



**DAGANG NEXCHANGE BERHAD (REGISTRATION NO. 197001000738 (10039-P))
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

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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 30/9/2020 RM'000	Preceding year corresponding quarter 30/9/2019 RM'000	Nine months to 30/9/2020 RM'000	Nine months to 30/9/2019 RM'000
Revenue	50,499	61,999	176,192	203,146
Cost of sales	(30,657)	(34,187)	(110,890)	(115,854)
Gross profit	19,842	27,812	65,302	87,292
Other income	588	556	1,773	5,040
Expenses	(22,271)	(24,904)	(96,523)	(69,902)
Finance cost	(979)	(1,018)	(3,088)	(2,783)
Share of result of associates, net of tax	3,000	7,016	9,321	20,882
Profit/(Loss) before income tax	180	9,462	(23,215)	40,529
Income tax (expense)/credit (Note 14)	(1,069)	(831)	1,780	(5,336)
Zakat	(1)	(2)	(5)	(4)
(Loss)/Profit for the period	(890)	8,629	(21,440)	35,189
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	(2,703)	99	(2,717)	65
Share of other comprehensive (loss)/income of associate	(6,619)	2,357	3,309	2,597
Other comprehensive (loss)/income for the period, net of tax	(9,322)	2,456	592	2,662
Total comprehensive (loss)/income for the period	(10,212)	11,085	(20,848)	37,851



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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 30/9/2020 RM'000	Preceding year corresponding quarter 30/9/2019 RM'000	Nine months to 30/9/2020 RM'000	Nine months to 30/9/2019 RM'000
(Loss)/Profit attributable to:				
- Owners of the Company	3,851	9,482	(14,004)	33,764
- Non-controlling Interests	(4,741)	(853)	(7,436)	1,425
(Loss)/Profit for the period	(890)	8,629	(21,440)	35,189
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(5,471)	11,938	(13,412)	36,426
- Non-controlling Interests	(4,741)	(853)	(7,436)	1,425
Total comprehensive (loss)/income for the period	(10,212)	11,085	(20,848)	37,851
Earnings per share				
- Basic	0.22 sen	0.54 sen	(0.80) sen	1.92 sen
- Diluted	0.22 sen	0.53 sen	(0.80) sen	1.91 sen

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/9/2020 RM'000	Preceding year corresponding quarter 30/9/2019 RM'000	Nine months to 30/9/2020 RM'000	Nine months to 30/9/2019 RM'000
(Loss)/Profit before income tax is arrived at after charging/(crediting):				
Interest income	(124)	(23)	(283)	(134)
Gain on disposal of property, plant and equipment	(500)	(1)	(514)	(83)
Loss/(Gain) on disposal of investment in a subsidiary	-	-	833	(464)
Impairment loss on:				
- Receivables	1,349	(206)	4,888	269
- Other investments	-	-	3,700	-
- Property, plant and equipment	3,297	-	9,549	-
- Intangible assets	-	-	17,809	-
Interest expense	979	1,018	3,088	2,783
Depreciation and amortization	3,173	5,040	14,067	13,657
Foreign exchange loss	(91)	(256)	(474)	(354)

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 2019.



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II CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/9/2020 RM'000	Audited As at 31/12/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	104,281	68,299
Right-of-use assets	3,074	5,356
Investment in associates	228,744	216,112
Other investments	4,117	3,538
Goodwill	60,220	60,220
Intangible assets	18,214	41,921
Deferred tax assets	207	2,340
	<hr/>	<hr/>
	418,857	397,786
Current assets		
Inventories	1,352	1,316
Contract assets	79,069	83,447
Trade and other receivables	100,941	91,003
Current tax assets	2,916	1,086
Cash and cash equivalents	41,743	54,399
	<hr/>	<hr/>
	226,021	231,251
Total assets	<hr/> 644,878	<hr/> 629,037
EQUITY AND LIABILITIES		
Equity attributable to Owners of the Company		
Share capital	354,339	354,339
Warrant reserve	5,691	5,691
Share Option reserve	827	827
Translation reserve	(4,104)	(4,696)
Fair value reserve	(734)	(734)
Retained earnings	100,327	114,331
	<hr/>	<hr/>
	456,346	469,758
Non-controlling Interests	(8,731)	(4,392)
Total equity	<hr/> 447,615	<hr/> 465,366
Non-current liabilities		
Deferred tax liabilities	294	7,706
Loan and borrowings (secured)	17,671	18,854
Lease liabilities	435	2,914
	<hr/>	<hr/>
	18,400	29,474
Current liabilities		
Contract liabilities	1,459	5,317
Trade and other payables	73,363	76,265
Loan and borrowings (secured)	97,357	47,415
Lease liabilities	3,073	2,913
Current tax liabilities	3,611	2,287
	<hr/>	<hr/>
	178,863	134,197
Total liabilities	197,263	163,671
Total equity and liabilities	<hr/> 644,878	<hr/> 629,037
Net assets per share attributable to Owners of the Company (RM)	<hr/> 0.26	<hr/> 0.27

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2019.



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III CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Nine months to 30/9/2020 RM'000	Unaudited Nine months to 30/9/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	182,386	197,296
Cash payments to suppliers	(95,489)	(122,678)
Cash payments to employees and other expenses	(85,330)	(89,469)
	<hr/>	<hr/>
Cash generated from/(used in) operations	1,567	(14,851)
Income tax paid (net)	(3,536)	(11,094)
Zakat	43	11
	<hr/>	<hr/>
Net cash used in operating activities	(1,926)	(25,934)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	(56,888)	(6,487)
Proceeds from disposal of property, plant and equipment	4	12,696
Interest received	182	134
Disposal of a subsidiary	(3)	(83)
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(56,705)	6,260
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown/(Repayment) of bank borrowings (net)	42,584	17,223
Payment of finance cost	(3,898)	(2,775)
Payment of lease liabilities	(1,983)	-
Proceeds from issuance of shares	3,097	196
Dividend paid to owners of the Company	-	(8,790)
Dividend paid by a subsidiary to non-controlling interests	-	(980)
(Increase)/Decrease in pledged deposits and restricted cash	(2,904)	4,751
	<hr/>	<hr/>
Net cash generated from financing activities	36,896	9,625
Net Change in Cash and Cash Equivalents	(21,735)	(10,049)
Cash and Cash Equivalents as at beginning of financial period	27,392	19,670
	<hr/>	<hr/>
Cash and Cash Equivalents as at end of financial period (a)	5,657	9,621
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 30/9/2020 RM'000	As at 30/9/2019 RM'000
Cash and deposits with licensed banks		
- Unrestricted	22,559	16,867
- Restricted and pledged	19,184	7,539
	<hr/>	<hr/>
	41,743	24,406
Less : Cash and cash equivalents pledged as security	(19,184)	(7,539)
Less : Bank overdrafts	(16,902)	(7,246)
	<hr/>	<hr/>
Cash and Cash Equivalents as at end of financial period	5,657	9,621
	<hr/> <hr/>	<hr/> <hr/>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2019.



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IV CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

In RM'000	Attributable to Owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Warrant reserve	Share Option reserve	Translation reserve	Fair value reserve	Retained earnings			
Nine months to 30 September 2020									
Balance as at 1 January 2020	354,339	5,691	827	(4,696)	(734)	114,331	469,758	(4,392)	465,366
Loss for the period	-	-	-	-	-	(14,004)	(14,004)	(7,436)	(21,440)
Foreign currency translation differences for foreign operations	-	-	-	(2,717)	-	-	(2,717)	-	(2,717)
Share of other comprehensive income of associates	-	-	-	3,309	-	-	3,309	-	3,309
Total comprehensive loss for the period	-	-	-	592	-	(14,004)	(13,412)	(7,436)	(20,848)
Contribution by and distribution to owners of the Company									
- Effect on Issue of shares of subsidiaries	-	-	-	-	-	-	-	3,097	3,097
Total transaction with owners of the Company	-	-	-	-	-	-	-	3,097	3,097
Balance as at 30 September 2020	354,339	5,691	827	(4,104)	(734)	100,327	456,346	(8,731)	447,615

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IV CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY (CONT'D)

In RM'000	← Attributable to Owners of the Company →						Total	Non-controlling interests	Total equity
	Share capital	Warrant reserve	Non-distributable			Retained earnings			
			Share Option reserve	Translation reserve	Fair value reserve				
Nine months to 30 September 2019									
Balance as at 1 January 2019	354,322	5,691	831	(2,264)	(734)	96,750	454,596	(13,086)	441,510
Prior year adjustment	-	-	-	-	-	-	-	3,851	3,851
Balance as at 1 January 2019, restated	354,322	5,691	831	(2,264)	(734)	96,750	454,596	(9,235)	445,361
Profit for the period	-	-	-	-	-	33,764	33,764	1,425	35,189
Foreign currency translation differences for foreign Operations	-	-	-	65	-	-	65	-	65
Share of other comprehensive income of associates	-	-	-	2,597	-	-	2,597	-	2,597
Total comprehensive income for the period	-	-	-	2,662	-	33,764	36,426	1,425	37,851
Contribution by and distribution to owners of the Company									
- Effect on Issue of shares of subsidiaries	-	-	-	-	-	(1,735)	(1,735)	2,411	676
- Dividends to owners of the Company	-	-	-	-	-	(8,790)	(8,790)	-	(8,790)
- Dividends paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	(980)	(980)
Changes in subsidiaries' ownership interests that do not results in a loss of control	-	-	-	38	-	(10,525)	(10,525)	1,431	(9,094)
Total transaction with owners of the Company	-	-	-	38	-	(13,182)	(13,144)	3,608	(9,536)
Balance as at 30 September 2019	354,322	5,691	831	436	(734)	117,332	477,878	(4,202)	473,676

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 2019.



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V NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 September 2020, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities 65 ("**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 2019.

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") for the financial period on or after from 1 January 2020:-

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

Amendments to MFRS 3: Definition of a Business

Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform

Amendments to MFRS 101 and MFRS 108: Definition of Material

Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of the above accounting standards and interpretations (including the consequential amendments) is expected to have no material impact on the Group's financial statements.

3 Audit report in respect of the 2019 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2019 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.

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 period ended 30 September 2020.



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8 Dividend

The Directors do not recommend the payment of any dividend for the period ended 30 September 2020 (2019: Nil).

9 Segmental information for the current period

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

Business segment	Information Technology RM'000	Energy RM'000	Corporate RM'000	Eliminations RM'000	Consolidated RM'000
2020					
Business segments					
Revenue from external Customers	119,467	56,725	-	-	176,192
Inter-segment revenue	1,177	-	-	(1,177)	-
Total revenue	120,644	56,725	-	(1,177)	176,192
Segment result					
Profit from operations	13,491	4,555	3,069	-	21,115
Depreciation & amortization	(6,805)	(7,223)	(39)	-	(14,067)
Impairment loss on:					
- Receivables	(3,128)	(1,760)	-	-	(4,888)
- Other investments	-	(3,700)	-	-	(3,700)
- Property, plant and equipment	-	(9,549)	-	-	(9,549)
- Intangible assets	-	(17,809)	-	-	(17,809)
Loss of disposal of a subsidiary	(833)	-	-	-	(833)
Finance costs	(1,836)	(132)	(1,120)	-	(3,088)
Finance income	279	4	-	-	283
Share of results in associates, net of tax	-	9,321	-	-	9,321
Profit/(Loss) before tax	1,168	(26,293)	1,910	-	(23,215)
Tax credit					1,780
Zakat					(5)
Net loss after tax					(21,440)
Attributable to:					
Owners of the Company					(14,004)
Non-controlling interests					(7,436)
Loss for the period					(21,440)
Segment assets	462,080	363,600	352,389	(533,191)	644,878
Segment liabilities	360,176	35,424	36,563	(234,900)	197,263



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10 Material events subsequent to the current period

In the opinion of the Directors, there are no items, transactions or events of material and unusual nature which have arisen since 30 September 2020 to the date of this announcement which would substantially affect the financial results of the Group for the period ended 30 September 2020.

11 Changes in the composition of the Group

There are 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, other than disclosed below:

On 10 July 2018, 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 a financial penalty of RM17,397,695.30 and remedial action by Dagang Net.

The oral representations were heard before a panel appointed by MyCC on 16 January 2019, 25 April 2019, and 29 July 2019.

13 Capital commitments

There are no material capital commitments as at the date of this announcement other than capital commitments on Property, Plant and Equipment, authorised and contracted for within the year of RM27.1million.

14 Income tax

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/9/2020 RM'000	Preceding year corresponding quarter 30/9/2019 RM'000	Nine months to 30/9/2020 RM'000	Nine months to 30/9/2019 RM'000
Malaysian income tax				
- Current taxation	(948)	(3,157)	(3,352)	(8,628)
- Over provision in prior year	(130)	1,843	(130)	1,843
Total current tax expense	(1,078)	(1,314)	(3,482)	(6,785)
Deferred tax expenses				
- Current period	9	483	5,224	1,449
- Over provision in prior year	-	-	38	-
Total deferred tax expenses	9	483	5,262	1,449
	(1,069)	(831)	1,780	(5,336)



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The effective tax rate of the Group for current period 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 purpose.

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, other than disclosed below:

- (a) The Company had on 28 July 2020 announced that the Company proposes to undertake a private placement of up to 20% of the total number of issued shares of the Company to third party investor(s) to be identified later at an issue price to be determined later in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 ("Proposed Private Placement").

On 12 August 2020, the Company announced that the listing application in relation to the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad, the listing application was subsequently approved by Bursa Malaysia Securities Berhad on 17 August 2020.

The Company had on 28 October 2020 announced 10,000,000 Placement Shares were placed out at price of RM0.1701 per placement share for total net proceeds of RM1,615,967 and were subsequently listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 30 October 2020.

The Company announced that an additional 140,000,000 Placement Shares were placed out at price of RM0.1843 per placement share for total net proceeds of RM25,254,997 and quoted on the Main Market of Bursa Malaysia Securities Berhad on 24 November 2020;

- (b) The Company had on 26 August 2020 announced that the Company entered into a heads of agreement ("HOA") with Ping Petroleum Limited ("Ping"), for DNeX to make an offer through Ping, to acquire the remaining equity interest in Ping not currently owned by DNeX ("Proposal"). Ping is a 30% owned indirect associate company of DNeX via DNeX Energy Sdn Bhd. The HOA is not legally binding and is subject to the signing of the definitive Share Sale and Purchase Agreement ("SPA"). The effective period of the HOA was subsequently extended from 31 October 2020 to 30 November 2020.

The HOA provides a framework for the finalisation of the SPA between DNeX and the owners of the remaining 70% equity interest in Ping (the "Sellers"). DNeX and the Sellers have agreed to negotiate and finalise the terms of the SPA including assessing and deciding on the most appropriate structure and form of the Proposal.

A detailed announcement will be made on Bursa Malaysia Securities Berhad upon execution of the SPA pursuant to the Proposal.

16 Derivatives

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

17 Classification of financial assets

For the period ended 30 September 2020, 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.



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19 Comparison between the current quarter and the immediate preceding quarter

	Current year quarter 30/9/2020 RM'000	Immediate preceding quarter 30/6/2020 RM'000	Variance %
Revenue	50,499	62,043	-18.6
- Information Technology ("IT")	32,500	37,599	-13.6
- Energy	17,999	24,444	-26.4
Profit/(Loss) before tax	180	(30,754)	+>100.0
- IT	(534)	(2,460)	+78.3
- Energy	204	(28,626)	+>100.0
- Corporate	510	332	+53.6

Revenue

The Covid-19 pandemic has adverse impact to the businesses in the country and globally including us. The Group's business reported a reduction in revenue of 18.6% or RM11.5 million in current quarter as compared to immediate preceding quarter.

Information Technology Segment

The revenue for this quarter reduced by RM5.1 million (13.6%) as compared to immediate preceding quarter Q2, 2020.

The imposition of Movement Control Order by the Malaysian Government has slowdown the project implementation of our System Integration & Consultancy business. It reported 50.0% lower revenue (Q3',2020:RM9.8 million; Q2,2020: RM19.6 million) in current quarter.

- i. Integrated Government Finance & Management System ("iGFMAS") and related maintenance work (Q3, 2020: RM5.6 million; Q2, 2020: RM14.7 million). However partially mitigated by work done for Lembaga Hasil Dalam Negeri Malaysia of RM3.0 million (RM1.8 million in Q2, 2020); and
- ii. Statistics Data Warehouse Project for Jabatan Perangkaan Malaysia and big data analytics project for Kementerian Air Tanah dan Sumber Air (RM0.5 million in Q3, 2020; RM1.2 million in Q2, 2020).

On the positive note, the Group's trade facilitation & e-Commerce business has shown a quarter-to quarter increase in trade transaction volume of 31.5%, gave RM4.7 million (26.1%) increase in revenue (RM22.7 million in Q3, 2020; RM18.0 million in Q2, 2020) in this quarter.

Energy Segment

Lower progress billings were reported in current quarter. Included in immediate preceding quarter was work done on the following one-off projects, of which was full completed in Q2, 2020.

- i. Provision of engineering, procurement, construction and installation ("ECPI") services for NBO H4 water injection pipeline project (RM6.8 million); and
- ii. One off billing on work orders from ExxonMobile Exploration and Production Malaysia Inc (RM2.9 million).



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Profit/(Loss) Before Tax

	Operating Profit RM'000	One-off impairment Loss RM'000	Net Profit/ (Loss) RM'000
Profit/(Loss) before tax	4,826	(4,646)	180
- IT	245	(779)	(534)
- Energy	4,071	(3,867)	204
- Corporate	510	-	510

The Group reported an operating profit of RM4.8 million in current quarter (RM0.4 million in Q2, 2020). The improvement in operating profit was due to lower operating expenses and share of result from an associate in current quarter (RM3.0 million in Q3, 2020; RM2.3 million in Q2, 2020).

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

(a) Quarter ended 30 September 2020 compared with quarter ended 30 September 2019

	Current year quarter 30/9/2020 RM'000	Preceding year corresponding quarter 30/9/2019 RM'000	Variance %
Revenue	50,499	61,999	-18.5
- IT	32,500	45,075	-27.9
- Energy	17,999	16,924	+6.3

Lower quarter-to-quarter revenue of RM12.6 million (27.9%) was reported in IT segment, mainly due to:

- Overall lower revenue of RM0.9 million in current year quarter for trade facilitation & e-Commerce business (RM22.7 million in Q3, 2020; RM23.6 million in Q3, 2019);
- One-off submarine cable laying and maintenance contract in Indonesia was successfully completed in Q3, 2019 (RM Nil in Q3, 2020; RM3.8 million in Q3, 2019). Currently, the Group is actively exploring opportunities to secure long-term submarine cable laying and maintenance contract opportunities in Indonesia; and
- Lower progress billing (RM5.9 million) in current year quarter for work done in iGFMAS; and related maintenance work (RM5.6 million in Q3, 2020; RM11.5 million in Q3, 2019). The reduction in iGFMAS revenue in current quarter was partly mitigated by work done for Lembaga Hasil Dalam Negeri Malaysia of RM3.0 million (RM Nil in 2019).

Despite the 6.3% (RM1.1 million) improvement in revenue as reported in current quarter, the performance of the Group's Energy division remains affected by the lower oil price, and the potential cut in capital expenditure spending by the oil majors are having a negative impact on the Oil & Gas industry.



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	Current year quarter 30/9/2020 RM'000	Preceding year corresponding quarter 30/9/2019 RM'000	Variance %
Profit/(Loss) before tax	180	9,462	-98.1
- IT	(534)	3,558	>-100.0
- Energy	204	6,785	-97.0
- Corporate	510	(881)	>+100.0

The Group reported a profit before tax of RM0.2 million in current quarter, a reduction of RM9.3 million as compared to the Q3, 2019 was mainly attributable to:

- Lower operating profit in current quarter of RM4.8 million (RM9.5 million in Q3, 2019). The reduction in operating profit was mainly contributed by lower revenue recognition;
- Lower share of the results of an associate by RM4.0 million; and
- One-off non-cash impairment loss totaling RM4.6 million.

The Management will continue to pursue cost optimization activities within the Group to drive operational efficiency and achieve earnings sustainability.

The Energy segment PBT breakdown by business segment is detailed as follows:

	Current year quarter 30/9/2020 RM'mil	Preceding year corresponding quarter 30/9/2019 RM'mil
Trading & Services	1.9	3.2
Drilling Technology & Oilfield Services	(1.1)	(1.3)
Upstream Exploration & Production	3.0	7.0
Other	0.2	-
Sub Total	4.0	8.9
Amortization of intangible assets arising from consolidation	-	(2.1)
Impairment loss	(3.8)	-
Profit before tax	0.2	6.8



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(b) Year-to-date ended 30 September 2020 compared with year-to-date ended 30 September 2019

	Nine months to 30/9/2020		Nine months to 30/9/2019		Variance %
	RM'000	%	RM'000	%	
Revenue	176,192		203,146		-13.3
- IT	119,467	68	161,475	79	-26.0
- Energy	56,725	32	41,671	21	+36.1

Information Technology Segment

The Group's IT recorded a reduction in revenue of RM42.0 million (26.0%) in the current year as compared to the preceding year. The overall lower revenue was mainly due to:

- Lower progress billing of RM18.4 million for the development and maintenance of the iGFMAS (RM37.2 million in 2020; RM55.6 million in 2019). The development work and maintenance of iGFMAS is at the completion stage, the reduction in iGFMAS revenue in current year was partly mitigated by work done for Lembaga Hasil Dalam Negeri Malaysia of RM9.6 million (RM Nil in 2019);
- Work done on submarine cable installation and repair project in Indonesia of RM17.2 million in preceding year; and
- Reduction of revenue in trade facilitation and e-Commerce business of RM9.1 million (RM62.7 million in 2020; RM71.8 million in 2019). The overall year-to-date trade traffic volume dropped by 3.2% affected by economic slowdown due to Covid-19 pandemic.

Energy Segment

The Group's Energy division shows a 36.1% increase in its revenue, which was mainly contributed by Trading & Services unit (RM51.0 million in 2020; RM40.2 million in 2019). The Drilling & Oilfield services continue to experience significant competitive pressure in an industry's slow recovery in oil & gas activities.

	Nine months to 30/9/2020		Nine months to 30/9/2019		Variance %
	RM'000		RM'000		
(Loss)/Profit before tax	(23,215)		40,529		>-100.0
- IT	1,168		23,591		-95.0
- Energy	(26,293)		18,140		>-100.0
- Corporate	1,910		(1,202)		>+100.0

	Operating Profit RM'000	One-off Impairment Loss RM'000	Net Loss RM'000
Profit/(Loss) before tax for period ended 30 September 2020	12,731	(35,946)	(23,215)
- IT	4,296	(3,128)	1,168
- Energy	6,525	(32,818)	(26,293)
- Corporate	1,910	-	1,910



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The current year performance was affected by one-off non-cash impairment loss of RM35.9 million detailed as set out below: -

- other investment in unquoted shares of RM3.7 million;
- receivables and contract assets of RM4.9 million;
- property, plant and equipment of RM9.5 million; and
- intangible assets arising from consolidation of RM17.8 million.

The Group reported an operating profit of RM12.7 million in current reporting period (RM40.5 million in 2019). The reduction in operating profit was in line with lower revenue recognition and lower share of the result of an associate of RM11.6 million.

The breakdown of the Group's Energy segment by service is detailed as follows:

	Nine months to 30/9/2020 RM'mil	Nine months to 30/9/2019 RM'mil
Trading & Services	3.5	6.6
Drilling & Oilfield Services	(1.7)	(2.9)
Upstream Exploration & Production	9.3	20.9
Others	(0.3)	-
Sub Total	10.8	24.6
Amortization of intangible assets arising from consolidation	(4.3)	(6.5)
Impairment Loss	(32.8)	-
(Loss)/Profit before tax	(26.3)	18.1

21 Prospects for 2020

The global economy is facing slowdown weakened by rising trade barriers and continuing US-China trade tensions. A further challenge is the uncertainty posed by the Covid-19 pandemic, which affected most nations disrupting personal and economic lives.

The Management believes the impact by the economy slowdown and pandemic to the Group is manageable as most of our projects are ongoing especially the Government projects and these expected to carry us through 2020. Our services continue to operate as usual during the MCO as part of essential services albeit with extra precautions for workers and travel. The Energy business continues to face challenges in an environment of declining oil price amidst lower energy demand and crude supply surplus.

The Management will continue to pursue cost optimisation activities within the Group to drive operational efficiency and achieve earnings sustainability. The Group is cautiously optimistic to deliver satisfactory results for the year 2020 given the challenging market environment.

22 Variance for actual and forecast profit

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



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23 Earnings per share

Basic earnings per share	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/9/2020 '000	Preceding year corresponding quarter 30/9/2019 '000	Nine months to 30/9/2020 '000	Nine months to 30/9/2019 '000
Profi/(Loss)t attributable to the Owners of the Company (RM)	3,851	9,482	(14,004)	33,764
Number of ordinary shares at beginning of the period	1,758,090	1,758,036	1,758,090	1,758,036
- Effect of shares issue pursuant to exercise of ESOS	-	-	-	-
Weighted average number of ordinary shares	1,758,090	1,758,036	1,758,090	1,758,036
Basic earnings per share (sen)	0.22	0.54	(0.80)	1.92
Diluted earnings per share				
(Loss)/Profit attributable to the Owners of the Company (RM)	3,851	9,482	(14,004)	33,764
Weighted average number of ordinary shares as per basic earnings per share	1,758,090	1,758,036	1,758,090	1,758,036
Effect of potential exercise of ESOS	-	3,674	-	3,767
Weighted average number of ordinary shares	1,758,090	1,761,710	1,758,090	1,761,803
Diluted earnings per share (sen)	0.22	0.53	(0.80)	1.91

The exercise of Warrants and ESOS have 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 period.

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
26 November 2020

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