DAGANG NEXCHANGE BERHAD (10039-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

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DAGANG NEXCHANGE BERHAD (10039-P)
Incorporated in Malaysia

Quarterly Report On Consolidated Results For The Fourth Quarter Ended 31 December 2018

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 31/12/2018 RM'000	Preceding year corresponding quarter 31/12/2017 RM'000	Twelve months to 31/12/2018 RM'000	Twelve months to 31/12/2017 RM'000
Revenue	**107,850**	**61,503**	**293,452**	**203,938**
Cost of sales	(69,550)	(33,819)	(154,033)	(96,977)
Gross profit	38,300	27,684	139,419	106,961
Other income	-	1,796	10,239	8,369
Expenses	(25,582)	(20,055)	(101,890)	(70,245)
Finance cost	(627)	(253)	(3,128)	(694)
Share of result of associate, net of tax	31	9,186	22,007	22,200
Profit before income tax	**12,122**	**18,358**	**66,647**	**66,591**
Income tax (Note 14)	(7,931)	(5,040)	(14,350)	(10,900)
Zakat	(402)	(500)	(405)	(500)
Profit for the year	**3,789**	**12,818**	**51,892**	**55,191**
Other comprehensive income for the year, net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	(7)	(274)	92	(561)
Share of other comprehensive income of associate	(347)	(6,381)	3,867	(16,916)
Fair value change in other investment	(513)	-	(734)	-
Other comprehensive income for the year, net of tax	(867)	(6,655)	3,225	(17,477)
Total comprehensive income for the year	**2,922**	**6,163**	**55,117**	**37,714**

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/12/2018 RM'000	Preceding year corresponding quarter 31/12/2017 RM'000	Twelve months to 31/12/2018 RM'000	Twelve months to 31/12/2017 RM'000
Profit attributable to:				
- Owners of the Company	301	14,677	35,345	56,599
- Non-controlling Interests	3,488	(1,859)	16,547	(1,408)
Profit for the period	**3,789**	**12,818**	**51,892**	**55,191**
Total comprehensive income attributable to:				
- Owners of the Company	(566)	8,022	38,570	39,122
- Non-controlling Interests	3,488	(1,859)	16,547	(1,408)
Total comprehensive income for the period	**2,922**	**6,163**	**55,117**	**37,714**
Earnings per share				
- Basic	0.02 sen	0.84 sen	2.01 sen	3.24 sen
- Diluted	0.02 sen	0.83 sen	1.99 sen	3.21 sen

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/12/2018 RM'000	Preceding year corresponding quarter 31/12/2017 RM'000	Twelve months to 31/12/2018 RM'000	Twelve months to 31/12/2017 RM'000
Profit before income tax is arrived at after charging/(crediting):				
Interest income	(46)	(315)	(562)	(1,213)
Loss/(Gain) on disposal of property, plant and equipment	40	(138)	(3,315)	(138)
Gain on disposal of investment in subsidiary	-	-	(1,815)	-
Interest expense	627	253	3,128	694
Depreciation and amortization	4,483	3,486	17,431	13,239
Allowance for impairment loss	649	214	1,698	415
Impairment of goodwill	-	-	3,600	-
Foreign exchange loss/ (gain)	17	(52)	150	123
Termination benefits	-	36	-	36
Reversal of impairment loss of receivables	-	(86)	-	(86)

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 2017.

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II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31/12/2018 RM'000	Audited As at 31/12/2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	68,190	65,279
Investment in associates	200,907	175,660
Other investments	4,633	4,233
Goodwill	60,220	49,740
Intangible assets	41,933	44,688
Deferred tax assets	226	-
	376,109	339,600
Current assets		
Inventories	3,021	2,770
Trade and other receivables	206,457	105,923
Tax recoverable	3,530	2,740
Cash and cash equivalents	38,998	51,834
	252,006	163,267
Total assets	**628,115**	**502,867**
EQUITY AND LIABILITIES		
Equity attributable to Owners of the Company		
Share capital	354,322	353,502
Warrant reserve	5,691	5,691
Share Option reserve	831	998
Translation reserve	(2,264)	(6,150)
Fair value reserve	(734)	-
Retained earnings	96,750	72,864
	454,596	426,905
Non-controlling Interests	(13,086)	(2,548)
Total equity	441,510	424,357
Non-current liabilities		
Bank borrowing (secured)	17,964	18,680
Deferred tax liabilities	7,524	9,249
	25,488	27,929
Current liabilities		
Trade and other payables	125,075	44,113
Bank borrowing (secured)	29,611	1,320
Tax payable	6,431	5,148
	161,117	50,581
Total liabilities	186,605	78,510
Total equity and liabilities	**628,115**	**502,867**
Net assets per share attributable to Owners of the Company (RM)	**0.26**	**0.24**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2017.

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III CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Unaudited Twelve months to 31/12/2018 RM'000	Audited Twelve months to 31/12/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received from investees		627	-
Cash receipts from customers		295,420	191,188
Cash payments to suppliers		(110,183)	(91,794)
Cash payments to employees and other expenses		(98,345)	(81,522)
Cash generated from operations		87,519	17,872
Income tax paid (net)		(18,659)	(14,506)
Zakat		(336)	(521)
Net cash generated from operating activities		68,524	2,845
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets		(20,256)	(31,102)
Proceeds from disposal of property, plant and equipment		1,361	140
Interest received		562	1,213
Acquisition of subsidiaries		(24,530)	-
Deposit for acquisition of investments		-	(1,000)
Net cash used in investing activities		(42,863)	(30,749)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share options exercised		653	5,507
(Repayment)/Drawdown of bank borrowings (net)		(43,278)	20,000
Repayment of borrowing interests		(2,909)	(612)
(Increase)/Decrease in pledged deposits and restricted cash		(5,149)	(1,487)
Dividend paid to owners of the Company		-	(17,440)
Net cash (used in)/generated from financing activities		(50,683)	5,968
Net Change in Cash and Cash Equivalents		(25,022)	(21,936)
Cash and Cash Equivalents as at beginning of financial year		44,693	66,629
Cash and Cash Equivalents as at end of financial year	(a)	19,671	44,693
		=========	========

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

	As at 31/12/2018 RM'000	As at 31/12/2017 RM'000
Cash and deposits with licensed banks		
- Unrestricted	26,708	44,693
- Restricted and pledged	12,290	7,141
	38,998	51,834
Less : Cash and cash equivalents pledged as security	(12,290)	(7,141)
Less : Bank overdrafts	(7,037)	-
Cash and Cash Equivalents as at end of financial year	19,671	44,693
	========	========

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2017.

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Quarterly Report On Consolidated Results For The Fourth Quarter Ended 31 December 2018

IV CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

In RM'000	Attributable to Owners of the Company								
	Non-distributable								
	Share capital	Warrant reserve	Share Option reserve	Translation reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
Twelve months to 31 December 2018									
Balance as at 1 January 2018									
- As previously stated	353,502	5,691	998	(6,150)	-	72,864	426,905	(2,548)	424,357
- Effect of change in accounting policies (note 2)	-	-	-	-	-	(4,273)	(4,273)	-	(4,273)
Balance as at 1 January 2018, as restated	353,502	5,691	998	(6,150)	-	68,591	422,632	(2,548)	420,084
Profit for the year	-	-	-	-	-	35,345	35,345	16,547	51,892
Foreign currency translation differences for foreign operations	-	-	-	92	-	-	92	-	92
Share of other comprehensive income of associates	-	-	-	3,867	-	-	3,867	-	3,867
Fair value change in other investment	-	-	-	-	(734)	-	(734)	-	(734)
Changes in a subsidiary's ownership interests that do not result in loss of control	-	-	-	-	-	(7,186)	(7,186)	-	(7,186)
Total comprehensive income for the year	-	-	-	3,959	(734)	28,159	31,384	16,547	47,931
Contribution by and distributions to owners of the Company									
- Effect of acquisition of subsidiary	-	-	-	-	-	-	-	(29,844)	(29,844)
- Effect of disposal of subsidiary	-	-	-	(73)	-	-	(73)	2,759	2,686
- Share options exercised	820	-	(167)	-	-	-	653	-	653
Total transactions with owners of the Company	820	-	(167)	(73)	-	-	580	(27,085)	(26,505)
Balance as at 31 December 2018	354,322	5,691	831	(2,264)	(734)	96,750	454,596	(13,086)	441,510
Twelve months to 31 December 2017									
Balance as at 1 January 2017	346,578	5,691	2,415	11,327	-	25,031	391,042	(1,884)	389,158
Profit for the year	-	-	-	-	-	56,599	56,599	(1,408)	55,191
Foreign currency translation differences for foreign Operations	-	-	-	(561)	-	-	(561)	-	(561)
Share of other comprehensive income of associates	-	-	-	(16,916)	-	-	(16,916)	-	(16,916)
Total comprehensive income for the year	-	-	-	(17,477)	-	56,599	39,122	(1,408)	37,714
Effect of acquisition of subsidiary	-	-	-	-	-	-	-	744	744
Contribution by and distribution to owners of the Company									
- Share options exercised	6,924	-	(1,417)	-	-	-	5,507	-	5,507
- Dividend to Owners of the Company	-	-	-		-	(8,766)	(8,766)	-	(8,766)
Balance as at 31 December 2017	353,502	5,691	998	(6,150)	-	72,864	426,905	(2,548)	424,357

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 2017.

V NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

These condensed consolidated interim financial statements, for the year ended 31 December 2018, 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 2017.

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 for the financial year on or after from 1 January 2018:-

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

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'

Amendments to MFRS 140 – Transfers of Investment Property

Annual Improvements to MFRS Standards 2014 – 2016 Cycles
- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

Except for the adoption of MFRS 9 and MFRS 15 as further explained below, the adoption of the above accounting standards and interpretations (including the consequential amendments) do not have any material impact on the Group's financial statements.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

(a) MFRS 9 Financial Instruments

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 financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. 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.

Classification

The Group classifies its financial assets in the following measurement categories:-

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are:-

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is determined using the effective interest rate method.

- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is determined using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss.

Equity Instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of Financial Assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI, including contract assets. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit loss if the credit risk of that financial instrument has increased significantly since initial recognition. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

For trade receivables and contract assets, the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit loss.

Transition to MFRS 9

The Group has chosen not to restate comparative figures of its financial instruments, in which case the cumulative effect of the initially application of the Standard has been adjusted to the opening balance of retained profits (or other appropriate component of equity) in the period of its initial application (i.e. 1 January 2018).

As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives. Adjustments arising from the initial application of the new impairment model has been recognised in the opening balance of the retained earnings and the carrying amount of the financial assets as at 1 January 2018 as disclosed below:

	Impact of adoption of MFRS 9 to opening balance at 1 January 2018
	RM'000
Decease in retained earnings	4,273
Decrease in trade and other receivables	4,273

(b) MFRS 15 Revenue from Contracts with Customers

Revenue is measured based on the transaction price agreed under a contract with a customer excludes amounts collected on behalf of third parties such as sales and service taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, performance bonuses, penalties or other similar items, the Group estimates the amount of consideration that it expects to be entitled based on the expected value or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future.

If the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The Group recognises revenue of each performance obligation when it transfers control of a product or service to a customer either at a point of time or over time. When revenue is recognised over time, the stage of completion for customised equipment is measured by reference to the surveys or appraisals of work performed to date. When the services rendered exceed the billings to customers, a contract asset is recognised. If the billings exceed the services rendered, a contract liability is recognised.

A trade receivable is recognised by the Group at a point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The Group assesses the impairment of trade receivable using the simplified approach as disclosed in *'Financial Instruments – Impairment of Financial Assets'* section above which requires expected lifetime losses to be recognised from initial recognition of the trade receivables

Transition to MFRS 15

The Group has chosen the simplified transition approach by applying apply MFRS 15 retrospectively only to contracts that are not completed at the date of initial application (1 January 2018) and recognised the cumulative effect of the initially application of the Standard as an adjustment to the opening balance of retained profits (or other appropriate component of equity) on that date.

The application of MFRS 15 does not have a material effect on the Group's financial statements.

3 Audit report in respect of the 2017 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2017 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 year.

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 year.

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 year ended 31 December 2018.

8 Dividend

Since the end of the previous financial year, the Company paid an interim dividend of 0.5 sen per ordinary share totaling RM8.77 million in respect of the financial year ended 31 December 2017 on 2 October 2017.

A final dividend of 0.5 sen per ordinary share totaling RM8,790,177 was recommended by the Board of Directors in respect of the financial year ended 31 December 2018 subject to the shareholders' approval at the forthcoming Annual General Meeting.

9 Segmental information for the current year

The Group's current activity is mainly from the Information Technology and Energy industries.

Business segment **2018**	**Information Technology RM'000**	**Energy RM'000**	**Corporate RM'000**	**Eliminations RM'000**	**Consolidated RM'000**
Business segments					
Revenue from external Customers	241,536	51,916	-	-	293,452
Inter-segment revenue	3,381	-	11,543	(14,924)	-
Total revenue	244,917	51,916	11,543	(14,924)	293,452
Segment result					
Profit/(Loss) from operations	55,271	(6,183)	20,536	(22,418)	47,206
Finance costs	(2,966)	(1,759)	(131)	1,728	(3,128)
Finance income	289	264	1,737	(1,728)	562
Share of results in associates, net of tax	-	22,007	-	-	22,007
Profit before tax	52,594	14,329	22,142	(22,418)	66,647
Tax expense					(14,350)
Zakat					(405)
Net profit after tax					51,892
Attributable to:					
Owners of the Company					35,345
Non-controlling interests					16,547
Profit for the year					51,892
Segment assets	384,283	390,187	356,152	(502,507)	628,115
Segment liabilities	273,969	72,230	32,924	(192,518)	186,605

10 Material events subsequent to the current year

In the opinion of the Directors, there are no items, transactions or events of material and unusual nature which have arisen since 31 December 2018 to the date of this announcement which would substantially affect the financial results of the Group for the year ended 31 December 2018.

11 Changes in the composition of the Group

There are no significant changes in the composition of the Group for the current year including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations,other than disclosed below:

1) Dagang Net Technologies Sdn. Bhd. ("Dagang Net"), a wholly-owned subsidiary of the Company, had on 25 January 2018 entered into a conditional share sale and purchase agreement ("SPA"), and subsequently supplemental agreement in relation to the SPA was signed on 24 May 2018 for the following acquisitions:

   i. a 51% equity interest in Genaxis Group Sdn. Bhd. ("Genaxis") for a total cash consideration of RM10 million ("SPA 1"); and

   ii. a 60% equity interest in Innovation Associates Consulting Sdn. Bhd. ("IAC") through Genaxis for a total consideration of RM23.76 million ("SPA 2").

The completion of SPA 1 is conditional upon the completion of the transactions contemplated by Share Sale and Purchase Agreement between Genaxis and IAC as stipulated in SPA 2.

Both Genaxis and IAC are deemed as subsidiary companies of the Group as of the acquisition date of 29 January 2018, pursuant to the terms and conditions of the SPA 1 and SPA 2 respectively, and in compliance with the requirements of the Malaysia Financial Reporting Standard ("MFRS") 3 - Business Combination.

The Group had on 8 January 2019 announced that the conditional share sale and purchase agreement has been completed pursuant to fulfilment of the terms and conditions as set out in the SPA.

2) The Board of Directors of the Company had on 24 May 2018 approved the proposed disposal of 1,530,000 ordinary shares, constituting 51% of the issued share capital of Forward Energy Sdn Bhd ("FESB") for a cash consideration of RM1.00 ("Proposed FESB Disposal").

The Proposed FESB Disposal is conditional upon the transfer and completion of 100% of the issued share capital of Forward Energy Generation Ltd ("FEGL Acquisition") at RM6,690,000.00 to the Company and be set-off against part of the amount owing by FESB to the Company.

FEGL is holding 10% equity interest in BANCO Energy Generation Ltd, a Bangladesh based company involved in the development of 54MW HFO Fired Power Plant in Munshiganj, Bangladesh ("Bangladesh IPP").

The Company had on 18 January 2019 announced that the FESB Disposal and FEGL Acquisition have been completed pursuant to the fulfillment of the term and conditions as set out in the sale of shares agreement for FESB Disposal and conditional sale of shares agreement for FEGL Acquisition. Accordingly, FESB has ceased to be a subsidiary of DNeX and FEGL has become a wholly-owned subsidiary of DNeX.

12 Contingent liabilities

There are no material contingent liabilities as at the date of this announcement, other than disclosed below:

On 10 July 2018, Dagang Net Technologies Sdn. Bhd. ("Dagang Net"), a wholly-owned subsidiary of the Company received a notice of proposed decision ("Proposed Decision") from the Malaysia Competition Commission ("MyCC") pursuant to Section 36 of the Competition Act 2010 *[Act 712]* (the "Act"). The Proposed Decision by MyCC is pursuant to the investigation on alleged infringement by Dagang Net of one of the prohibitions under Part 1 of the Act. MyCC issued the Proposed Decision under Section 36 of the Act against Dagang Net for engaging in conduct which amounts to an abuse of its dominant position in breach of Section 10(1) read with Section 10(2)(c) and Section 10(3) of the Act. In its Proposed Decision, MyCC proposed to impose:-

(1) A financial penalty of RM17,397,695.30; and

(2) Remedial action, as follows:-

(i) Dagang Net to cease and desist the infringing conduct of:-

(a) imposing any future clauses in its MyChannel Partner Agreements for the provision of front-end software solutions to end users for the transmission of the trade facilitation data to the National Single Window (NSW) under the uCustoms when it becomes operational which has the effect of its previous exclusivity clause and/or any other similar clauses which may disrupt competition in any market. Furthermore, Dagang Net is to ensure the complete removal of any exclusivity clause from its MyChannel Partner Agreement with all of its current front-end software solution provider business partners: and

(b) imposing any future conditions that new and/or additional mailboxes will not be provided to end users unless the users utilized authorized front-end software solutions from Dagang Net's business partners only.

(ii) The Directors and seniors management of Dagang Net and its related companies to enrol into a competition law compliance program and training at their own expenses within 3 months of the issuance of the Proposed Decision.

MyCC had on 2 November 2018 set the oral representation to MyCC on 16 January 2019. The oral representation was heard before a panel appointed by MyCC, and was adjourned to a next date. To date, the MyCC has yet to notify Dagang Net of the next date for continuation of the oral representation.

13 Capital commitments

There are no material capital commitments as at the date of this announcement.

14 Income tax

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/12/2018 RM'000	Preceding year corresponding quarter 31/12/2017 RM'000	Twelve months to 31/12/2018 RM'000	Twelve months to 31/12/2017 RM'000
Malaysian income tax				
- Current taxation	(7,042)	(5,307)	(14,524)	(13,402)
- Under provision in prior year	(943)	(212)	(1,751)	(305)
Total current tax expense	(7,985)	(5,519)	(16,275)	(13,707)
Deferred tax expenses				
- Current period	54	479	1,925	2,807
Total deferred tax expenses	54	479	1,925	2,807
	(7,931)	(5,040)	(14,350)	(10,900)

The effective tax rate of the Group for current year taxation (exclude the share of result of associate) was higher than the statutory tax rate (24%). The provision for tax payable was made by profitable subsidiary companies 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

There are no announced corporate proposals that are not completed as at the date of this report.

16 Derivatives

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

17 Classification of financial assets

For year ended 31 December 2018, 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 material litigation as at the date of this announcement.

19 Comparison between the current quarter and the immediate preceding quarter

	Current year quarter 31/12/2018 RM'000	Immediate preceding quarter 30/9/2018 RM'000	Variance %
Revenue	107,850	63,312	+70.3
- Information Technology ("IT")	90,848	51,758	+75.5
- Energy	17,002	11,554	+47.1
Profit before tax ("PBT")	12,122	11,261	+7.6
Information Technology ("IT")	13,512	6,949	+94.4
Energy	(103)	3,995	>-100
Corporate, net of elimination	(1,287)	317	>-100

The Group recorded higher revenue in current year quarter by RM44.5 million (70.3%) as compared to immediate preceding quarter. The increase in revenue was mainly due to:

- revenue from Genaxis Group Sdn. Bhd. and its subsidiary company;
- progress billings of RM16.2 million for the work done on submarine cable installation and repair project in Indonesia; and
- progress billings of RM13.0 million from the Group's systems integrator business.

The Group's recurring revenue stream from Information Technology segment has continued to contribute to the Group's profitability. The Group share of result in an associate company has influenced by the drastic dropped of crude oil price in current quarter.

20 Detailed analysis of the performance for the current quarter and year-to-date

(a) Quarter ended 31 December 2018 compared with quarter ended 31 December 2017

	Current year quarter 31/12/2018 RM'000	Preceding year corresponding quarter 31/12/2017 RM'000	Variance %
Revenue	107,850	61,503	+75.3
- Information Technology ("IT")	90,848	41,594	>+100
- Energy	17,002	19,909	-14.6

The Group recorded higher revenue in current year quarter by 75.3% as compared to preceding year corresponding quarter. The increase in revenue was mainly due to:

- new recurring incomes from post acquisition results from Genaxis Group;
- progress billings for the work done on submarine cable installation and repair project in Indonesia; and
- improved revenue from the Group's systems integrator unit

The Energy division continues to experience significant competitive pressure in an environment of declining oil & gas activities.

	Current year quarter 31/12/2018 RM'000	Preceding year corresponding quarter 31/12/2017 RM'000	Variance %
Profit before tax ("PBT")	12,122	18,358	-34.0
- Information Technology ("IT")	13,512	8,793	+53.7
- Energy	(103)	8,993	>-100
- Corporate, net of elimination	(1,287)	572	>-100

The Group's Information Technology segment recorded 53.7% higher profit in current quarter was mainly due to the consolidation of post acquisition results from Genaxis Group and progress billing for the work done on submarine cable installation and repair project in Indonesia.

With the decline in price of crude oil in the closing month of 2018, the uplift of oil was deferred to mid January 2019 by an associate company. The deferred uplift has affected the performance of Energy division's results and is expected to level up in 2019.

(b) Year-to-date ended 31 December 2018 compared with year-to-date ended 31 December 2017

	Twelve months to 31/12/2018		Twelve months to 31/12/2017		Variance
	RM'000	%	RM'000	%	%
Revenue	293,452		203,938		+43.9
- Information Technology ("IT")	241,536	82	140,193	69	+72.3
- Energy	51,916	18	63,745	31	-18.6
Profit before tax ("PBT")	66,647		66,591		+0.1
- Information Technology ("IT")	52,594		43,766		+20.2
- Energy	14,329		20,284		-29.3
- Corporate, net of elimination	(276)		2,541		>-100

The Group recorded RM293.45 million in revenue for the current year-to-date as compared to the preceding year of RM203.94 million. The overall 43.9% higher revenue in the current year-to-date was mainly contributed by the Group's Information Technology segment.

The Group's Information Technology segment sees 72% growth due to:

- the consolidation of post acquisition results from Genaxis Group;
- progress billings for the work done on submarine cable installation and repair project in Indonesia;
- progress billings for the work done for the systems integrator business;
- in addition to other IT segments comprising of VEP & RC operations & maintenance services and B2B business

The result of the Energy division was affected by one-off impairment goodwill of RM3.6 million, and competitive pressure in an environment of declining oil & gas activities. The Group share of result in an associate company has influenced by the drastic dropped of crude oil price in current quarter.

21 Prospects for 2019

The Group plans to continue growth by exploring opportunities that would add value to the existing building blocks available within the organization focusing on the implementation of planned new initiatives targeted to develop sustainable revenue lines.

Barring any unforeseen circumstances, the Group expects to deliver positive results for the year 2019.

22 Variance for actual and forecast profit

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

23 Earnings per share

Basic earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/12/2018 '000	**Preceding year corresponding quarter 31/12/2017 '000**	**Twelve months to 31/12/2018 '000**	**Twelve months to 31/12/2017 '000**
Profit attributable to the Owners of the Company (RM)	301	14,677	35,345	56,599
Number of ordinary shares at beginning of the year	1,757,818	1,754,027	1,755,372	1,732,892
- Effect of shares issue pursuant to exercise of ESOS	151	331	1,954	14,377
Weighted average number of ordinary shares	1,757,969	1,754,358	1,757,326	1,747,269
Basic earnings per share (sen)	0.02	0.84	2.01	3.24

Diluted earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/12/2018 '000	**Preceding year corresponding quarter 31/12/2017 '000**	**Twelve months to 31/12/2018 '000**	**Twelve months to 31/12/2017 '000**
Profit attributable to the Owners of the Company (RM)	301	14,677	35,345	56,599
Weighted average number of ordinary shares as per basic earnings per share	1,757,969	1,754,358	1,757,326	1,747,269
Effect of potential exercise of ESOS	14,544	16,241	14,863	16,241
Weighted average number of ordinary shares	1,772,513	1,770,599	1,772,189	1,763,510
Diluted earnings per share (sen)	0.02	0.83	1.99	3.21

The exercise of Warrants has been ignored in the calculation of dilutive earnings per ordinary share, as the exercise price is higher than the average market price of the Company's ordinary shares during the current financial year.

24 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
27 February 2019

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