



**DAGANG NEXCHANGE BERHAD (REGISTRATION NO. 197001000738 (10039-P))
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 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 30/6/2020 RM'000	Preceding year corresponding quarter 30/6/2019 RM'000	Six months to 30/6/2020 RM'000	Six months to 30/6/2019 RM'000
Revenue	62,043	72,198	125,693	141,147
Cost of sales	(43,219)	(42,241)	(80,233)	(81,667)
Gross profit	18,824	29,957	45,460	59,480
Other income	790	868	1,185	4,484
Expenses	(51,924)	(21,138)	(74,252)	(44,998)
Finance cost	(694)	(940)	(2,109)	(1,765)
Share of result of associates, net of tax	2,250	6,005	6,321	13,866
(Loss)/Profit before income tax	(30,754)	14,752	(23,395)	31,067
Income tax credit/(expense) (Note 14)	4,329	(2,120)	2,849	(4,505)
Zakat	(2)	(1)	(4)	(2)
(Loss)/Profit for the period	(26,427)	12,631	(20,550)	26,560
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	611	23	(14)	(34)
Share of other comprehensive (loss)/income of associate	(1,254)	3,031	9,928	240
Other comprehensive (loss)/income for the period, net of tax	(643)	3,054	9,914	206
Total comprehensive (loss)/income for the period	(27,070)	15,685	(10,636)	26,766



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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 30/6/2020 RM'000	Preceding year corresponding quarter 30/6/2019 RM'000	Six months to 30/6/2020 RM'000	Six months to 30/6/2019 RM'000
(Loss)/Profit attributable to:				
- Owners of the Company	(24,080)	12,349	(17,855)	24,282
- Non-controlling Interests	(2,347)	282	(2,695)	2,278
(Loss)/Profit for the period	(26,427)	12,631	(20,550)	26,560
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(24,723)	15,403	(7,941)	24,488
- Non-controlling Interests	(2,347)	282	(2,695)	2,278
Total comprehensive (loss)/income for the period	(27,070)	15,685	(10,636)	26,766
Earnings per share				
- Basic	(1.37) sen	0.70 sen	(1.01) sen	1.38 sen
- Diluted	(1.37) sen	0.69 sen	(1.01) sen	1.37 sen

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/6/2020 RM'000	Preceding year corresponding quarter 30/6/2019 RM'000	Six months to 30/6/2020 RM'000	Six months to 30/6/2019 RM'000
(Loss)/Profit before income tax is arrived at after charging/(crediting):				
Interest income	(64)	(64)	(159)	(111)
Gain on disposal of property, plant and equipment	(15)	(79)	(14)	(82)
(Gain)/Loss on disposal of investment in a subsidiary	-	(464)	833	(464)
Impairment loss on:				
- Receivables	3,418	149	3,539	475
- Other investments	3,700	-	3,700	-
- Property, plant and equipment	6,252	-	6,252	-
- Intangible assets	17,809	-	17,809	-
Interest expense	694	940	2,109	1,765
Depreciation and amortization	5,427	4,374	10,894	8,617
Foreign exchange (gain)/loss	(207)	37	(383)	(98)

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 30/6/2020 RM'000	Audited As at 31/12/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	110,820	68,299
Right-of-use assets	3,843	5,356
Investment in associates	232,363	216,112
Other investments	4,117	3,538
Goodwill	60,220	60,220
Intangible assets	18,500	41,921
Deferred tax assets	465	2,340
	<hr/>	<hr/>
	430,328	397,786
Current assets		
Inventories	698	1,316
Contract assets	91,461	83,447
Trade and other receivables	109,822	91,003
Current tax assets	3,067	1,086
Cash and cash equivalents	38,606	54,399
	<hr/>	<hr/>
	243,654	231,251
	<hr/>	<hr/>
Total assets	673,982	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	5,218	(4,696)
Fair value reserve	(734)	(734)
Retained earnings	96,476	114,331
	<hr/>	<hr/>
	461,817	469,758
Non-controlling Interests	(3,990)	(4,392)
	<hr/>	<hr/>
Total equity	457,827	465,366
Non-current liabilities		
Deferred tax liabilities	562	7,706
Loan and borrowings (secured)	17,671	18,854
Lease liabilities	1,162	2,914
	<hr/>	<hr/>
	19,395	29,474
Current liabilities		
Contract liabilities	1,631	5,317
Trade and other payables	97,149	76,265
Loan and borrowings (secured)	91,143	47,415
Lease liabilities	3,148	2,913
Current tax liabilities	3,689	2,287
	<hr/>	<hr/>
	196,760	134,197
	<hr/>	<hr/>
Total liabilities	216,155	163,671
	<hr/>	<hr/>
Total equity and liabilities	673,982	629,037
Net assets per share attributable to Owners of the Company (RM)		
	0.26	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 Six months to 30/6/2020 RM'000	Unaudited Six months to 30/6/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	111,056	131,779
Cash payments to suppliers	(60,148)	(84,024)
Cash payments to employees and other expenses	(51,258)	(57,718)
	<hr/>	<hr/>
Cash used from operations	(350)	(9,963)
Income tax paid (net)	(2,918)	(4,751)
Zakat	82	44
	<hr/>	<hr/>
Net cash used in operating activities	(3,186)	(14,670)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	(55,442)	(5,590)
Proceeds from disposal of property, plant and equipment	1	58
Interest received	159	111
Disposal of a subsidiary	(3)	(83)
	<hr/>	<hr/>
Net cash used in investing activities	(55,285)	(5,504)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown/(Repayment) of bank borrowings (net)	37,262	8,780
Payment of finance cost	(2,098)	(1,765)
Payment of lease liabilities	(1,537)	-
Proceeds from issuance of shares	3,097	-
Increase in pledged deposits and restricted cash	(1,190)	4,797
	<hr/>	<hr/>
Net cash generated from financing activities	35,534	11,812
	<hr/>	<hr/>
Net Change in Cash and Cash Equivalents	(22,937)	(8,362)
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) 4,455	11,308
	=====	=====

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

	As at 30/6/2020 RM'000	As at 30/6/2019 RM'000
Cash and deposits with licensed banks		
- Unrestricted	21,136	18,360
- Restricted and pledged	17,470	7,493
	<hr/>	<hr/>
	38,606	25,853
Less : Cash and cash equivalents pledged as security	(17,470)	(7,493)
Less : Bank overdrafts	(16,681)	(7,052)
	<hr/>	<hr/>
Cash and Cash Equivalents as at end of financial period	4,455	11,308
	=====	=====

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	Non-distributable			Retained earnings			
	Share Option reserve	Translation reserve	Fair value reserve						
Six months to 30 June 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	-	-	-	-	-	(17,855)	(17,855)	(2,695)	(20,550)
Foreign currency translation differences for foreign operations	-	-	-	(14)	-	-	(14)	-	(14)
Share of other comprehensive income of associates	-	-	-	9,928	-	-	9,928	-	9,928
Total comprehensive loss for the period	-	-	-	9,914	-	(17,855)	(7,941)	(2,695)	(10,636)
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 June 2020	354,339	5,691	827	5,218	(734)	96,476	461,817	(3,990)	457,827
Six months to 30 June 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	-	-	-	-	-	24,282	24,282	2,278	26,560
Foreign currency translation differences for foreign Operations	-	-	-	(34)	-	-	(34)	-	(34)
Share of other comprehensive income of associates	-	-	-	240	-	-	240	-	240
Total comprehensive income for the period	-	-	-	206	-	24,282	24,488	2,278	26,766
Contribution by and distribution to owners of the Company									
- Effect on Issue of shares of subsidiaries	-	-	-	-	-	(1,735)	(1,735)	2,411	676
Changes in subsidiaries' ownership interests that do not results in a loss of control	-	-	-	38	-	(2,657)	(2,619)	2,177	(442)
Total transaction with owners of the Company	-	-	-	38	-	(4,392)	(4,354)	4,588	234
Balance as at 30 June 2019	354,322	5,691	831	(2,020)	(734)	116,640	474,730	(2,369)	472,361

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 June 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 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 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 June 2020.



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8 Dividend

The Directors do not recommend the payment of any dividend for the period ended 30 June 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	86,967	38,726	-	-	125,693
Inter-segment revenue	698	-	-	(698)	-
Total revenue	87,665	38,726	-	(698)	125,693
Segment result					
Profit from operations	10,568	2,496	2,197	-	15,261
Depreciation & amortization	(4,562)	(6,308)	(24)	-	(10,894)
Impairment loss on:					
- Receivables	(2,349)	(1,190)	-	-	(3,539)
- Other investments	-	(3,700)	-	-	(3,700)
- Property, plant and equipment	-	(6,252)	-	-	(6,252)
- Intangible assets	-	(17,809)	-	-	(17,809)
Loss of disposal of a subsidiary	(833)	-	-	-	(833)
Finance costs	(1,279)	(57)	(773)	-	(2,109)
Finance income	157	2	-	-	159
Share of results in associates, net of tax	-	6,321	-	-	6,321
Profit/(Loss) before tax	1,702	(26,497)	1,400	-	(23,395)
Tax credit					2,849
Zakat					(4)
Net loss after tax					(20,550)
Attributable to:					
Owners of the Company					(17,855)
Non-controlling interests					(2,695)
Loss for the period					(20,550)
Segment assets	481,460	371,875	352,011	(531,364)	673,982
Segment liabilities	375,714	36,770	36,756	(233,085)	216,155



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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 June 2020 to the date of this announcement which would substantially affect the financial results of the Group for the period ended 30 June 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, other than disclosed below:

- a) The Company had on 23 December 2019 entered into a share swap agreement with EC-Council Global Services Sdn. Bhd. ("ECCGS"), DNEX Technology Sdn. Bhd. ("DTSB") and EC-Council International Limited ("the Agreement").

Pursuant to the Agreement, the Company shall transfer its total interests in all the issued shares in the capital of DTSB to ECCGS against the issue of new shares in the capital of ECCGS such that the Company shall hold 15% of all the issued shares in the capital of ECCGS upon the completion of the transactions contemplated under the terms of the Agreement.

The Company has stopped consolidating the results of DTSB effective from 1 March 2020, in accordance with MFRS 10- Consolidated Financial Statements, by virtue of the Company no longer have control over DTSB.

The Group had on 1 July 2020 announced that the conditional share swap agreement has been completed pursuant to fulfilment of the terms and conditions as set out in the Agreement.

- b) The Company had on 29 May 2020 announced that Dagang Net Technologies Sdn. Bhd. ("Dagang Net"), a wholly-owned subsidiary of the Company, had on the same day entered into an investment agreement ("Agreement") with PT Dagang Samudera Utama ("PT DSH"), Mrs. Margareta Novi Ursula and Mr. Bambang Sugiarto to facilitate Dagang Net's equity participation in PT DSH.

PT DSH is considered as a subsidiary in accordance with MFRS 10 - Consolidated Financial Statements as Dagang Net has power over the voting rights, title and interest over PT DSH to direct the activities that significantly affects PT DSH's returns and rights to receive variable returns from results of PT DSH's performance paid out by way of dividends with respect to the shares with effect from January 2020.

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 RM22.4 million.



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14 Income tax

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/6/2020 RM'000	Preceding year corresponding quarter 30/6/2019 RM'000	Six months to 30/6/2020 RM'000	Six months to 30/6/2019 RM'000
Malaysian income tax				
- Current taxation	(377)	(2,603)	(2,404)	(5,471)
Total current tax expense	(377)	(2,603)	(2,404)	(5,471)
Deferred tax expenses				
- Current period	4,706	483	5,215	966
- Over provision in prior year	-	-	38	-
Total deferred tax expenses	4,706	483	5,253	966
	4,329	(2,120)	2,849	(4,505)

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 29 May 2020 announced that Dagang Net, a wholly owned subsidiary of the Company, had on the same day entered into an investment agreement with PT DSH, Mrs. Margareta Novi Ursula and Mr. Bambang Sugiarto to facilitate Dagang Net's equity participation in PT DSH.
- (b) 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.

- (c) 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 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.



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16 Derivatives

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

17 Classification of financial assets

For the period ended 30 June 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.

19 Comparison between the current quarter and the immediate preceding quarter

	Current year quarter 30/6/2020 RM'000	Immediate preceding quarter 31/3/2020 RM'000	Variance %
Revenue	62,043	63,650	-2.5
- Information Technology ("IT")	37,599	49,368	-23.8
- Energy	24,444	14,282	+71.1
(Loss)/Profit before tax	(30,754)	7,359	>-100.0
- IT	(2,460)	4,162	>-100.0
- Energy	(28,626)	2,129	>-100.0
- Corporate, net of elimination	332	1,068	-68.9

Revenue

The Group reported a reduction in revenue of 2.5% or RM1.6 million in current quarter as compared to immediate preceding quarter.

Information Technology Segment

The Group's IT business continues to suffer from the post effect on the imposition of Movement Control Order ("MCO") by the Malaysian Government, the revenue for this reporting quarter has reduced by RM11.8 million (23.8%) as compared to Q1, 2020.

- The trade facilitation & e-Commerce recorded a lower revenue of RM18.0 million in current quarter (RM22.1 million in Q1, 2020), a 18.6% (RM4.1 million) reduction resulted from lesser trade transactions due to border control and the imposition of MCO;
- The System Integration & Consultancy business reported 28.2% (RM7.7 million) decreased in revenue due to slowdown in project implementation in current reporting quarter for the following contracts:
 - i. Integrated Government Finance & Management System ("iGFMAS") and related maintenance work (Q2, 2020: RM14.7 million; Q1, 2020: RM16.8 million).
 - ii. Lembaga Hasil Dalam Negeri Malaysia of RM1.8 million (RM4.7 million in Q1,2020); and
 - iii. Statistics Data Warehouse Project for Jabatan Perangkaan Malaysia; and big data analytics project for Kementerian Air Tanah dan Sumber Air. (RM1.2 million in Q2, 2020; RM3.8 million in Q1, 2020).



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Energy Segment

The revenue reduction in IT segment was partly mitigated with revenue improvement of RM10.2 million in Energy segment, resulted from the work done on the following projects:

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

Profit/(Loss) Before Tax

	Operating Profit RM'000	One-off impairment Loss RM'000	Net Loss RM'000
Profit/(Loss) before tax	425	(31,179)	(30,754)
- IT	(111)	(2,349)	(2,460)
- Energy	204	(28,830)	(28,626)
- Corporate, net of elimination	332	-	332

The current quarter performance was affected by one-off non-cash impairment loss totaling RM31.2 million listed as below: -

- other investment in unquoted shares of RM3.7 million;
- receivables of RM3.4 million;
- property, plant and equipment of RM6.3 million; and
- intangible assets of RM17.8 million.

The Group reported an operating profit of RM0.43 million in current reporting quarter (RM7.4 million in Q1, 2020). The reduction in operating profit was in line with lower revenue recognition; and lower share of result from an associate in current quarter (RM2.3 million in Q2, 2020; RM4.1 million in Q1, 2020).

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

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

	Current year quarter 30/6/2020 RM'000	Preceding year corresponding quarter 30/6/2019 RM'000	Variance %
Revenue	62,043	72,198	-14.1
- IT	37,599	59,076	-36.3
- Energy	24,444	13,122	+86.3

The Group recorded lower quarter-to-quarter revenue of 36.3% or RM21.5 million in IT segment, mainly due to:

- Lower revenue of RM8.8 million in current year quarter for Group’s trade facilitation & e-Commerce (RM18.0 million in Q2, 2020; RM26.8 million in Q2, 2019);
- No new submarine cable installation and repair contract secured in current year quarter as compared to Q2, 2019 (RM Nil in Q2, 2020; RM1.8 million in Q2, 2019). Currently, the Group is actively exploring opportunities to secure long-term contract opportunities in Indonesia; and
- Lower progress billing of RM6.7 million in current year quarter for work done in iGFMAS; and related maintenance work (RM14.7 million in Q2, 2020; RM21.4 million in Q2, 2019). The reduction in iGFMAS revenue in current quarter was partly mitigated by work done for Lembaga Hasil Dalam Negeri Malaysia of RM1.8 million (RM Nil in 2019).



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The Group's Energy division shows 86.3% or RM11.3 million improvement in its revenue in current quarter. However, the hit to the oil price, and the potential cut in capital expenditure spending by the oil majors are having a negative impact on the Oil & Gas industry.

	Current year quarter 30/6/2020 RM'000	Preceding year corresponding quarter 30/6/2019 RM'000	Variance %
(Loss)/Profit before tax	(30,754)	14,752	>-100.0
- IT	(2,460)	9,498	>-100.0
- Energy	(28,626)	4,134	>100.0
- Corporate, net of elimination	332	1,120	-70.3

The Group reported a loss before tax of RM30.7 million in current quarter, a reduction of RM45.5 million as compared to the Q2, 2019 was mainly attributable to:

- Lower operating profit in current reporting quarter of RM0.43 million (RM14.75 million in Q2' 2019). The reduction in operating profit was mainly contributed by lower revenue recognition;
- Lower share of the results of an associate by RM3.75 million; and
- One-off non-cash impairment loss totaling RM31.18 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 30/6/2020 RM'mil	Preceding year corresponding quarter 30/6/2019 RM'mil
Trading & Services	0.7	2.0
Drilling Technology & Oilfield Services	(0.2)	(1.8)
Upstream Exploration & Production	2.2	6.0
Other	(0.5)	-
Sub Total	2.2	6.2
Amortization of intangible assets arising from consolidation	(2.1)	(2.1)
Impairment loss	(28.7)	-
(Loss)/Profit before tax	(28.6)	4.1



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

	Six months to 30/6/2020		Six months to 30/6/2019		Variance %
	RM'000	%	RM'000	%	
Revenue	125,693		141,147		-10.9
- IT	86,967	69	116,400	82	-25.3
- Energy	38,726	31	24,747	18	+56.5

The Group's IT recorded a reduction in revenue of RM29.4 million (25.3%) in the current year as compared to the preceding year. The overall lower revenue was mainly due to:

- Lower progress billing of RM12.4 million for the development and maintenance of the iGFMS (RM31.6 million in 2020; RM44.0 million in 2019). The reduction in iGFMS revenue in current period was partly mitigated by work done for Lembaga Hasil Dalam Negeri Malaysia of RM6.5 million (RM Nil in 2019)
- Work done on submarine cable installation and repair project in Indonesia of RM13.3 million in preceding year; and
- Reduction of revenue in trade facilitation and e-Commerce business of RM8.3 million (RM40.0 million in 2020; RM48.3 million in 2019). The overall year-to-date trade traffic volume dropped by 11% affected by economic slowdown due to Covid-19 pandemic.

The Group's Energy division shows a 56.5% jumped in its revenue, which was mainly contributed by Trading & Services unit (RM33.4 million in 2020; RM23.5 million in 2019). The Drilling & Oilfield services continue to experience significant competitive pressure in an industry's slow recovery in oil & gas activities.

	Six months to 30/6/2020		Six months to 30/6/2019		Variance %
	RM'000		RM'000		
(Loss)/Profit before tax	(23,395)		31,067		>-100.0
- IT	1,702		20,033		-91.5
- Energy	(26,497)		11,355		>-100.0
- Corporate, net of elimination	1,400		(321)		>+100.0

	Operating Profit RM'000	One-off Impairment Loss RM'000	Net Loss RM'000
(Loss)/Profit before tax for period ended 30 June 2020	7,905	(31,300)	(23,395)
- IT	4,051	(2,349)	1,702
- Energy	2,454	(28,951)	(26,497)
- Corporate, net of elimination	1,400	-	1,400

The current year performance was affected by one-off non-cash impairment loss of RM31.3 million detailed as set out below: -

- other investment in unquoted shares of RM3.7 million;
- receivables of RM3.5 million;
- property, plant and equipment of RM6.3 million; and
- intangible assets of RM17.8 million.



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The Group reported an operating profit of RM7.9 million in current reporting period (RM31.1 million in 2019). The reduction in operating profit was line with lower revenue recognition and lower share of the result of an associate of RM7.5 million in current reporting period.

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

	Six months to 30/6/2020 RM'mil	Six months to 30/6/2019 RM'mil
Trading & Services	1.7	3.4
Drilling & Oilfield Services	(0.6)	(1.7)
Upstream Exploration & Production	6.3	13.9
Others	(0.6)	-
Sub Total	6.8	15.6
Amortization of intangible assets arising from consolidation	(4.3)	(4.3)
Impairment Loss	(29.0)	-
(Loss)/Profit before tax	(26.5)	11.3

21 Prospects for 2020

The Covid-19 pandemic has taken root in nearly every country on the globe, upending personal and economic lives. Six months into the crisis, some countries have managed to control new cases, while in others the spread remains rampant. While many countries have reopened their economies, allowing a cautious return to work, play, and economic life, the pandemic seems likely to remain a fact of life for the foreseeable future.

The Management believes the impact by the 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 glut.

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

Barring any unforeseen circumstances, the Group expects to deliver sustainable results for the year 2020.

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 30/6/2020 '000	Preceding year corresponding quarter 30/6/2019 '000	Six months to 30/6/2020 '000	Six months to 30/6/2019 '000
(Loss)/Profit attributable to the Owners of the Company (RM)	(24,080)	12,349	(17,855)	24,282
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)	(1.37)	0.70	(1.01)	1.38

Diluted earnings per share

Diluted earnings per share	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/6/2020 '000	Preceding year corresponding quarter 30/6/2019 '000	Six months to 30/6/2020 '000	Six months to 30/6/2019 '000
(Loss)/Profit attributable to the Owners of the Company (RM)	(24,080)	12,349	(17,855)	24,282
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	-	7,452	-	7,569
Weighted average number of ordinary shares	1,758,090	1,765,488	1,758,090	1,765,605
Diluted earnings per share (sen)	(1.37)	0.69	(1.01)	1.37

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 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 August 2020

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