from 2008 to 2015.

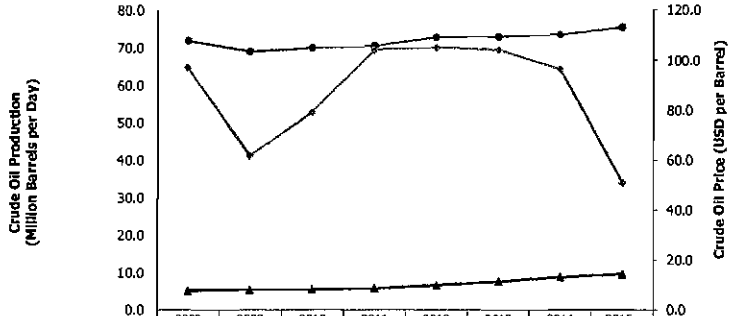
Figure 34: Crude Oil Prices and Global Economic Growth, 2008-2015



	2008	2009	2010	2011	2012	2013	2014	2015
Global Economic Growth (%)	3.1	(0.01)	5.4	4.2	3.4	3.4	3.4	3.1
Crude Oil Prices (USD per Barrel)	97.0	61.8	79.0	104.0	105.0	104.1	96.2	50.8

Source: Extracted from the IMR report

Figure 35: Crude Oil Production and Prices, 2008-2015



	2008	2009	2010	2011	2012	2013	2014	2015e
World Crude Oil Production (Million Barrels per Day)	71.8	69.0	69.9	70.4	72.8	72.9	73.4	75.4
US Crude Oil Production (Million Barrels per Day)	5.0	5.4	5.5	5.6	6.5	7.5	8.7	9.4
Crude Oil Price (USD per Barrel)	97.0	61.8	79.0	104.0	105.0	104.1	96.2	50.8

Source: Extracted from the IMR report

In 2008, crude oil price stood at USD97.0 per barrel alongside a favourable 3.1 percent growth in global economy. Crude oil price dipped to an average of USD61.8 per barrel in 2009, induced by the global economy recession that adversely affected the demand for energy products such as crude oil. Nevertheless, crude oil price rebounded in the following year in tandem with a better economic condition. In 2010, global economy improved by 5.4 percent while average crude oil price recovered to USD79.0 per barrel during the same period.

Prices of crude oil generally hovered above USD100 per barrel from 2011 to 2013 alongside a stable global economic growth. In 2014, crude oil prices dropped to an average of USD96.2 per barrel. In terms of monthly price movements for 2014, crude oil prices increased from an average of USD102.3 per barrel in January to USD108.4 per barrel in June before slumping from an average of USD105.2 per barrel in July to an average of USD60.6 per barrel in December.

The declining price trend can be attributed to the increasing shale oil output from the US which contributed to the increased global output along with weakening demand globally.

For the period of 2010 to 2013, the US was the third largest crude oil producer, commanding 7.8 percent and 8.0 percent of the world crude oil production in 2010 and 2011 respectively. In 2012, the US registered an encouraging 15.1 percent in its production growth, and accordingly expanded its production share to 8.9 percent in the said year. In 2013, the US continued to achieve double-digit growth in its production, thus increasing its production share in world crude oil production to 10.2 percent. The expansion in US crude oil production was attributed to the development of new technology which allows the drilling of hydrocarbons deep beneath the Earth's surface and accordingly increased its shale oil production.

The expansion in crude oil production from 2010 to 2013 was supported by rising global oil demand. Oil demand was mainly stem from US, Western Europe, China, OPEC and Japan. On another note, Japan's oil demand expanded by 5.9 percent in 2012 subsequent to the loss of its nuclear capacity in Fukushima disaster which increased its dependency on fossil fuel thereafter. (In 2011, a 9.0 magnitude earthquake struck off the coast of Sendai, Japan, triggering a tsunami which damaged its nuclear reactor)

Moving into 2014, global crude oil production grew to 73.4 million barrels per day in line with the expansion in US production. In 2014, crude oil production from the US increased to 8.7 million barrels per day. While the production expansion from the US has raised the global crude oil inventories, demand has underperformed with weakening demand from Europe and Japan. These have resulted in oversupply within the oil and gas industry and accordingly, weighing on the commodity pricing.

The downward pricing trend persisted in 2015 amid high production during the year. Protégé Associates estimates that the world crude oil production increased to 75.4 million barrels per day, mainly attributed to higher production from the US and OPEC. US crude oil production is estimated to improve to 9.4 million barrels per day (2014: 8.7 million barrels per day) while OPEC crude oil production is estimated to increase to 31.8 million barrels per day (2014: 30.7 million barrels per day). Nonetheless, demand has continued to underperform amid weaker demand mainly from China and Europe. Consequently, crude oil price dropped to an average of USD50.8 per barrel in 2015 due to supply glut.

In Malaysia, PETRONAS expects oil prices to remain low in 2016 and accordingly has announced a cut in its operational expenditure and capital expenditure for 2016 by between RM15 billion to RM20 billion. The reduction is also part of PETRONAS' move to reduce the capital expenditure and operational expenditure by RM50 billion over the next 4 years. Therefore, demand for products and services from the OFSE industry could be affected in the medium term (2015 to 2018).

The situation surrounding oil prices remains volatile and its outlook remains uncertain in relation to unstable demand and supply conditions. A combination of external factors that will impact the demand and supply conditions, amongst other, are geopolitical and economic instability, inventory builds, production levels and catastrophic risk.

There exists potential for further fluctuation in coming weeks and months as demand and supply drivers remain unstable. At the macro level, the current bearish scenario is largely attributed to the economic slowdown in China that is expected to soften their demand for energy products.

Meanwhile, the supply situation shows no sign of supply tightening in the near term thereby applying pressure to price recovery. In addition to the rise in shale oil in the US, the return of an Iranian supply of crude into the international oil and gas market further increase the global oil supply thus adding pressure to oil price recovery. In addition, other OPEC countries continue with a consistent production level thus far.

Correspondingly, a combination of unstable supply and demand conditions may prevent any significant rally from gaining traction and lead to persistently weak prices in the coming year. However, prices could rebound and move higher if any of the factors previously noted begin to reverse or if there is a major geopolitical event that could alter the prevailing dynamics seen for the market.

On a positive note, demand for oil and gas is projected to be sustainable in long run. OPEC has projected the oil demand to increase by over 21 million barrels per day during the period of 2013 to 2040, reaching 111.1 million barrels per day by 2040. This indicates the underlying demand for oil and gas as an energy source in the global market. In addition, the long term prospect of oil and gas industry is supported by an increasing global population and urbanisation that indicate an expansion in energy demand. The UN has projected the global population to grow from 7.35 billion in 2015 to reach 9.73 billion by 2050, of which urban population would increase from 54.0 percent to 66.4 percent during the same period. Continuous demand for energy sources would contribute to a sustainable oil and gas industry, and the OFSE industry may benefit from the need of equipment replacement within the oil and gas industry in long run.

3.8 MARKET RELIANCE ON AND VULNERABILITY TO IMPORTS

The OFSE industry is fairly reliant on imported technologically advanced and sophisticated services and equipment. Local players tend to depend on their foreign counterparts to provide certain forms of technology or engineering advice, as well as sourcing equipment and parts from them. This happens as the equipment and expertise used in the oil and gas industry is sophisticated. Therefore, local OFSE players have to import certain equipment, parts and systems that are not commonly found in Malaysia.

3.9 SUBSTITUTE PRODUCTS/SERVICES

There is no substitution for the OFSE industry. The market plays a supporting role to the oil and gas industry, and market players function as suppliers for all services and equipment pertaining to E&P activities of hydrocarbon.

3.10 BARRIERS TO ENTRY

Government Policies - The oil and gas industry in the country is regulated by PETRONAS. All participants who intend to supply goods and services to oil and gas industry in Malaysia are required to obtain a license from PETRONAS or be registered with PETRONAS.

Product and Technical Knowledge - Product and technical knowledge is important in the OFSE industry as the requirement varies for onshore and offshore projects. Having extensive product and technical knowledge allows a market participant to understand the customers' requirements for respective project thus specifying and supplying the right products accordingly. This product and technical knowledge typically comes along with industrial experience. Leveraging on the product and technical knowledge, market players may also offer value-added engineering solutions that suit the specific need of their customers, thus enhancing their overall attractiveness to prospective customers. Therefore, potential entrants may find it difficult to compete against established market players.

Reputation and Track Record - Due to the high standard the industry is subjected to, and the complexity of the services needed, parties within the industry tend to engage with reputable players and those they have experience dealing with.

3.11 RELEVANT LAWS AND REGULATIONS GOVERNING THE MARKET AND PECULIARITIES OF THE MARKET

3.11.1 Relevant Laws and Regulations

Petroleum Development Act 1974

Exploration and production of oil and gas resources in Malaysia comes under the purview of PETRONAS, a wholly owned government company that was formed under the Petroleum Development Act 1974. Under the act, PETRONAS was vested all the oil and gas resources in the country and granted it the sole exclusive right to explore, develop and produce hydrocarbon resources in Malaysia. This makes PETRONAS the custodian of Malaysia's oil and gas resources and entrusted it with the responsibility to develop and add value to the nation's hydrocarbon resources.

Environmental Quality Act, 1974

The Environmental Quality Act 1974 is the main environmental legislation in Malaysia. Under this act, oil and gas activities that are listed under the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987 are required to perform Environmental Impact Assessment ("EIA") early in the project cycle to incorporate environmental considerations at the initial stage of project planning. It is a compulsory self-assessment exercise under the law and is considered as a preventive and precautionary mechanism against potential environmental degradation.

Petroleum (Safety Measures) Act 1984 (Petroleum Safety Regulation)

The Petroleum (Safety Measures) Act 1984 controls the safety of petroleum from the aspects of storage, handling, transportation and utilization of equipment/appliances. This act is being enforced by the Petroleum Safety Unit, which comes under the purview of the Domestic Trade Division of Ministry of Domestic Trade, Co-operatives and Consumerism. This Petroleum Safety Unit is responsible in assuring and overseeing the safety of the petroleum industry. It does so by preparing and updating the principle, enactment and regulations especially for Petroleum (Safety Measures) Act 1984.

3.11.2 Government Incentive

Petroleum Income Tax Act

In order to encourage the production of the remaining resources, the government amended the Petroleum Income Tax Act ("PITA") to bolster domestic exploration activities and encourage the development of technical resources through the provision of incentives for oil field developers to undertake investment projects that were once thought to be commercially unviable. These incentives were provided to boost new oil and gas resources development as well as to improve the commercial viability of the remaining resources.

The 5 new incentives introduced under PITA are:

- Deduction of up to 60.0 to 100.0 percent of capital expenditure against statutory income under investment tax allowance - to encourage the development of capital intensive projects in the area of enhanced oil recovery, high carbon dioxide gas fields, high pressure high temperature, deepwater and infrastructure projects for petroleum operations
- Marginal oil field developments are taxed 25.0 percent instead of current 38.0 percent
- Qualifying exploration expenditure transfer between non-contiguous petroleum agreements with the same partnerships or sole proprietor to enhance contractors' risk-taking attitude
- Export duty waiver for oil produced and exported from marginal field
- Accelerated capital allowance to 5 years from 10 years

3.11.3 Government Policies

Economic Transformation Program ("ETP")

The oil, gas and energy ("OGE") sector has been identified as one of the NKEA under the ETP. The OGE sector plays a prominent role in the Malaysian economy, contributing one-fifth of the national GDP over the past decade. This NKEA aims to attract higher foreign investments into Malaysia, to develop human capital in the OGE field, to encourage greater technology transfer and to turn Malaysia into a regional base to serve the Asia Pacific region. Under the OGE NKEA, there are 13 EPPs that aims to attract significant new investment, generate new jobs and contribute to economic growth for the long term. The government aims to turn Malaysia into the number 1 oil and gas hub in the Asia Pacific region by 2017 with the implementation of these EPPs. Collectively, the EPPs for this NKEA are projected to generate GNI of RM131.4 billion and create 52,300 new jobs by 2020.

Eleventh Malaysia Plan ("11MP")

The 11MP covers the period of 2016 to 2020 and is the final leg towards realising Vision 2020 that envisions Malaysia as a fully developed country along all dimensions – economically, politically, socially, spiritually, psychologically, and culturally by 2020. This plan identifies a number of strategic thrusts that has the potential to significantly boost economic growth, including strengthening infrastructure to support economic expansion.

3.12 MARKET OUTLOOK AND PROSPECT

The outlook of the OFSE industry in tandem with the oil and gas industry remains positive in long term. In 2014, the oil and gas industry has seen the start-up of Tapis EOR project, Malaysia's first large-scale EOR project, the start-up of oil production from a deepwater development namely the Gumusut-Kakap floating platform, and the start-up of natural gas production from Damar field. Nonetheless, growth is restrained by the slumping crude oil prices which begun around second half of 2014. On the global front, increasing crude oil production from the US coupled with underperforming demand from Europe and Japan have resulted in crude oil oversupply and accordingly, weighing on the pricing. In 2015, the oil and gas industry registered a contraction mainly due to downward pricing trend of benchmark Dated Brent. Consequently, prices across all petroleum products were lower during the year. However, the negative impact was partially offset by higher oil and gas production that was supported by the production enhancement of existing fields, start-up of new production, coupled with stronger external demand.

In Malaysia, PETRONAS expects oil prices to remain low in 2016 and accordingly has announced a cut in its operational expenditure and capital expenditure by between RM15 billion to RM20 billion. The reduction is also part of PETRONAS' move to reduce the capital expenditure and operational expenditure by RM50 billion over the next 4 years. Therefore, demand for products and services from the OFSE industry could be affected in the medium term (2015 to 2018).

Moving forward the oil and gas industry is projected to register a CAGR of 1.4 percent from 2015 to 2020. Amid a cut on PETRONAS' operational expenditure and capital expenditure, the continuous investment in the oil and gas industry particularly from the EPPs under the ETP is expected to provide the impetus for the sustainable growth in the industry.

Growth within the OFSE industry is anticipated to be sustainable throughout the forecast period. Factors priming growth in the OFSE are likely to come from the continuous investment in the upstream sector of the oil and gas industry, increasing push towards unconventional exploration and production activities and revitalising mature fields, and fossil fuels persisting as the main energy source.

On the supply side, the oil, gas and energy industry has been identified as one of the NKEA under the ETP and it is forecasted to bring in an additional of RM131.4 billion of GNI by 2020. The Malaysian OFSE industry is set to grow as the Malaysian government aims to position Malaysia as an OFSE hub for Asia Pacific as outlined under the oil, gas and energy NKEA of the ETP.

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4 OVERVIEW OF THE PETROCHEMICAL INDUSTRY IN MALAYSIA

Petrochemicals refer to chemicals derived from hydrocarbons that are produced from petroleum refining activities. Petroleum refining revolves around the conversion of crude oil into useable products through a series of processes.

There are 6 operating refineries in Malaysia with a total refining capacity of over 500,000 barrels per day. 3 of the refineries, namely PETRONAS Penapisan (Melaka) Sdn Bhd, Malaysian Refining Company Sdn Bhd and PETRONAS Penapisan (Terengganu) Sdn Bhd, are PETRONAS-owned while remaining 3 refineries are operated by foreign operators. To date, Petron Malaysia Refining and Marketing Bhd plans to spend close to USD1 billion in the next few years to upgrade its refinery, and expand its station retail network. However, global oil giant Royal Dutch Shell is selling its entire 51 percent stake in Shell Refining Company (FOM) Bhd.

Major finished products of crude oil refining include fuels, petrochemical feedstock, solvents, process oils, lubricants and special products such as wax, asphalt and coke. Together with the availability of natural gas, growth in the petrochemical industry is stimulated by a stable supply of petrochemical feedstock.

Petrochemical feedstock produced in Malaysia consist of naphtha, methane and liquefied petroleum gas ("LPG"), ethylene, propylene, benzene, toluene and xylene. In addition to the refineries, feedstocks are also produced by petrochemical manufacturers such as Lotte Chemical Titan Holdings Sdn Bhd.

The production of feedstock in Malaysia provides a stable raw material supply to the participants of the petrochemical industry. To date, The Malaysian Petrochemicals Association, an industry association representing the petrochemical industry of Malaysia, has 27 members involved in the production and trading of petrochemicals and plastic resins. These include some world-renowned petrochemical companies such as BASF, Toray, Idemitsu, Dairen and Lotte.

To sustain the competitiveness of the Malaysian petrochemical industry, value integration through inter-plant synergies is promoted by the local government. The development of petrochemical zones where petrochemical plants are clustered together has created a value chain, which ensures the progressive development of downstream petrochemicals activities. To date, 3 major petrochemical zones have been established in Kertih, Terengganu; Gebang, Pahang; and Pasir Gudang/ Tanjung Langsat, Johor. Other petrochemical plants in Malaysia include the ammonia and urea plants in Bintulu, Sarawak and Gurun, Kedah; acrylonitrile butadiene styrene plant in Penang; methanol plant in Labuan and the nitrile-butadiene rubber plant in Kluang, Johor.

The production of petrochemicals in Malaysia provides a stable raw material supply at competitive cost to the plastic industry.

In 2013, total polyolefins production registered a fall with the PETRONAS subsidiary, Polypropylene Malaysia Sdn Bhd, suspending the use of its 80,000 tonnes per year PP plant in Kuantan at the end of 2012; followed by a capacity reduction of Lotte Chemical Titan (M) Sdn Bhd from 480 kta to 400 kta in 2013. Also, supply of PVC resins declined in 2013 with PETRONAS ceasing vinyl choride monomer and PVC business in the year. As a result, Malaysia was turned into a net polyolefins importer in 2013.

The domestic demand for polyolefin grew from 1,398 kilo metric tonne ("kmt") in 2012 to 1,457 kmt in 2013. In 2014, demand for polyolefin is projected to reach 1,548 kmt on the back of favourable economic performance. Also in 2014, there is no capacity expansion within the petrochemical industry and hence, Malaysia remains as a net polyolefin importer.

In terms of pricing, prices of petrochemicals improved to an average of USD1,419 per metric tonne in the third quarter of 2014 before falling to an average of USD1,360 per metric tonne in the fourth quarter as the prices of petrochemicals reacted to the falling feedstock prices. The downward trend persisted in the first quarter of 2015, thus resulting in significant reduction in petrochemicals price to an average of USD892 per metric tonne during the said period. Petrochemical prices reacted to improved crude oil and naphtha prices in the second quarter of 2015 and its average prices rebounded to USD1,083 per metric tonne during the said period. And in the third and fourth quarter of 2015, petrochemical prices dropped to USD896 per metric tonne and USD795 per metric tonne respectively in relation to soften crude oil prices during the period.

Moving forward, a higher demand for plastic products is anticipated to continue to spur the demand for petrochemicals in Malaysia. The petrochemical industry is also likely to see higher demand from foreign markets with the presence of free trade agreements coming into play –

such as the ASEAN Free Trade Agreement ("AFTA") and Malaysia's Free Trade Agreement ("FTA") with China.

In terms of supply, the petrochemical industry is likely to see an increase in production capacity in the long term under various government-led initiatives, including the RAPID project in Johor. Located within the Pengerang Integrated Petroleum Complex ("PIPC") in Johor, the RAPID project will house a 300,000 barrels per day capacity of crude oil refinery, a naphtha cracker that with a combined capacity of 3 million tonnes of olefins, and development of 22 downstream plants.

5 OVERVIEW OF THE ENERGY SECTOR IN MALAYSIA

Malaysia has tremendous reserves for both non-renewable and renewable sources of energy. The largest non-renewable energy source found in Malaysia is fossil fuel (coal and coke, as well as oil and gas), which is actively exploited. Fossil fuels were the main energy sources in Malaysia from 2008 to 2013, and this trend is expected to continue into the long term. Collectively, fossil fuels like petroleum products, natural gas, coal and coke supply over 70.0 percent of the total energy consumed in Malaysia.

In 2009, energy consumption was lower as growth in the Malaysian economy contracted by 1.7 percent. However, total energy consumption moved on upward trajectory from 2010 to 2012 as Malaysian economy grew.

In terms of electricity generation, the sector again possesses relatively high reliance on fossil fuels. In 2013, natural gas was the main energy source for electricity generation, constituting about 50.4 percent of total electricity generation. Coal comes second with 38.0 percent of total electricity generation. Hydro contributed 8.4 percent whereas diesel and oil contributed respectively 1.2 percent and 1.1 percent in 2013.

The energy sources in Malaysia were mainly consumed in the transportation sector. In 2013, 50.5 percent of the energy usage in Malaysia was attributable to the transportation sector. The industry sector was the second largest in terms of energy consumption with 30.5 percent share in 2013. The residential and commercial sector as well as the agriculture sector made up the remaining 16.7 percent and 2.3 percent of total energy consumption respectively.

The economic development in Malaysia stimulates a higher demand for energy. As the Malaysian economy is forecast to remain on a positive trajectory, the energy sector is likely to capture a higher demand moving forward. Thus, the government aims to lift domestic oil and gas production through a number of EPPs as outlined under OGE NKEA of the ETP. The relevant initiatives include the rejuvenation of existing field through EOR, developing marginal fields through innovative solutions, intensifying exploration activities, and unlocking premium gas demand.

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Protégé Associates has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours Sincerely,

TAN CHIN HOW

Director

Protégé Associates Sdn Bhd

DIRECTORS' REPORT

Date: 20 JUN 2016

The Shareholders of

DAGANG NeXCHANGE BERHAD
("DNeX" OR THE "COMPANY")

Dear Sir/Madam,

On behalf of the Board of Directors of DNeX ("**Board**"), I wish to report that after due enquiry by us in relation to the interval between the period from 31 December 2015 (being the date to which the last audited consolidated financial statements of the Company and its subsidiaries ("**Group**") have been made up) to the date hereof (being a date not earlier than fourteen (14) days before the date of issuance of this Abridged Prospectus), that:-

(a) the business of our Group has, in the opinion of the Board, been satisfactorily maintained;

(b) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of our Group, which have adversely affected the trading or the value of the assets of our Group;

(c) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there are no contingent liabilities which have arisen by reason of any guarantee or indemnity given by our Group;

(e) since the last audited consolidated financial statements of our Group, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of our Group;

(f) save as disclosed in the unaudited consolidated financial statements of our Group, for the three (3)-months financial period ended 31 March 2016, there has been, since the last audited consolidated financial statements of our Group, no material change in the published reserves or any unusual factors affecting the profits of our Group; and

(g) as disclosed above and up to the date of this letter, no other reports are required in relation to the items (a) to (f) above.

Yours faithfully,
For and on behalf of the Board of
DAGANG NeXCHANGE BERHAD

Datuk Samsul bin Husin
Executive Deputy Chairman

Dagang NeXchange Berhad (10039-P)
(formerly known as TIME Engineering Berhad)
Tower 3, Avenue 5, The Horizon, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia
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DNeX.com.my

SALIENT TERMS OF THE SSA, AS AMENDED BY THE SUPPLEMENTAL SSA

(Unless otherwise stated, all abbreviations used herein shall have the same meanings as those defined in the definitions page of this Abridged Prospectus)

For the purpose of this Appendix, the term "**SSA**" referred herein means the SSA, as amended by the Supplemental SSA.

1. **Mode of satisfaction of the OGPC Group Purchase Consideration**

DNeX and the Vendors ("**Parties**") agree that the OGPC Group Purchase Consideration shall be satisfied in the following manner:-

(a) on the date of the SSA, DNeX shall pay to the Vendors a sum of RM10,000,000 only ("**Deposit**"); and

(b) on a day within a period of 21 days from the Unconditional Date (as defined below) or such longer period as the Parties may mutually agree in writing ("**Completion Period**"), DNeX shall pay to the Vendors the balance purchase consideration of RM160,000,000 ("**Balance Purchase Consideration**") in the manner set out below:-

(i) by the payment from DNeX to the Vendors the cash consideration of RM73,000,000; and

(ii) allot and issue the Consideration Shares, each credited as fully paid-up and ranking *pari passu* in all respects with all the then existing DNeX Shares in favour of the Vendors.

2. **Conditions Precedent**

The SSA is conditional upon the following being obtained and/or fulfilled within the period of 14 months from the date of the SSA or such extended period as the Parties may mutually agree in writing ("**Conditional Period**"):-

(a) the approval from the relevant authorities in relation to the Acquisitions, being obtained by DNeX and/or the Vendors, as the case may be;

(b) the approval from the relevant authorities in relation to the Proposals being obtained by DNeX and/or the Vendors, as the case may be;

(c) the waivers, consents or approvals as may be required under any licence granted by any regulatory body, authority or any third party to OGPC Group which are required by OGPC Group for the carrying out of their business, and includes such other principal agency/distributorship/supplier agreements appointing OGPC or OGPCOG as agent, distributor, supplier or any such similar capacity, being obtained and procured by the Vendors for the OGPC Group;

(d) upon DNeX being satisfied with the outcome of the financial, business and legal due diligence performed on the OGPC Group;

(e) the approval of the Shareholders in EGM for the Proposals; and

(f) such other waivers, consents or approvals as may be required from any relevant authorities and/or third parties including Khazanah Nasional Berhad, if required.

The SSA shall become unconditional upon the date on which the last of the Conditions Precedent set out in **Section 2(a)** to **(f)** above of this **Appendix X** is satisfied in accordance with the terms of the SSA, which shall in any event be within the Conditional Period ("**Unconditional Date**").

Notwithstanding anything contained in the SSA, the Parties may by mutual consent and to the extent legally permissible proceed with waiving any one or more of such Conditions Precedent.

3. Non-fulfillment of Conditions Precedent

In the event that the Conditions Precedent are not fulfilled within the Conditional Period, the rights and obligations of the Parties shall lapse, be of no further effect and deemed mutually terminated and none of the Parties shall have any rights or claims against each other save and except for any antecedent breach.

If any of the Conditions Precedent is not fulfilled before the Conditional Period, the Vendors shall within 14 days from the termination of the SSA, return the Deposit together with all interest accrued thereon (if any) to DNeX.

4. Completion

If:-

(a) no event of default as set out in the SSA has occurred or would occur as a result of the completion of the SSA;

(b) the Conditions Precedent have been procured, obtained and/or fulfilled by DNeX and/or the Vendors and/or the OGPC Group;

(c) there has been, in the opinion of DNeX, no adverse change or potential adverse change in the financial condition or otherwise of the OGPC Group since the date of the SSA;

(d) each of the representations and warranties set out in the SSA remains true, correct and accurate in all respects on the day the Balance Purchase Consideration is to be paid to the Vendors in accordance with **Section 1(b)** above and which shall be a date within the Completion Period ("**Completion Date**") as if given on that date by reference to the facts and circumstances then existing;

(e) no governmental entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order, whether temporary, preliminary or permanent, which is in effect and which has or would have the effect of making the transactions contemplated by the SSA illegal or restraining or prohibiting consummation of such transactions;

then the Parties shall, on the Completion Date, complete the Acquisitions upon the terms and subject to the conditions as set out in the SSA.

In the event that any of the Parties without any default by the other Party fail and/or neglect to complete the SSA after the terms of the SSA have been rendered unconditional, or shall breach any material term or condition of the SSA, the provisions in **Section 6** below shall apply.

5. Termination

Upon the occurrence of certain events of default, among others, the breach of any material or fundamental terms or conditions of the SSA, or a failure to perform or observe any material or fundamental undertaking, obligation or agreement in the SSA including the breach of any material warranties, or an appointment of a receiver, manager, liquidator or similar official over any of the assets or undertaking of the defaulting party or the OGPC Group, the non-defaulting party may give notice in writing to the defaulting party specifying the default or breach of the defaulting party and requiring the defaulting party to remedy the said default or breach within 14 market days of the receipt of such notice or such extended period as may be allowed by the non-defaulting party.

6. (a) Default by DNeX

In the event that DNeX fails to observe or perform or otherwise be in breach of any of the provisions of the SSA and such default or breach is not remedied by DNeX within 14 market days after being given written notice by the Vendors to rectify such default or breach, the Vendors may elect to either:-

(i) terminate the SSA by notice in writing to DNeX and refund all monies paid towards account of the OGPC Group Purchase Consideration, save and except for the Deposit which shall be forfeited by the Vendors as agreed liquidated damages and thereafter neither Parties shall have any further claim against the other save and except for any antecedent breach; or

(ii) claim specific performance of the SSA against DNeX.

(b) Default by Vendors

In the event that the Vendors or any of them fail to observe or perform or otherwise be in breach of any of the provisions of the SSA or any of the warranties and representations is found to be untrue, false or misleading, and such default or breach is not remedied by the Vendors within 14 market days after being given written notice by DNeX to rectify such default or breach, DNeX may elect to either:-

(i) terminate the SSA by notice in writing to the Vendors whereby the Vendors shall forthwith refund all monies paid towards account of the OGPC Group Purchase Consideration, including the Deposit, (together with any accrued interest) to DNeX and pay to DNeX a further sum equivalent to the Deposit as agreed liquidated damages and thereafter neither Parties shall have any further claim against the other save and except for any antecedent breach; or

(ii) claim specific performance of the SSA against the Vendors.

7. Variation

(a) In the event that the relevant authorities shall impose conditions and/or variations to the terms and conditions of the SSA, the Acquisitions and/or the Proposals on the Parties, including the OGPC Group Purchase Consideration or otherwise, any party may appeal to the relevant bodies for removal or revision of the conditions and/or variations within 14 days of receipt of notification. Upon decision of the appeal is made and the other party does not accept the results of the appeal within 14 days of receipt of the same from the relevant body or the other party, then the Conditions Precedent shall be considered to be unfulfilled, in which case **Section 3** above shall apply.

(b) In the event that the outcome of the due diligence is not satisfactory to DNeX resulting in the Condition Precedent under **Section 2(d)** above not being fulfilled, the Parties may vary the terms of the SSA, including but not limited to the OGPC Group Purchase Consideration, and any such variation shall be in writing upon terms to be mutually agreed upon by the Parties.

8. Negative Covenant

Unless otherwise disclosed in writing to DNeX prior to the execution of SSA, the Vendors covenant and undertake with DNeX, amongst others, or as provided in the SSA, the Vendors shall ensure that they and/or the OGPC Group, (as the case may be) (each in relation to themselves and their capacity as shareholders in the OGPC Group), shall not between the date of the SSA and the Completion Date, without prior written consent of DNeX, declare any dividend or make any distribution of the capital of the OGPC Group to its members in any way or do or suffer anything whereby its adjusted consolidated net tangible assets would be rendered less than RM44,380,000 consisting of a cash balance of not less than RM25,200,000 as at the Completion Date.

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SALIENT TERMS OF THE MANAGEMENT SERVICES AGREEMENTS

1. Appointment as Executive

OGPC has agreed to employ the Vendors and the Vendors have agreed to serve OGPC as Directors on a full-time basis for a fixed duration of two (2) years commencing from the Completion Date of the SSA and such appointment is renewable on agreement by the parties to the Management Services Agreements, upon the terms and subject to the conditions contained in the Management Services Agreements.

2. Services and duties

The Vendors shall be providing the following services in the best interest of OGPC ("**Services**"):-

(a) responsible for the day to day management and conduct of the businesses of the OGPC Group;

(b) report to the board of Directors of OGPC on matters relating to the management, operational and financial matters of the OGPC Group and to act in accordance with the directions of the board of Directors of OGPC;

(c) keep the board of Directors of OGPC promptly and fully informed and updated on a regular basis and as and when requested, about the progress of the business and its management;

(d) faithfully and diligently undertake and perform such duties and exercise such powers in relation to the OGPC Group and its business as the board of Directors of OGPC shall from time to time assign or vest in them;

(e) immediately undertake to construe, develop, identify and implement a succession plan and to identify and put in place those personnel (which the board of Directors of OGPC shall have the discretion to approve or reject, and whose approval shall not be unreasonably withheld) who shall be the management successor of the of OGPC; and

(f) other services incidental thereto their positions as set out in the Management Services Agreements as may be required by OGPC and all such things as may fall within the usual scope of that office.

3. Management

Notwithstanding the above,

(a) The Vendors' operation and management of the businesses of the OGPC Group will be subject to the OGPC's instructions and the approved discretionary authority limits adopted by DNeX group of companies from time to time.

(b) The Vendors shall not, without OGPC's prior written consent:-

(i) enter into any contract or vary the terms of, or terminate, any contract; or

(ii) commit the business to any expenditure or capital commitment which is:–

(aa) outside the ordinary course of its business; or

(bb) exceeds the approved Discretionary Authority Limits adopted by DNeX Group;

(c) The Vendors shall not have any power or authority:-

(i) to represent or bind or pledge the credit of the OGPC Group;

(ii) to incur any obligations (financial or otherwise) for and on behalf of the OGPC Group;

(iii) to make any decisions in relation to the financial matters of the OGPC Group and shall act in accordance with the directions, observe all restrictions and carry out all directives that OGPC may impose in relation to the financial matters of the OGPC Group; and

(iv) to appoint auditor and accountant of the OGPC Group, the right of which shall lie solely with OGPC. The accountant appointed by the OGPC shall report to the Group Chief Financial Officer of DNeX,

save and except where the Vendors have been authorised by a resolution of the board of OGPC to do so.

4. No conflict of interest

Save and except for the business of OGPC and/or its subsidiaries or associated companies, the Vendors shall not, during the continuance of their appointment, and for three (3) years after the termination of their appointments (except as a representative of DNeX with the consent in writing of the board of OGPC) either on their own account or in conjunction with or on behalf of person, firm, company or organisation:-

(a) be directly or indirectly engaged or concerned or interested whether as shareholder, Director, executive, partner, agent or otherwise in any other business similar to the business carried on by the OGPC Group or any transactions or any deals competing with or in opposition to the business for the time being of the OGPC Group; and

(b) employ, solicit or entice away from the OGPC Group any person who is or shall have been at the date of or within one (1) year prior to such cessation of their employments, an officer, manager, consultant or employee of the OGPC Group whether or not such person would commit a breach of contract by reason of leaving such employment.

5. Non-solicitation and restrictive covenants

5.1 Restrictive covenants

The Vendors undertake with the OGPC that except with the consent in writing of the OGPC:-

(a) for the period of three (3) years after the cessation of their appointments with OGPC for any reason whatsoever, they will not solicit or attempt to solicit any business transaction with any person, firm, company or organisation who shall at any time during the period of two (2) years prior to the date of termination of the Vendors' appointments have been a customer, client, agent or correspondent of the OGPC Group or in the habit of dealing with the OGPC Group with a view to enticing away the business transactions of such person, firm, company or organisation from the OGPC Group;

(b) they will not at any time hereafter make use of or disclose or divulge to any third party any private or confidential information relating to the OGPC Group other than any information properly available to the public or disclosed or divulged pursuant to an order of a court of competent jurisdiction;

(c) they will not at any time hereafter in relation to any trade, business or company use name or any part or parts thereof in such a way as to be capable of or likely to be confused with the name of the OGPC Group and shall use all reasonable endeavour to procure that no such name shall be used by any person, firm or company with which they are connected; and

(d) they will not during the continuance of the Management Services Agreements make otherwise than for the benefit of OGPC any notes or memorandum relating to any matter within the scope of the business of the OGPC Group or concerning any of its dealings or affairs nor shall the Vendors either during the continuance of this Management Services Agreements or afterwards use or permit to be used any such notes or memorandum otherwise than for the benefit of the OGPC Group it being the intention of the parties to the Management Services Agreements that all such notes or memorandum made by the Vendors shall be the property of the OGPC Group and left at its office upon the termination of their appointment hereunder the Management Service Agreements.

5.2 Moratorium on the transfer of Consideration Shares in DNeX

Subject to any undertaking to be given by the Vendors to the relevant authorities, the Vendors, will not sell, transfer, assign, mortgage, pledge or otherwise encumber, dispose of or deal with or part with the registered or beneficial ownership of any of their portions of the Consideration Shares for a period of three (3) years from the Completion Date without prior consent in writing from DNeX.

6. Termination

The Management Services Agreements may be terminated forthwith by OGPC without any compensation to any of the Vendors if such Vendor shall at any time:-

(a) commit any breach of any of the provisions of the Management Services Agreements and has failed to make good any such breach within fourteen (14) days of being required to do so by way of written notice identifying the breach and steps which must be taken to remedy it; or

(b) be guilty of any serious misconduct or wilful neglect in the discharge of his duties; or

(c) be found to be grossly incompetent; or

(d) be convicted of any criminal offence in Malaysia or elsewhere other than an offence which in the reasonable opinion of the board of Directors of OGPC does not affect his position as the executive of OGPC; or

(e) become bankrupt or is unable to pay his debts or admits in writing his inability to pay his debts as they fall due or make any arrangement or composition with his creditors in Malaysia or elsewhere or makes a general assignment for the benefit of his creditors or a bankruptcy proceeding is brought against him; or

(f) become of unsound mind; or

SALIENT TERMS OF THE MANAGEMENTS SERVICES AGREEMENTS *(Cont'd)*

(g) by reason of circumstances beyond the control of OGPC which renders OGPC to be unable to usefully utilise his Services; or

(h) become prohibited from being a Director by reason of any order made under the Act or contravenes Section 130 of the Act; or

(i) by reason of his death; or

(j) subject to **Section 7** below, by reason of OGPC being wound up or having been instituted with winding up proceedings; or

(k) by reason of the SSA not being completed; or

(l) engage in any conduct which in the opinion of OGPC is likely to affect or detrimental to the interest of OGPC or the OGPC Group; or

(m) commit any breach of fiduciary duty or act of dishonestly relating to the OGPC or OGPC Group or otherwise in connection with the Services.

If the Management Services Agreements are terminated under **Section 6 (a),(b),(c),(d),(e),(f),(h),(l)** or **(m)** above, the Vendors above shall be deemed to be in breach of the Management Services Agreements and determination of the Management Services Agreements shall be without prejudice to OGPC's right to any claim for damages in respect of such breach.

In the event that OGPC and DNeX fail to observe or perform or otherwise be in breach of any provisions of the Management Services Agreements and such default or breach is not remedied within fourteen (14) days, the Vendors may elect to terminate the Management Services Agreements by notice in writing and are compensated for the remaining emoluments and benefits accrue to the Vendors without prejudice to the Vendors' right to any claim for damages in respect of such breach.

7. Reconstruction or amalgamation of OGPC

If before the termination of the Management Services Agreements, the Vendors' appointments under the Management Services Agreements shall be determined by reason of the liquidation of the OGPC Group for the purpose of reconstruction or amalgamation and they shall be offered appointment with any concern or undertaking resulting from such reconstruction or amalgamation on terms and conditions not less favourable than the terms of the Management Services Agreements then they shall have no claim against the OGPC Group in respect of the determination of their appointments thereunder.

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OGPC GROUP COMPARABLE COMPANIES

Below are the OGPC Group Comparable Companies which are identified by Protégé Associates Sdn Bhd , the independent market researcher, based on the following criteria:-

(a) registered a turnover of over RM80 million based on latest financial information;

(b) involved in the provision of pumps or valves; or

(c) caters to the O&G industry.

Company name	Principal activities	Market capitalisation[(1)] RM million	Revenue[(2)] RM million	PAT[(2)] RM million	PER[(3)] (times)
Pantech Group Holdings Berhad ("**Pantech**")	Pantech, currently listed on the Main Market of Bursa Securities, is involved in the manufacturing/ trading of pipes, fittings, flanges, valves and other components that serve a wide range of industries, including but not limited to O&G, marine and shipbuilding, palm oil, power plants, etc. Pantech is involved in the trading and supply of valves through its subsidiary, Pantech Corporation Sdn Bhd. For information purpose, for the financial year ended 28 February 2015, Pantech recorded RM525.8 million in revenue, of which RM298.0 million was generated from its trading segment and RM227.8 million was contributed from its manufacturing segment.	341.9	525.8	43.2	9.2
Unimech Group Berhad ("**Unimech**")	Unimech, currently listed on the Main Market of Bursa Securities, is principally involved in designing and manufacturing of industrial and residential valves, strainers, steel flanges, pipe fittings, rubber expansion bellows, vibration absorption sheets, roller, gaskets, as well as polyurethane casting and extrusion products. On top of that, Unimech is also involved in the importation and distribution of engineering equipment and components such as burners and broilers, heat exchanger tube cleaning equipment and descaling equipment, valves and gauges, etc. Other services provided by Unimech include overhaul of engineering equipment and parts replacement, consultancy on air pollution control, exhaust stock design, plant and process monitoring and recording systems. Unimech is involved in the trading of industrial valves for O&G industry in Malaysia through Unimech Valves Technology Sdn Bhd. For information purpose, for the FYE 2015, Unimech recorded RM239.5 million in revenue, of which RM189.0 million was generated from its valves, instrumentation and fittings segment, RM23.0 million from its pumps segment.	140.8	239.5	12.3	14.0

OGPC GROUP COMPARABLE COMPANIES *(Cont'd)*

	Minimum				9.2
	Average				11.6
	Maximum				14.0

Source: OGPC Group Comparable Companies are extracted from the Executive Summary of the IMRR.

Notes:-

(1) Based on the market capitalisation as at the LPD as extracted from Bloomberg.

(2) Based on the latest audited financial statemants, annual reports or other publicly available information.

(3) Based on the average daily last market price beginning from first trading day of year 2016 up to and including the LPD against the average daily trailing twalva (12)-months EPS from the first trading day of the year 2016 up to and including the LPD.

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OGPC GROUP COMPARABLE COMPANIES *(Cont'd)*

Additionally, AmInvestment Bank has also tabulated an additional list of OGPC Group Comparable Companies based on the following criteria:-

(a) involved in the provision of oil equipment; and

(b) designing and fabrication works in O&G industry and petrochemicals.

Company name	Principal activities	Revenue[1] RM million	PAT[1] RM million	PBR[2] (times)	PER[3] (times)
Turbo-Mech Bhd ("**Turbo-Mech**")	Turbo-Mech distributes **rotating equipment for the oil, gas, and petrochemical industries**. The company supplies various products including centrifugal pumps, metering pumps, high pressure gas compressors, high pressure pumps, non-seal pumps, steam turbines, industrial cooling fans and spare parts.	36.1	8.5	1.1	14.6
Handal Resources Berhad ("**Handal Resources**")	Handal Resources, an investment holding company, provides integrated crane services in Malaysia and Indonesia. It provides **overhaul and maintenance services**, manufactures or **fabricates offshore pedestal cranes**, and provides offshore crane rental services and lifting solutions for workover projects, as well as other services, such as supply of manpower and parts.	114.6	5.5	0.4	7.9
APB Resources Berhad ("**APB Resources**")	APB Resources, an investment holding company, **fabricates design engineering equipment for the petrochemical process**, chemical, oil palm processing, paper mill, and power generation industries in Malaysia.	136.9	18.4	0.6	17.9
KKB Engineering Berhad ("**KKB Engineering**")	KKB Engineering fabricates steel, provides civil construction, hot dip galvanising, manufactures liquefied petroleum gas cylinders and cylindrical steel drums and through its subsidiaries, the company has diversified into **fabrication operations in offshore facilities for the O&G** industry.	127.9	29.1	1.3	31.1
Uzma Bhd ("**Uzma**")	Uzma is an investment holding company. The company through its subsidiaries works with provision of O&G geoscience and reservoir engineering services, **provision of O&G drilling and operations services and provision of O&G project** and operations services. Uzma's activities also include O&G engineer and personal replacement and management systems.	510.8	11.3	1.6	46.5
	Minimum			0.4	7.9
	Average			1.0	23.6
	Maximum			1.6	46.5

Source: OGPC Group Comparable Companies details are extracted from Bloomberg.

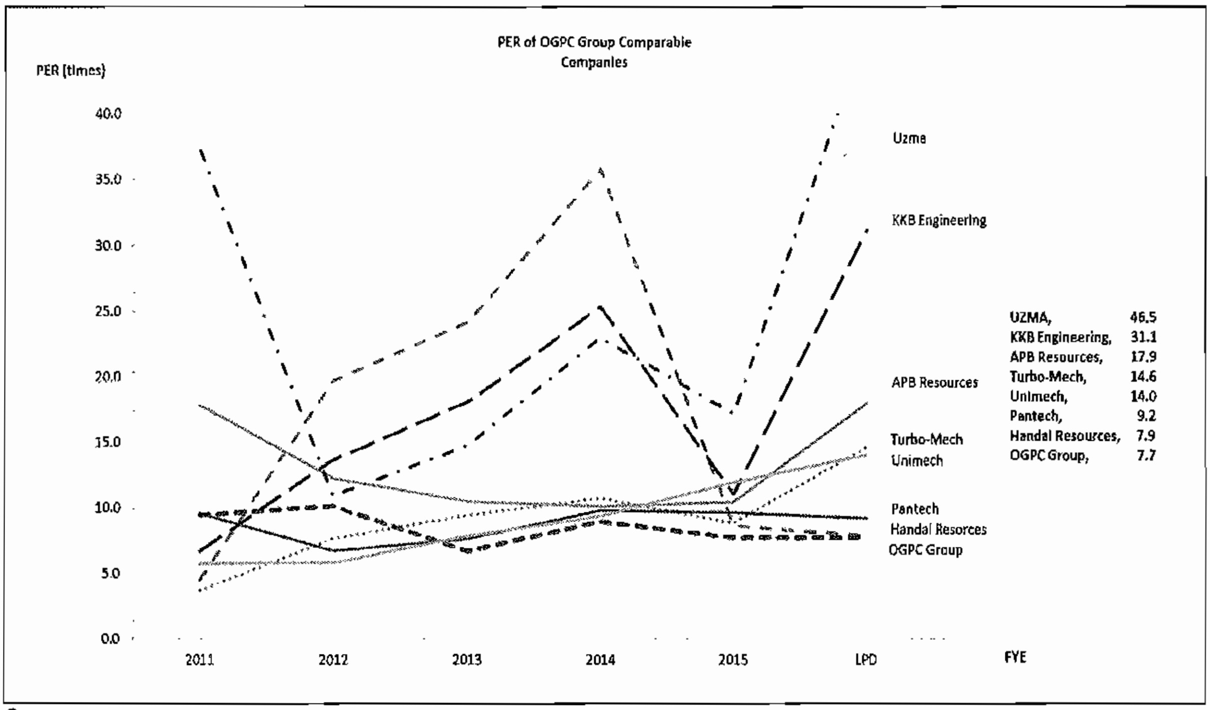
Notes:-

(1) Based on the latest audited financial statements, annual reports or other publicly available information.

(2) Based on the PBR as at the LPD as extracted from Bloomberg.

(3) Based on the average daily last market price beginning from first trading day of year 2016 up to and including the LPD against the average daily trailing twelve (12)-months EPS from the first trading day of the year 2016 up to and including the LPD.

OGPC GROUP COMPARABLE COMPANIES *(Cont'd)*



Source:
Data is derived from Bloomberg.

Please note that for the FYE 2015, the OGPC Group Purchase Consideration represents a PER of 7.7 times. Please also note that for the LPD, the OGPC Group Purchase Consideration also represents a PER of 7.7 times, based on the latest audited financial statements of the OGPC Group for the FYE 2015.

Commentary on the graph of PER of OGPC Group Comparable Companies from the FYE 2011 to the LPD

As shown in the graph above, there was an overall upward PER trend for the OGPC Group Comparable Companies starting from the FYE 2011 at PER ranging from 4 to 18 times (excluding Uzma) to PER ranging from 10 to 36 times in the FYE 2014. After that, there was a downward trend to a PER range of 9 to 17 times as in the FYE 2015.

The upward trend of the PER from the FYE 2011 to the FYE 2014 was mainly due to the increase in Dated Brent crude oil price which peaked at USD115 per barrel on 19 June 2014. Subsequently, growth was restrained by the slump in crude oil prices, which began around the second half of 2014.

On the global front, increasing crude oil production from USA coupled with slow demand from Europe and Japan had resulted in crude oil oversupply and accordingly, weighted on the pricing of the said commodity. Numerous O&G companies' earnings were impacted due to the decline in global oil prices. Hence, the overall upward trend for the PER of OGPC Group Comparable Companies from the FYE 2015 to the LPD. Overall, the OGPC Group Purchase Consideration, which represents a PER of 7.7 times, is lower than the range of 7.9 to 46.5 times of the PER of the OGPC Group Comparable Companies from the beginning of this year up to the LPD.

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ADDITIONAL INFORMATION

1. SHARE CAPITAL

(a) Save for the Rights Shares, Warrants and new DNeX Shares to be issued pursuant to the exercise of the Warrants, no securities will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of the issuance of this Abridged Prospectus.

(b) As at the date of this Abridged Prospectus, there is only one (1) class of shares in our Company, namely the ordinary shares of RM0.20 each, all of which rank *pari passu* with each other.

(c) As at the date of this Abridged Prospectus, save for disclosed below, no person has been or is entitled to be granted an option to subscribe for any securities of our Company and no capital of our Group is under any option or agreed conditionally or unconditionally to be put under any option:-

(i) our Entitled Shareholders who will be provisionally allotted the Rights Shares and corresponding number of Warrants under the Rights Issue;

(ii) investor(s) for the issuance of Special Issue Shares, Consideration Shares and Warrants under the Special Issue and Acquisitions; and

(iii) Eligible Persons for granting of ESOS Options under the ESOS. The ESOS shall be in force for a period of five (5) years commencing from the effective date of the implementation of the ESOS ("**Effective Date**"), which shall be the date of full compliance with all of the relevant requirements. On or before the expiry of the ESOS, our Board shall have the absolute discretion, without having to obtain sanction, approval or authorisation of the Shareholders in a general meeting, to extend the duration of the ESOS upon recommendation of the ESOS Committee, provided that the initial period of the ESOS and such extension thereof shall not in aggregate exceed the duration of ten (10) years from the Effective Date.

Subject to any adjustments made under the By-Laws and pursuant to the Listing Requirements, the ESOS Subscription Price at which the Grantee is entitled to subscribe for each new DNeX Share shall be determined by our Board upon recommendation of the ESOS Committee and shall be fixed at the higher of the following:-

1. the 5D-VWAMP of DNeX Shares immediately preceding the date of Offer, with a potential discount of not more than ten percent (10%) or such lower or higher limit in accordance with any prevailing guidelines, rules or regulations issued by Bursa Securities or any other relevant authorities as may be amended from time to time during the duration of the ESOS; or

2. at the par value of DNeX Shares of RM0.20 each (or such other par value as may be permitted by the Act).

The ESOS Subscription Price as determined by our Board shall be conclusive and binding on the Grantees.

2. DIRECTORS' REMUNERATION

The provisions in our Company's Articles of Association in relation to the remuneration of our Directors are as follows:-

Article 83

(a) *Subject to Article 87, fee of the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting, and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that in the latter event any Director who shall hold office for part only of the period in respect of which such fee is payable shall be entitled only to rank in such division for a proportion of fee related to the period during which he held office. Such fee shall be by way of a fixed sum and not by way of a commission on or percentage of profits or turnover of the Company. Fees payable to non executive directors shall be by a fixed sum and not by a commission on or percentage of profit or turnover. Salaries payable to executive director may not include a commission on or percentage of turnover.*

(b) *Fee payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the general meeting.*

Article 85

The Directors shall be entitled to be repaid all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors, or of any committee of the Directors, or general meeting, or otherwise in or about the business of the Company.

Article 86

Any Director, who is appointed to any executive office or who serves on any committee or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise (but not a commission on or percentage of turnover) as the Directors may determine. Any such extra remuneration payable to non-executive Directors shall be by way of a fixed sum or otherwise but shall not include a commission on or percentage of turnover or profits.

Article 87

(a) *The Directors may pay pensions or allowances (either revocable or irrevocable and either subject or not subject to any terms or conditions) to any full-time Director as hereinafter defined on or at any time after his retirement from his office or employment under the Company or under any subsidiary company or on or after his death to his widow or other dependants.*

(b) *The Directors shall also have power and shall be deemed always to have had power to establish and maintain and to concur with subsidiary companies in establishing and maintaining any schemes or funds for providing pensions, sickness or compassionate allowance, life assurances or others benefits for staff (including any Director for the time being holding any executive office or any office of profit in the Company) or employees of the Company or of any such subsidiary company and for the widows or other dependants of such persons and to make contributions out of the Company's moneys for any such schemes or funds.*

(c) In this Article the expression "full-time Director" shall mean and include any Director who has for a continuous period of not less than five (5) years been engaged substantially whole- time in the business of the Company or any subsidiary company in any executive office or any office of profit or partly in one or partly in another.

Article 91 (Managing Directors' Remuneration)

A Director holding any such office as aforesaid shall receive such remuneration as the Directors may determine but shall not under any circumstances be remunerated by a commission on or a percentage of turnover of the Company.

3. MATERIAL LITIGATION

3.1 DNeX Group

As at the LPD, neither DNeX nor any of its subsidiaries is engaged in any litigation, claim or arbitration, either as plaintiff or defendant, which has a material and adverse effect on the financial position or business of our Group and our Board confirms that there are no proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of DNeX Group.

3.2 OGPC Group

Save as disclosed below, as at the LPD, neither OGPC nor OGPCOG is engaged in any litigation, claim or arbitration, either as plaintiff or defendant, which has a material and adverse effect on the financial position or business of the OGPC Group and the Directors of the OGPC Group confirm that there are no proceedings, pending or threatened against the OGPC Group, or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the OGPC Group:-

OGPC v MSET Engineering Corporation Sdn Bhd
Shah Alam High Court Suit No. 22NCVC-236-04/2015

OGPC ("**Plaintiff**") had on 28 April 2015 filed a writ against MSET Engineering Corporation Sdn Bhd ("**Defendant**") at Shah Alam High Court ("**High Court**") in relation to a claim for goods sold and delivered and services rendered for the sum owing to the Plaintiff under invoices amounting to RM1,116,319.29 ("**said Sum**") together with interest of 1% per annum.

The Plaintiff had on 24 August 2015 obtained a summary judgment against the Defendant for the said Sum together with interest thereon at the rate of 1% per month on the outstanding invoice calculated after one month's expiry date from the date of payment for each invoice till date of full settlement and cost of RM3,000.00 of 1% per annum.

OGPC v MSET Engineering Corporation Sdn Bhd
Shah Alam High Court Winding Up Petition No.: BA-28NCC-72-02/2015

Since the Defendant has failed to effect payment of the said Sum to the Plaintiff, the Plaintiff is now enforcing the summary judgment dated 24 August 2015 by way of winding up proceedings to recover the said Sum.

The solicitors are of the opinion that there is no exposure to liabilities.

4. MATERIAL CONTRACTS

4.1 DNeX Group

Save as disclosed below, DNeX Group has not entered into any material contracts, not being contracts entered into in the ordinary course of business, within the past two (2) years preceding the date of this Abridged Prospectus:-

(a) the SSA;

(b) the Management Services Agreements;

(c) DNeX had on 18 July 2014 entered into a subscription agreement with DNeXPORT Sdn Bhd *(formerly known as DNeX Hallmark e-Commerce Sdn Bhd)* ("**DNeXPORT**") for the subscription of 800,000 ordinary shares of RM1.00 each in DNeXPORT at Ringgit Malaysia Eight Hundred Thousand (RM800,000), which was satisfied in cash from DNeX's internal generated funds. As at the date of this Abridged Prospectus, this agreement is completed;

(d) DNeX had on 18 July 2014 entered into a shareholders agreement with DNeXPORT and Tengku Mohamad Rizam bin Tengku Abdul Aziz ("**TMR**") to form a strategic partnership via DNeX's and TMR's investment in DNeXPORT to carry on the business which includes but is not limited to the development and operation of a business-to-business e-commerce business portal which will offer various e-commerce solutions and business applications to the small and medium industries and small and medium enterprises market via partnerships with financial institutions both locally and overseas;

(e) DNeXPORT had on 18 July 2014 entered into a trade2cash technology ("**Trade2Cash**") cooperation agreement with Trade-Van Information Services Co for the grant of a non-exclusive right to use the copyright, technical information and know-how of Trade2Cash in connection with the development, operation and sales of the Trade2Cash to be used by any Malaysian banks at a total sum of United States Dollar One Hundred Eighty Six Thousand and Seven Hundred (USD186,700), which was satisfied in cash;

(f) DNeXPORT had on 22 July 2014 entered into a collaboration agreement with Malayan Banking Berhad for the collaboration in the marketing and promotion of Malayan Banking Berhad's products and services to DNeXPORT's customers of its Trade2Cash products and services offering subject to the terms and conditions of the collaboration agreement;

(g) DNeX had on 11 December 2014 entered into a share sale and purchase agreement with Dato' Azmi bin Abdullah for 1,530,000 ordinary shares of RM1.00 each in FESB representing 51% of the issued and paid up capital of FESB at Ringgit Malaysia One Million Five Hundred and Thirty Thousand (RM1,530,000), which was satisfied in cash from DNeX's internally generated funds. As at the date of this Abridged Prospectus, this agreement is completed;

(h) the Supplemental SSA;

(i) DNeX Oilfield had entered into the following agreements with Baker Hughes (M) Sdn Bhd ("**BH**"):-

(i) on 31 March 2015 in relation to the sale and purchase agreement for the acquisition of tools and equipment ("**BH's Equipment**") from BH at a total cash consideration of United States Dollar Four Million Two Hundred Seventeen Thousand Three Hundred and Twenty Six (USD4,217,326), which was satisfied in cash. As at the date of this Abridged Prospectus, this agreement is completed; and

(ii) on 1 April 2015, equipment rental agreement for the renting of the BH's Equipment exclusively to BH for its business operations for a term of four (4) years from 1 April 2015 with an option to extend for a period of one (1) year and a further option to extend for an additional one (1) year, for a total monthly lease charge of United States Dollar Eighty Seven Thousand Eight Hundred and Sixty (USD87,860). This agreement will be terminated upon expiry of the ninety (90) days' notice of termination given by DNeX to BH on 1 April 2016;

(j) DNeX Petroleum had on 7 September 2015 entered into a share subscription agreement with Ping to subscribe for 10,544,801 new ordinary shares of USD0.001 each in the share capital of Ping, which shall on closing date constitute not less than thirty percent (30%) of the entire enlarged issued capital of Ping at the cash consideration of United States Dollar Ten Million (USD10,000,000). As at the date of this Abridged Prospectus, this agreement is completed;

(k) the Deed Poll dated 15 June 2016 executed by our Company constituting the Warrants; and

(l) the Underwriting Agreement dated 15 June 2016 entered into between our Company, Managing Underwriter and Joint Underwriters.

4.2 OGPC Group

The OGPC Group has not entered into any material contracts, not being contracts entered into in the ordinary course of business, within the past two (2) years preceding the date of this Abridged Prospectus.

5. CONSENTS

Our Principal Adviser, Managing Underwriter, Joint Underwriters, Principal Bankers, Share Registrar, Company Secretary, and Solicitors for the Rights Issue have given and have not subsequently withdrawn their written consents for the inclusion of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Our Auditors and Reporting Accountants have given and have not subsequently withdrawn their written consent for the inclusion of their name, Reporting Accountants' letter in relation to the our Proforma Consolidated Financial Position as at 31 December 2015, auditors' report in relation to our audited consolidated financial statements for the financial year ended 31 December 2015, Accountants' Report on the OGPC Group and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Our Independent Market Researcher has given and has not subsequently withdrawn its written consent to the inclusion of its name and executive summary of the IMRR in the form and context in which they appear in this Abridged Prospectus.

Bloomberg Finance L.P., has given and has not subsequently withdrawn its written consent for the inclusion of its name and citation of the market data/historical share prices of DNeX made available to its subscribers in the form and context in which they appear in this Abridged Prospectus.

6. GENERAL

(a) There are no existing or proposed service contracts entered or to be entered into by our Company with any of our Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.

(b) Save as disclosed in this Abridged Prospectus, the financial conditions and operations of our Group are not affected by any of the following:-

(i) material information including special trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group;

(ii) known trends, demands, commitments, events or uncertainties that will result in or are likely to materially increase or decrease our Group's liquidity;

(iii) material commitments for capital expenditure;

(iv) unusual, infrequent events or transactions or significant economic changes that materially affect the amount of reported income from our operations;

(v) known trends or uncertainties that have had, or that our Group reasonably expects to have, a material favourable or unfavourable impact on our Group's revenue or operating income; and

(vi) substantial increase in revenue.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are made available for inspection at the Registered Office of our Company at Tower 3, Avenue 5, The Horizon, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, during normal business hours from Monday to Friday (except public holidays) for a period of twelve (12) months from the date of this Abridged Prospectus:-

(a) our Memorandum and Articles of Association;

(b) the Deed Poll;

(c) our Proforma Consolidated Statement of Financial Position as at 31 December 2015 together with the Reporting Accountants' letter thereon as set out in **Appendix IV** of this Abridged Prospectus;

(d) our audited consolidated financial statements for the past three (3) FYEs 2013, 2014 and 2015;

(e) our unaudited consolidated financial statements for the three (3)-months FPE 2016 as set out in **Appendix VI** of this Abridged Prospectus;

(f) audited financial statements of OGPC and OGPCOG for the past four (4) FYEs 2012, 2013, 2014 and 2015;

(g) Accountants' Report by Crowe Horwath on the OGPC Group as set out in **Appendix VII** of this Abridged Prospectus;

(h) our Directors' Report, as set out in **Appendix IX** of this Abridged Prospectus;

(i) the letters of consent as referred to in **Section 5** of this **Appendix XIII;**

(j) the letter of Undertaking by Censof as referred to in **Section 2.5** of this Abridged Prospectus;

(k) the material contracts as set out in **Section 4** of this **Appendix XIII**;

(l) the relevant cause papers in respect of the material litigation referred to in **Section 3** of this **Appendix XIII**;

(m) IMRR; and

(n) the certified true extract of the resolutions pertaining to the Proposals passed at our Company's EGM held on 27 January 2016 as set out in **Appendix I** of this Abridged Prospectus.

8. RESPONSIBILITY STATEMENT

Our Board has seen and approved the Documents and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in the Documents false or misleading.

This Abridged Prospectus has been prepared based on information furnished to AmInvestment Bank by our Board and management. Reasonable care has been taken to ensure that the information contained in this Abridged Prospectus is accurate and that there are no false or misleading statements or other facts which if omitted would make the statements this Abridged Prospectus false or misleading.

Information relating to the OGPC Group and the Vendors has been obtained from information/ documents provided by the Directors and management of the OGPC Group and publicly available information/documents. The responsibility of our Board shall be to ensure that such information is accurately reproduced in this Abridged Prospectus.

AmInvestment Bank, being our Principal Adviser for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

NOTICE OF PROVISIONAL ALLOTMENT

Terms defined in the Abridged Prospectus dated 30 June 2016 ("Abridged Prospectus") shall have the same meanings when used in this Notice of Provisional Allotment ("NPA") unless stated otherwise.

The Provisional Allotments (as defined herein) as contained in this NPA are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 as amended from time to time, including Securities Industry (Central Depositories) Amendment Act, 1998 ("SICDA") and therefore, the SICDA and the Rules of Bursa Malaysia Depository Sdn Bhd ("Bursa Depository") shall apply in respect of dealings in the Provisional Allotments (as defined herein).

DAGANG NeXCHANGE BERHAD

(Company No. 10039-P)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF 465,146,809 NEW ORDINARY SHARES OF RM0.20 EACH IN DAGANG NeXCHANGE BERHAD ("DNeX" OR THE "COMPANY") ("SHARE(S)" OR "DNeX SHARE(S)") ("RIGHTS SHARE(S)") TOGETHER WITH 465,146,809 NEW FREE DETACHABLE WARRANTS ("WARRANT(S)") AT AN ISSUE PRICE OF RM0.21 PER RIGHTS SHARE ON THE BASIS OF THREE (3) RIGHTS SHARES TOGETHER WITH THREE (3) WARRANTS FOR EVERY FIVE (5) EXISTING DNeX SHARES HELD AS AT 5.00 P.M. ON 30 JUNE 2016 ("RIGHTS ISSUE")

Principal Adviser, Managing Underwriter & Joint Underwriter

AmInvestment Bank

AmInvestment Bank Berhad
(Company No. 23742-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Underwriters

INVESTMENT BANK BERHAD (20657-W)

JF APEX SECURITIES BERHAD (47680-X)
A Participating Organisation of Bursa Malaysia Securities Berhad

To: The Entitled Shareholders

Dear Sir/Madam,

Our Board of Directors ("**Board**") has provisionally allotted to you, in accordance with the ordinary resolution passed at the Extraordinary General Meeting of our Company convened on 27 January 2016, approval of the Securities Commission Malaysia vide its letter dated 20 October 2015 and approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") vide its letter dated 24 November 2015, the number of Rights Shares as indicated below ("**Provisional Allotments**").

We wish to advise you that the Provisional Allotments made to you in respect of the Rights Issue have been confirmed by Bursa Depository and upon acceptance will be credited into your Central Depository System ("**CDS**") account(s), subject to the terms and conditions stated in the Abridged Prospectus and Rights Subscription Form ("**RSF**") issued by our Company.

The Provisional Allotments is made subject to the terms and conditions stated in the Abridged Prospectus issued by our Company. Bursa Securities has already prescribed our securities listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Provisional Allotments are prescribed securities and as such, all dealings in the Provisional Allotments will be by book entry through CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository.

ALL RIGHTS SHARES TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES AND THE WARRANTS INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S) AND/OR THEIR TRANSFEREE(S) (IF APPLICABLE). NO PHYSICAL SHARE CERTIFICATES OR WARRANT CERTIFICATES WILL BE ISSUED.

It is the intention of our Board to allot the Excess Rights Shares, if any, in a fair and equitable manner to our Entitled Shareholders and/or their renouncee(s) and/or transferee(s) (if applicable) who have applied for the Excess Rights Shares in the following priority:-

(i) firstly, to minimise the incidence of odd lots;
(ii) secondly, for allocation to Entitled Shareholders who have applied for the Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on their respective shareholdings as per their CDS Account as at the Entitlement Date;
(iii) thirdly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights Shares applied for; and
(iv) finally, for allocation to the renouncee(s) and/or transferee(s) who have applied for Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights Shares applied for.

Nevertheless, our Board reserves the right to allot the Excess Rights Shares applied for under Part I(B) of the RSF in such manner as our Board deems fit and expedient, and in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board set out in (i) to (iv) above is achieved. Our Board also reserves the right to accept any application for the Excess Rights Shares, in full or in part, without assigning any reason.

NAME, ADDRESS AND CDS ACCOUNT NUMBER OF ENTITLED SHAREHOLDER

NUMBER OF DNeX SHARES HELD AS AT 5.00 P.M. ON 30 JUNE 2016	NUMBER OF RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	NUMBER OF WARRANTS ATTACHED TO RIGHTS SHARES PROVISIONALLY ALLOTED TO YOU	AMOUNT PAYABLE IN FULL UPON ACCEPTANCE AT RM0.21 PER RIGHTS SHARE (RM)

IMPORTANT RELEVANT DATES AND TIME:

Entitlement Date	: Thursday, 30 June 2016 at 5.00 p.m.
Last date and time for sale of Provisional Allotments	: Tuesday, 12 July 2016 at 5.00 p.m.
Last date and time for transfer of Provisional Allotments	: Friday,15 July 2016 at 4.00 p.m.
Last date and time for acceptance and payment for the Provisional Allotments	: Wednesday, 20 July 2016 at 5.00 p.m.*
Last date and time for application and payment for the Excess Rights Shares	: Wednesday, 20 July 2016 at 5.00 p.m.*

* *or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time.*

BY ORDER OF THE BOARD
KEH CHING TYNG (MAICSA 7050134)
Company Secretary

SHARE REGISTRAR
MEGA CORPORATE SERVICES SDN BHD (187984-H)
Level 15-2, Bangunan Faber Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur.
Tel: (03) 2692 4271
Fax: (03) 2732 5388

THIS NOTICE OF PROVISIONAL ALLOTMENT IS DATED 30 JUNE 2016
WARNING: DO NOT DETACH ANY PART OF THIS DOCUMENT AND PLEASE SEND THIS DOCUMENT IN ITS ENTIRETY TO THE SHARE REGISTRAR

RIGHTS SUBSCRIPTION FORM

TERMS DEFINED IN THE ABRIDGED PROSPECTUS DATED 30 JUNE 2016 ("ABRIDGED PROSPECTUS") SHALL HAVE THE SAME MEANINGS WHEN USED IN THIS RIGHTS SUBSCRIPTION FORM ("RSF") AND THE NOTES AND INSTRUCTIONS FOR COMPLETING THIS RSF UNLESS STATED OTHERWISE. THIS RSF IS ISSUED FOR THE PURPOSE OF ACCEPTING THE RIGHTS SHARES AND APPLYING FOR EXCESS RIGHTS SHARES PURSUANT TO THE RIGHTS ISSUE (AS DEFINED HEREIN) OF DAGANG NeXCHANGE BERHAD. THIS RSF IS ONLY APPLICABLE TO PERSONS WHO HAVE PROVISIONAL RIGHTS SHARES PURSUANT TO THE RIGHTS ISSUE (AS DEFINED HEREIN) ("PROVISIONAL ALLOTMENTS") STANDING TO THE CREDIT OF HIS/HER CENTRAL DEPOSITORY SYSTEM ("CDS") ACCOUNT.

DAGANG NeXCHANGE BERHAD
(Company No. 10039-P)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF 465,146,809 NEW ORDINARY SHARES OF RM0.20 EACH IN DAGANG NeXCHANGE BERHAD ("DNeX" OR THE "COMPANY") ("SHARE(S)" OR "DNeX SHARE(S)") ("RIGHTS SHARE(S)") TOGETHER WITH 465,146,809 NEW FREE DETACHABLE WARRANTS ("WARRANT(S)") AT AN ISSUE PRICE OF RM0.21 PER RIGHTS SHARE ON THE BASIS OF THREE (3) RIGHTS SHARES TOGETHER WITH THREE (3) WARRANTS FOR EVERY FIVE (5) EXISTING DNeX SHARES HELD AS AT 5.00 P.M. ON 30 JUNE 2016 ("RIGHTS ISSUE")

To: The Board of Directors of DNeX ("**Board**")

PART I - ACCEPTANCE OF RIGHTS SHARES AND APPLICATION FOR EXCESS RIGHTS SHARES

In accordance with the terms of this RSF and the Abridged Prospectus, I/we* hereby irrevocably:-
(i) *accept the number of Rights Shares as stated below which were provisionally allotted/renounced/transferred to me/us*;
(ii) *apply for the number of Excess Rights Shares as stated below in addition to the above;

in accordance with and subject to the Memorandum and Articles of Association of the Company.

I/We* enclose herewith the appropriate remittance(s) for the payment stated below in favour of the respective account stated below and crossed "A/C PAYEE ONLY", being the full amount payable for the said number of Rights Shares accepted/applied for, as stated below (ROUNDED UP TO THE NEAREST SEN), and hereby request for the said Rights Shares to be credited into my/our* valid and subsisting CDS Account as stated below:-

NUMBER OF RIGHTS SHARES ACCEPTED/ EXCESS RIGHTS SHARES APPLIED		AMOUNT PAYABLE BASED ON RM0.21 PER RIGHTS SHARE (RM)	BANKER'S DRAFT/CASHIER'S ORDER/MONEY ORDER/ POSTAL ORDER NO.	PAYABLE TO
(A) ACCEPTANCE				**DNeX RIGHTS ISSUE ACCOUNT**
(B) EXCESS				**DNeX EXCESS RIGHTS ISSUE ACCOUNT**

Note: If you have subsequently purchased additional Provisional Allotments from the open market, you should indicate your acceptance of the total Provisional Allotments that you have standing to the credit in your CDS account under Part I(A).

I/We* hereby authorise you to return without interest, the balance of my/our* application monies or the balance thereof should my/our* application for the Excess Rights Shares be not successful at all or only partially successful by ORDINARY POST to me/us* at the address as shown on the Record of Depositors at MY/OUR OWN RISK.

PART II – DECLARATION

I/We* hereby confirm and declare that:-
(i) All information provided by me/us* is true and correct;
(ii) All information is identical with the information in the records of Bursa Depository and further agree and confirm that in the event the said information differs from Bursa Depository's record as mentioned earlier, the exercise of my/our* rights may be rejected;
- I am 18 years of age or over.
- I am/We are* resident(s) of Malaysia.
- I am/We are* resident(s) of ………………….. (country) and having …………………….. citizenship.
- I am/We are* nominee(s) of a person who is a Bumiputera/Non-Bumiputera/Non-Citizen* resident in ……………… (country) and having ………………… citizenship.
- I/We* consent to DNeX and the Share Registrar of DNeX collecting the information and personal data (collectively "**Data**") required herein, to process and disclose such Data to any person for the purposes of implementing the Rights Issue and storing such Data in any servers located in Malaysia or outside Malaysia in accordance with the relevant laws and regulations.

I/We* have read and understood and hereby accept all the terms and conditions set out in this RSF, Notice of Provisional Allotment and the Abridged Prospectus and further confirm compliance with all the requirements for acceptance as set out therein.

NAME AND ADDRESS OF APPLICANT

NRIC NO./ PASSPORT NO. (STATE/COUNTRY)/ COMPANY NO.:

CDS ACCOUNT NO. | | | | - | | | | - | | | | | | | | | |

AFFIX MALAYSIAN REVENUE STAMP OF RM10.00 HERE

Date

Signature/Authorised Signatory(ies)
(Corporate Bodies must affix their Common Seal)

Contact telephone number during office hours

LAST DATE AND TIME FOR:

Acceptance and payment for the Provisional Allotments	:	Wednesday, 20 July 2016 at 5.00 p.m ^
Application and payment for the Excess Rights Shares	:	Wednesday, 20 July 2016 at 5.00 p.m ^

^ *Or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time.*

* *Please delete whichever is not applicable.*

NOTES AND INSTRUCTIONS FOR COMPLETION OF THIS RSF

THIS RSF IS NOT A TRANSFERABLE OR NEGOTIABLE INSTRUMENT.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. All enquiries concerning the Rights Issue should be addressed to our Share Registrar, Mega Corporate Services Sdn Bhd, at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur. **INVESTORS SHOULD READ AND UNDERSTAND THE CONTENTS OF THE ABRIDGED PROSPECTUS TO WHICH THIS RSF RELATES BEFORE COMPLETING THIS RSF. IN ACCORDANCE WITH THE CAPITAL MARKETS AND SERVICES ACT 2007, THIS RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THE ABRIDGED PROSPECTUS.**

This RSF, together with the Abridged Prospectus and the Notice of Provisional Allotment ("**NPA**") (collectively, the "**Documents**") are only despatched to our Shareholders whose names appear in our Record of Depositors as at 5.00 p.m. on 30 June 2016 ("**Entitled Shareholders**") who have a registered address in Malaysia or who have provided our Share Registrar with a registered address in Malaysia in writing on or before 5.00 p.m. on 30 June 2016. The Documents are not intended to be and should not be distributed, forwarded to or transmitted in or into countries or jurisdictions where to do so might constitute a violation of the securities laws or regulations of such countries or jurisdictions. No action has been or will be taken to ensure that either the Rights Issue or the Documents comply with the laws of any country or jurisdiction other than the laws of Malaysia. The Entitled Shareholders and/or their renouncee(s) and/or transferee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and/or other professional advisers as to whether the acceptance or renunciation (as the case may be) of all or any part of their Provisional Allotments, the application for the Excess Rights Shares, or the subscription, offer, sale, resale, pledge or other transfer of the Rights Shares and the Warrants would result in the contravention of any laws of such countries or jurisdictions. Neither our Company, our Principal Adviser nor any of their respective Directors and officers or affiliates shall accept any responsibility or liability whatsoever to any party in the event that any acceptance or renunciation (as the case may be) of the Provisional Allotments, the application for the Excess Rights Shares, or the subscription, offer, sale, resale, pledge or other transfer of the Rights Shares and the Warrants made by any Entitled Shareholder and/or their renouncee(s) and/or transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which the said Entitled Shareholder and/or their renouncee(s) and/or transferee(s) (if applicable) is a resident.

The approval from the Securities Commission Malaysia ("**SC**") for amongst others, the Rights Issue, was obtained vide its letter dated 20 October 2015 and our Shareholders for, amongst others, the Rights Issue, was obtained at our EGM held on 27 January 2016. The approval from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for, amongst others, the admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for all the Rights Shares, Warrants and the new Shares to be issued upon the exercise of the Warrants on the Main Market of Bursa Securities was also obtained vide its letter dated 24 November 2015. The admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for the said new securities on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue and any investment in our Company. The admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for all the said new securities will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd that all the said new securities have been duly credited into the Central Depository System Accounts of the successful Entitled Shareholders and/or their renouncee(s) and/or transferee(s) (if applicable) and the notices of allotment have been despatched to them.

A copy of the Abridged Prospectus has been registered with the SC. The registration of the Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in the Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents has also been lodged with the Registrar of Companies, who takes no responsibility for the contents of the Documents.

Our Board has seen and approved all the documentation relating to the Rights Issue, including the Documents and they collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in the Documents false or misleading.

Unless otherwise stated, the unit of currency used in this RSF is Ringgit Malaysia ("**RM**") and sen. Terms defined in the Abridged Prospectus shall have the same meanings when used in this RSF unless otherwise stated.

INSTRUCTIONS:-

(I) LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT

This RSF is valid for acceptance until 5.00 p.m. on Wednesday, 20 July 2016, or such later time and date as may be determined and announced by our Board. Where the closing date for acceptance is extended from the original closing date, an announcement of such extension will be made not less than two (2) Market Days before the the original closing date.

(II) FULL OR PART ACCEPTANCE OF RIGHTS SHARES

If you and/or your renouncee(s) and/or transferee(s) wish to accept all or part of your or their entitlement to the Provisional Allotments, please complete Parts I(A) and II of this RSF in accordance with the notes and instructions contained in this RSF, and despatch the completed and signed RSF together with the relevant remittance in RM for the full amount payable in the form of Banker's Draft(s) or Cashier's Order(s) or Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia and must be made payable to "**DNeX RIGHTS ISSUE ACCOUNT**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side(s) with your name in block letters together with your address and your CDS account number, to be received by our Share Registrar, Mega Corporate Services Sdn Bhd, at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not later than 5.00 p.m. on Wednesday, 20 July 2016 (or such later date and time as our Board may determine and announce not less than two (2) Market Days before the stipulated date and time). The remittance must be made in the exact amount payable for the Rights Shares accepted (ROUNDED UP TO THE NEAREST SEN). Cheques or other mode(s) of payment are not acceptable.

If the acceptance and payment for the Rights Shares are not received by our Share Registrar by 5.00 p.m. on Wednesday, 20 July 2016 (or such later date and time as our Board may determine and announce not less than two (2) Market Days before the stipulated date and time), the Provisional Allotments made to you or the remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. Our Board will then reserve the right to allot such Rights Shares to the applicants who have applied for the Excess Rights Shares in the manner as set out in Note (III) below.

No acknowledgement will be issued for receipt of this RSF or application monies in respect of the acceptance of the Rights Shares. Notices of allotment will be despatched to the successful applicants by ordinary post at the address shown in the Record of Depositors of Bursa Depository at their own risk within eight (8) Market Days from the last date for acceptance and payment for the Provisional Allotments or such other period as may be prescribed by Bursa Securities. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar or our Company, in respect of unsuccessful or partially success applications.

In respect of unsuccessful or partially successful Rights Shares applications, the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for acceptance of and payment for the Provisional Allotments by ordinary post to the address shown in the Record of Depositors of Bursa Depository at your own risk.

(III) APPLICATION FOR EXCESS RIGHTS SHARES

If you and/or your renouncee(s) and/or transferee(s) wish to apply for additional Rights Shares in excess of those provisionally allotted to you and/or your renouncee(s) and/or transferee(s), please complete Part I(B) of this RSF (in addition to both Part I(A) and Part II) and forward it together with a separate remittance for the full amount payable in respect of the Excess Rights Shares applied for, to our Share Registrar, Mega Corporate Services Sdn Bhd, at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur. Payment for the Excess Rights Shares applied for should be made in the same manner as described in Note (II) above, with remittance in RM made in the form of Banker's Draft(s) or Cashier's Order(s) or Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia and must be made payable to "**DNeX EXCESS RIGHTS ISSUE ACCOUNT**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side(s) with your name in block letters together with your address and CDS account number, to be received by our Share Registrar not later than 5.00 p.m. on Wednesday, 20 July 2016 (or such later date and time as our Board may determine and announce not less than two (2) Market Days before the stipulated date and time). Cheques or any other mode(s) of payment are not acceptable.

No acknowledgement will be issued for receipt of this RSF or application monies in respect of the Excess Rights Shares application. Notices of allotment will be despatched to the successful applicants by ordinary post at the address shown in the Record of Depositors of Bursa Depository at their own risk within eight (8) Market Days from the last date for application and payment for the Excess Rights Shares, or such other period as may be prescribed by Bursa Securities. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar or our Company.

In respect of unsuccessful or partially successful Excess Rights Shares applications, the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application of and payment for the Excess Rights Shares by ordinary post to the address shown in the Record of Depositors of Bursa Depository at your own risk.

It is the intention of our Board to allot the Excess Rights Shares, if any, in a fair and equitable manner to our Entitled Shareholders and/or their renouncee(s) and/or transferee(s) (if applicable) who have applied for the Excess Rights Shares in the following priority:-

(i) firstly, to minimise the incidence of odd lots;
(ii) secondly, for allocation to Entitled Shareholders who have applied for the Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on their respective shareholdings as per their CDS Account as at the Entitlement Date;
(iii) thirdly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights Shares applied for; and
(iv) finally, for allocation to the renouncee(s) and/or transferee(s) who have applied for Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights Shares applied for.

Nevertheless, our Board reserves the right to allot the Excess Rights Shares applied for under Part I(B) of the RSF in such manner as our Board deems fit and expedient, and in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board set out in (i) to (iv) above is achieved. Our Board also reserves the right to accept any application for the Excess Rights Shares, in full or in part, without assigning any reason.

(IV) SALE OR TRANSFER OF PROVISIONAL ALLOTMENTS

Should you and/or your renouncee(s) and/or transferee(s) wish to sell or transfer all or part of your or their entitlement to the Provisional Allotments to one (1) or more person(s), you may do so through your stockbrokers without first having to request for a split of the Provisional Allotments standing to the credit of your CDS Account. You may sell such entitlement on Bursa Securities or transfer to such persons as may be allowed pursuant to the Rules of Bursa Depository, both for the period up to the last date and time for the sale or transfer of the Provisional Allotments.

In selling or transferring all or part of your or their entitlement to the Provisional Allotments, you and/or your renouncee(s) and/or transferee(s) need not deliver this RSF or any document to your or their stockbroker. You and/or your renouncee(s) and/or transferee(s) are however advised to ensure that there is sufficient Provisional Allotments standing to the credit of your or their CDS account(s) before selling or transferring.

Renouncee(s) and/or transferee(s) of the Provisional Allotments may obtain a copy of the Abridged Prospectus and this RSF from their stockbrokers, our Share Registrar, our Registered Office or Bursa Securities' website (http://www.bursamalaysia.com).

If you and/or your renouncee(s) and/or transferee(s) have sold or transferred only part of your or their entitlement to the Provisional Allotments, you and/or your renouncee(s) and/or transferee(s) may still accept the balance of your or their entitlement to the Provisional Allotment by completing both Part I(A) and Part II of this RSF and deliver the completed and signed RSF together with the relevant remittance to our Share Registrar in the manner as set out in Note (II) above.

(V) GENERAL INSTRUCTIONS

(a) All applicants must sign on the front page of this RSF. All corporate bodies must affix their Common Seals.
(b) A Malaysian Revenue Stamp (NOT POSTAGE STAMP) of RM10.00 must be affixed on this RSF.
(c) The Rights Shares subscribed by the Entitled Shareholders and/or their renouncee(s) and/or transferee(s) (if applicable) will be credited into their respective CDS accounts as stated in this RSF or the exact account(s) appearing on Bursa Depository's Record of Depositors.
(d) Any interest or other benefit accruing on or arising from or in connection with any application monies shall be for the benefit of our Company and our Company shall not be under any obligation to account for such interest or other benefit to you.
(e) The contract arising from the acceptance of the Provisional Allotments by you shall be governed by and construed in accordance with the laws of Malaysia, and you shall be deemed to have irrevocably and unconditionally submitted to the exclusive jurisdiction of the courts of Malaysia in respect of any matter in connection with this RSF and the contract arising therefrom.
(f) Our Company reserves the right to accept or reject any acceptance and/or application if the instructions above are not strictly adhered to or which are illegible.
(g) Entitled Shareholders and/or their renouncee(s) and/or transferee(s) (if applicable) should note that this RSF and remittances so lodged with our Share Registrar shall be irrevocable and shall not be subsequently withdrawn.