



**DANCOMECH HOLDINGS BERHAD (1050285-U)**  
**(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**

15 November 2018

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**DANCOMECH HOLDINGS BERHAD (1050285-U)**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**

(These figures have not been audited)

<b>RM'000</b>	<b>Note</b>	<b>Current quarter 3 months ended</b>		<b>Cumulative quarter 9 months ended</b>	
		<b>30.09.2018</b>	<b>30.09.2017</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
Revenue	A7	20,209	15,420	57,864	45,618
Cost of sales		(12,812)	(10,119)	(37,837)	(30,240)
Gross profit		7,397	5,301	20,027	15,378
Other income		615	475	1,868	1,683
Selling and distribution expenses		(164)	(297)	(557)	(795)
Administration expenses		(2,168)	(1,830)	(6,002)	(4,646)
Other expenses		(182)	(149)	(912)	(1,174)
Finance costs		(3)	(2)	(9)	(8)
Profit before tax	B14	5,495	3,498	14,415	10,438
Tax expense	B5	(1,361)	(845)	(3,434)	(2,470)
<b>Profit for the period</b>		<b>4,134</b>	<b>2,653</b>	<b>10,981</b>	<b>7,968</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<b>4,134</b>	<b>2,653</b>	<b>10,981</b>	<b>7,968</b>
<b>Profit attributable to:</b>					
Owners of the Company		3,938	2,629	10,619	7,660
Non-controlling interests		196	24	362	308
<b>Profit for the period</b>		<b>4,134</b>	<b>2,653</b>	<b>10,981</b>	<b>7,968</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		3,938	2,629	10,619	7,660
Non-controlling interests		196	24	362	308
<b>Total comprehensive income</b>		<b>4,134</b>	<b>2,653</b>	<b>10,981</b>	<b>7,968</b>
<b>Earnings per share attributable to owners of the Company:</b>					
Basic (sen)	B11	1.3	0.9	3.6	2.6

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**DANCOMECH HOLDINGS BERHAD (1050285-U)**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2018**

<b>RM'000</b>	<b>Note</b>	<b>As at 30.09.2018</b>	<b>As at 31.12.2017</b>
		<b>Unaudited</b>	<b>Audited</b>
<b>Assets</b>			
Property, plant and equipment		31,077	31,300
Deferred tax assets		167	167
<b>Non-current assets</b>		<b>31,244</b>	<b>31,467</b>
Inventories		24,167	23,344
Trade and other receivables		21,860	17,474
Tax recoverable		129	42
Cash and cash equivalents		50,133	48,980
<b>Current assets</b>		<b>96,289</b>	<b>89,840</b>
<b>Total assets</b>		<b>127,533</b>	<b>121,307</b>
<b>Equity and liabilities</b>			
Share capital		67,034	67,034
Merger deficit		(41,477)	(41,477)
Other reserves		(9)	(9)
Retained earnings		88,206	82,057
Equity attributable to owners of the Company		113,754	107,605
Non-controlling interests		1,984	1,510
<b>Total equity</b>		<b>115,738</b>	<b>109,115</b>
Borrowings (secured)	B8	1,391	1,935
Deferred tax liabilities		26	26
<b>Non-current liabilities</b>		<b>1,417</b>	<b>1,961</b>
Trade and other payables		8,676	9,161
Borrowings (secured)	B8	724	720
Tax liabilities		978	350
<b>Current liabilities</b>		<b>10,378</b>	<b>10,231</b>
<b>Total liabilities</b>		<b>11,795</b>	<b>12,192</b>
<b>Total equity and liabilities</b>		<b>127,533</b>	<b>121,307</b>
<b>Net assets per share attributable to owners of the Company (RM)</b>		<b>0.38</b>	<b>0.36</b>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**DANCOMECH HOLDINGS BERHAD (1050285-U)**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**

(These figures have not been audited)

RM'000	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Merger deficit	Other reserves	Retained earnings			
<b>At 1 January 2018</b>	67,034	-	(41,477)	(9)	82,057	107,605	1,510	109,115
Total comprehensive income	-	-	-	-	10,619	10,619	362	10,981
Non-controlling interest arising from the acquisition of subsidiary	-	-	-	-	-	-	112	112
Dividend	-	-	-	-	(4,470)	(4,470)	-	(4,470)
<b>At 30 September 2018</b>	67,034	-	(41,477)	(9)	88,206	113,754	1,984	115,738
<b>At 1 January 2017</b>	59,600	7,432	(41,477)	(9)	75,791	101,337	724	102,061
Total comprehensive income	-	-	-	-	7,660	7,660	308	7,968
Transition to no par value regime	7,432	(7,432)	-	-	-	-	-	-
Issuance of shares	2	-	-	-	-	2	300	302
Dividend	-	-	-	-	(4,470)	(4,470)	-	(4,470)
<b>At 30 September 2017</b>	67,034	-	(41,477)	(9)	78,981	104,529	1,332	105,861

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**DANCOMECH HOLDINGS BERHAD (1050285-U)**  
**(Incorporated in Malaysia)**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**  
(These figures have not been audited)

<b>RM'000</b>	<b>9 months ended</b>	
	<b>30.09.2018</b>	<b>30.09.2017</b>
<b>Operating activities</b>		
Profit before tax	14,415	10,438
Adjustments for:		
Non-cash items	934	543
Non-operating items	-	(116)
Interest income	(870)	(673)
Interest expense	9	8
Operating profit before working capital changes	14,488	10,200
Changes in working capital:		
Inventories	(823)	(104)
Receivables	(4,273)	(2,899)
Payables	(585)	266
Cash generated from operations	8,807	7,463
Tax paid	(2,893)	(3,275)
<b>Net cash from operating activities</b>	<b>5,914</b>	<b>4,188</b>
<b>Investing activities</b>		
Interest received	870	673
Placement of fixed deposits	(578)	(23,251)
Purchase of property, plant and equipment	(445)	(5,608)
Proceeds from disposal of property, plant and equipment	-	137
Acquisition of a subsidiary, net of cash and cash equivalents acquired	(133)	-
<b>Net cash used in investing activities</b>	<b>(286)</b>	<b>(28,049)</b>
<b>Financing activities</b>		
Dividend paid	(4,470)	(4,470)
Proceeds from issuance of shares	-	2
Subscription of new shares in a subsidiary by a non-controlling interest	-	300
Interest paid	(9)	(8)
Placement of pledged fixed deposits	(38)	(32)
Repayment of borrowings	(540)	(530)
<b>Net cash used in financing activities</b>	<b>(5,057)</b>	<b>(4,738)</b>
<b>Net changes in cash and cash equivalents</b>	<b>571</b>	<b>(28,599)</b>
Translation differences	(34)	(19)
Cash and cash equivalents at the beginning of financial year	21,216	45,061
<b>Cash and cash equivalents at the end of reporting period</b>	<b>21,753</b>	<b>16,443</b>
<b>Analysis of cash and cash equivalents</b>		
Fixed deposits with licensed banks	29,014	28,587
Cash and bank balances	21,119	15,706
	50,133	44,293
Less: Fixed deposits pledged to licensed bank	(1,920)	(1,858)
Less: Fixed deposits as investing purposes	(26,460)	(25,992)
	21,753	16,443

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**DANCOMECH HOLDINGS BERHAD (1050285-U)**  
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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A1 Basis Of Preparation**

This unaudited interim financial statements has been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017.

The accounting policies adopted by the Group in these interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2017 except for the following new MFRS, Amendments to MFRS and IC Interpretations to be applied by the Group for the financial periods beginning on or after 1 January 2018:

- Amendments to MFRS 2: Classification and Measurement of Share-based Payment transactions
- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 140: Transfers of Investment Property
- IC Interpretations 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to MFRS Standards 2014-2016 Cycle

The adoption of the above pronouncements did not have any significant effects on this interim financial statements upon their initial application.

The Group has not adopted the following Amendments to MFRS that have been issued but not yet effective:

- Amendments to MFRS 2 Share-based Payment
- Amendments to MFRS 3 Business Combinations
- Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources
- Amendments to MFRS 9: Prepayment Features with Negative Compensation
- Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 11 Annual Improvements to MFRS Standards 2015-2017 Cycle
- Amendments to MFRS 14 Regulatory Deferral Accounts
- MFRS 16 Leases
- MFRS 17 Insurance Contracts
- Amendments to MFRS 101 Presentation of Financial Statements
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 112 Annual Improvements to MFRS Standards 2015-2017 Cycle
- Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123: Annual Improvements to MFRS Standards 2015-2017 Cycle
- Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 134 Interim Financial Reporting
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets
- Amendment to MFRS 138 Intangible Assets
- Amendments to IC Interpretation 12 Service Concession Arrangements
- Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- IC Interpretations 23 Uncertainty over Income Tax Treatments
- Amendments to IC Interpretation 132 Intangible Assets - Web Site Costs
- Annual Improvements to MFRS Standards 2015-2017 Cycle

Where applicable, the Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any significant effects to the Group upon their initial application.

## A2 Seasonality Or Cyclicity Of Operations

The business operations of the Group were not materially affected by any seasonal or cyclical factor during the current quarter under review.

## A3 Unusual Items Due To Their Nature, Size Or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

## A4 Significant Estimates And Changes In Estimates

There were no changes in estimates that had any material effects in the current quarter under review.

## A5 Debt And Equity Securities

There were no issuances, repurchases or repayments of debt and equity securities during the current quarter under review.

## A6 Dividends Paid

The following dividends were paid during the current and previous corresponding financial year ended:

<b>Interim dividend</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
For the financial year ended	31 December 2018	31 December 2017
Approved and declared on	16 August 2018	17 August 2017
Date paid	28 September 2018	26 September 2017
Number of ordinary shares on which dividends were paid	298,005,000	298,000,000
Dividend per share (single-tier)	0.75 sen	0.75 sen
Net dividend paid (RM)	2,235,037	2,235,000

## A7 Segmental Information

The principal activity of the Group is trading and distribution of process control equipment and measurement instruments. Operating segment information has not been prepared as the Group's revenue and operating profit are mainly derived from one (1) operating segment.

Geographical information on the Group's non-current assets is not presented as its operations are wholly located in Malaysia.

Geographical information on the Group's revenue is as follows:

<b>RM'000</b>	<b>3 months ended</b>			<b>9 months ended</b>		
	<b>30.09.2018</b>	<b>30.09.2017</b>	<b>Changes</b>	<b>30.09.2018</b>	<b>30.09.2017</b>	<b>Changes</b>
Malaysia	14,598	12,126	2,472	43,183	37,544	5,639
Indonesia	4,105	2,516	1,589	11,551	5,927	5,624
Others	1,506	778	728	3,130	2,147	983
<b>Total</b>	<b>20,209</b>	<b>15,420</b>	<b>4,789</b>	<b>57,864</b>	<b>45,618</b>	<b>12,246</b>

## A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended		9 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Companies in which certain Directors have interests:				
Revenue from sales of goods	-	19	2	77
Professional fees	6	-	6	-

All related party transactions had been entered into in the ordinary course of business and were carried out on normal commercial terms.

## A9 Valuation Of Property, Plant And Equipment

There were no valuations on property, plant and equipment during the current quarter under review.

## A10 Capital Commitments

There were no material capital commitments in respect of property, plant and equipment as at the end of the reporting quarter under review.

## A11 Contingent Assets And Liabilities

There were no changes in contingent liabilities and contingent assets since the end of last financial year other than those disclosed as follows:

Contingent liability RM'000	As at 30.09.2018
Arbitration claim by a building contractor against a subsidiary	428

## A12 Changes In Composition Of The Group

On 18 July 2018, the Company acquired 412,500 ordinary shares representing 55% of the total number of issued shares of Arah Edar (M) Sdn Bhd, a private limited company incorporated in Malaysia, for a cash consideration of RM135,385.

On 8 August 2018, the Company subscribed for 600 ordinary shares at an issue price of RM1 each, representing 60% of the total number of issued shares of Eureka EPA Sdn Bhd (formerly known as Eureka Fertilizer Sabah Sdn Bhd), a private limited company incorporated in Malaysia, for a cash consideration of RM600. However, the Company has on 1 October 2018 disposed of the 600 ordinary shares of Eureka EPA Sdn Bhd to Eureka Synergy Sdn Bhd for a total consideration of RM600.

Save as disclosed above, there were no other changes in the composition of the Group during the current quarter under review.

## A13 Material Events Subsequent To The End Of The Current Quarter

There were no material events subsequent to the end of the current quarter.



**DANCOMECH HOLDINGS BERHAD (1050285-U)**  
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET  
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1 Performance Review - Comparison With Preceding Year Corresponding Quarter**

<b>RM'000</b>	<b>3 months ended</b>			<b>9 months ended</b>		
	<b>30.09.2018</b>	<b>30.09.2017</b>	<b>Changes</b>	<b>30.09.2018</b>	<b>30.09.2017</b>	<b>Changes</b>
Revenue	20,209	15,420	4,789	57,864	45,618	12,246
Profit before tax	5,495	3,498	1,997	14,415	10,438	3,977

For the current quarter under review, the Group recorded higher revenue of RM20.2 million as compared to RM15.4 million in the same quarter last year. The increase in revenue was mainly due to the higher demand from the palm oil industry which resulted in higher sales of process control equipment in the domestic and overseas markets during the current quarter. In line with the increase in revenue, the pre-tax profit increased by RM2.0 million as compared to preceding year corresponding quarter.

For the 9 months period ended 30 September 2018, the Group recorded higher revenue of RM57.9 million as compared to RM45.6 million in the same period of last year. The increase in revenue was due to higher sales of process control equipment in the domestic and Indonesia markets arising from business recovery in the oil and gas sector. In line with the increase in revenue, coupled with higher margins of the products sold in the current period, the pre-tax profit increased by RM4.0 million as compared to preceding year corresponding period.

**B2 Comparison With Immediate Preceding Quarter**

<b>RM'000</b>	<b>3 months ended</b>		
	<b>30.09.2018</b>	<b>30.06.2018</b>	<b>Changes</b>
Revenue	20,209	19,860	349
Profit before tax	5,495	4,920	575

In comparing to immediate preceding quarter, revenue of the Group in the current quarter increased by RM0.3 million, mainly due to higher sales volume in the overseas market during the current quarter.

With increase in sales as well as improved gross profit margin during the quarter, the pre-tax profit increased by RM0.6 million as compared to the immediate preceding quarter.

**B3 Commentary On Prospects**

Having recorded strong growth in the 9 months period ended 30 September 2018, the Group foresees that the demand in the local and overseas markets to remain good in the last quarter of the financial year ending ("FYE") 31 December 2018. In this regard, barring any unforeseen circumstances, the Group remains positive of our prospects and performance for FYE 31 December 2018.

**B4 Profit Forecast**

Not applicable.

**B5 Tax Expense**

RM'000	3 months ended		9 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Income tax	1,361	845	3,434	2,470
<b>Total tax expense</b>	<b>1,361</b>	<b>845</b>	<b>3,434</b>	<b>2,470</b>

Income tax is calculated at the statutory tax rate of 24% of the estimated assessable profit for the period.

The effective tax rate of the Group for the 9 months period approximates to the statutory tax rate.

**B6 Corporate Proposals**

There were no corporate proposals announced but not completed as at the reporting date.

**B7 Utilisation Of Proceeds From The Initial Public Offering ("IPO")**

RM'000	Intended utilisation	Actual utilisation	Deviation	Balance	Estimated timeframe for utilisation (from date of listing)
Repayment of bank borrowings	4,557	4,557	-	-	Within 12 months
Purchase of office cum stores	2,500 ^	-	-	2,500	Within 30 months ^
Purchase of equipment	183 ^	183	-	-	Within 21 months *
Working capital	7,999 ^	7,999	-	-	Within 24 months
Estimated listing expenses	2,761	2,761	-	-	Upon listing
<b>Total</b>	<b>18,000</b>	<b>15,500</b>	<b>-</b>	<b>2,500</b>	

\* Revised as per the Company's announcements dated 18 August 2017 and 13 February 2018.

^ Revised as per the Company's announcement dated 16 August 2018.

**B8 Borrowings (secured)**

RM'000	As at 30.09.2018	As at 31.12.2017
Hire purchase	58	161
Term loan	1,333	1,774
<b>Long term borrowings</b>	<b>1,391</b>	<b>1,935</b>
Hire purchase	136	132
Term loan	588	588
<b>Short term borrowings</b>	<b>724</b>	<b>720</b>
<b>Total borrowings</b>	<b>2,115</b>	<b>2,655</b>

All borrowings are denominated in Ringgit Malaysia. Overall, the decrease in borrowings of RM0.5 million were due to the repayment of borrowings.

The weighted average interest rate of the hire purchase based on fixed interest rate is approximately 1.88%. No interest was incurred for the term loan which is under flexi loan arrangement.

## B9 Changes In Material Litigation

On 20 May 2014, SGV Builders Sdn Bhd ("SGV") initiated arbitration proceedings against a wholly owned subsidiary of the Company, Dancomech Engineering Sdn Bhd ("DESB") for non-payment of RM741,808.05 pursuant to a construction project at Lot 19, Jalan Pelukis U1/46, Seksyen U1, 40150 Bandar Shah Alam, Selangor Darul Ehsan ("SGV's Claim"). The non-payment by DESB was due to the alleged failure of SGV in completing the construction project within the stipulated timeframe as per the terms and conditions of the contract between DESB and SGV dated 18 May 2012. SGV subsequently amended its points of claim by, among others, increasing the amount claimed for loss and expenses incurred and disregarding the retention sum held by SGV. As a result, the total amount claimed by SGV under this arbitration proceedings increased to RM1,401,169.95 ("SGV's Amended Claim").

On 6 June 2014, DESB served a reply to the Notice of Arbitration and filed a counter-claim against SGV for a sum of RM461,000.00 ("Counter Claim"). The hearing for this matter commenced on 26 April 2016 and 27 April 2016 and continued on 11 July 2016 and 26 July 2016. On 10 October 2017, the Arbitrator fixed new hearing dates commenced on 23 to 27 April 2018, 28 May 2018, 30 to 31 May 2018 and continued on 1 June 2018. Further, the hearing continued on 20 July 2018, 23 July 2018 and 6 August 2018 and thereafter on 16 to 19 October 2018. On 19 October 2018, the Arbitrator fixed new hearing dates to commence on 21 to 22 November 2018 and to be continued on 28 to 30 November 2018. DESB's solicitors are of the view that DESB has a fair chance in defending the SGV's Amended Claim and succeeding in the Counter Claim.

In addition to the aforesaid arbitration proceedings, on 22 September 2015, SGV initiated an adjudication proceedings against DESB on substantially the same subject matter set out in the arbitration proceedings above. On 24 February 2016, the adjudicator has awarded SGV ("Adjudication Award") among others, RM919,308.05 ("Adjudication Amount") which forms part of SGV's Amended Claim.

DESB has complied with the Adjudication Award which includes payment of the Adjudicated Amount plus interest and costs to SGV.

The outcome of the arbitration proceedings will prevail over the Adjudication Award, and will be the final award for the matter.

Save as disclosed above, there were no other material litigations against the Group as at the reporting date.

## B10 Proposed Dividend

No dividend has been declared or recommended for payment during the current quarter.

## B11 Earnings Per Share ("EPS")

	3 months ended		9 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Profit attributable to owners of the Company (RM'000)	3,938	2,629	10,619	7,660
Weighted average number of ordinary shares in issue ('000)	298,005	298,005	298,005	298,005
<b>Basic EPS (sen)</b>	<b>1.3</b>	<b>0.9</b>	<b>3.6</b>	<b>2.6</b>

Diluted earnings per share is not presented due to the anti-dilutive nature of the potential ordinary shares in issue.

## B12 Financial Instruments

As at the reporting date, the Group has not entered into any derivatives.

**B13 Auditors' Report On Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 31 December 2017 was unqualified.

**B14 Profit Before Tax**

RM'000	3 months ended		9 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
<b>Profit before tax is arrived at after crediting/(charging):</b>				
Interest income	231	220	870	673
Other income including investment income	383	254	997	1,009
Interest expense	(3)	(2)	(9)	(8)
Depreciation	(248)	(228)	(686)	(651)
Impairment loss on trade receivables	(73)	-	(164)	(128)
Realised (loss)/gain on foreign exchange	(66)	109	(94)	140
Unrealised gain/(loss) on foreign exchange	83	(227)	52	(339)

Save as disclosed above, there were no material provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investment or real properties, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter under review.