



DANCOMECH HOLDINGS BERHAD

(Company No. 1050285-U)
(Incorporated in Malaysia under the Companies Act, 1965)

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:

- I) PUBLIC ISSUE OF 24,000,000 NEW ORDINARY SHARES OF RM0.40 EACH ("SHARES") IN THE FOLLOWING MANNER:
- 7,500,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE PUBLIC;
 - 2,503,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP;
 - 13,997,000 NEW SHARES AVAILABLE FOR APPLICATION BY WAY OF PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY;

AND

- II) OFFER FOR SALE OF 16,000,000 EXISTING SHARES IN THE FOLLOWING MANNER:
- UP TO 4,630,000 EXISTING SHARES BY WAY OF PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY; AND
 - 11,370,000 EXISTING SHARES BY WAY OF PLACEMENT TO SELECTED INVESTORS;

AT AN ISSUE/OFFER PRICE OF RM0.75 PER SHARE, PAYABLE IN FULL UPON APPLICATION

Principal Adviser, Managing Underwriter,
Joint Underwriter and Placement Agent



Joint Underwriters



PROSPECTUS

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER. TURN TO SECTION 4 HEREIN FOR THE 'RISK FACTORS'.

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.

LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

This prospectus is dated 23 June 2016

THIS PROSPECTUS CONTAINS CERTAIN PHOTOGRAPHS AND ILLUSTRATION OF ASSETS WHICH DO NOT BELONG TO OUR GROUP AND ARE INCLUDED HEREIN FOR ILLUSTRATION PURPOSES ONLY.

DANCOMECH HOLDINGS BERHAD
(Company No: 1050285-U)
(Incorporated in Malaysia under the Companies Act, 1965)

PROSPECTUS

www.dancomech.com.my

No 19 Jalan Pelukis U1/46, Temasya Industrial Park,
Seksyen U1, 40150 Shah Alam, Selangor.
Tel : 03-5569 2929 Fax : 03-5569 2935/37

RESPONSIBILITY STATEMENTS

Our Board, Promoters and Offerors (as defined herein) have seen and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, there is no false or misleading statement or other facts which if omitted, would make any statement herein false or misleading.

MIDF Amanah Investment Bank Berhad, being our Principal Adviser, Managing Underwriter, Joint Underwriter and Placement Agent acknowledges that, based on all available information and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our Public Issue and Offer for Sale (as defined herein).

STATEMENTS OF DISCLAIMER

The Securities Commission Malaysia (“SC”) has approved the Public Issue and Offer for Sale and a copy of this Prospectus has been registered with the SC. The approval and registration of this Prospectus should not be taken to indicate that the SC recommends our Public Issue and Offer for Sale or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment.

The SC is not liable for any non-disclosure on the part of the Company and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN OUR COMPANY. INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Approval has been obtained from Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing of and quotation for the securities being offered. Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our Public Issue and Offer for Sale, our Company or our securities.

Bursa Securities is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, together with the application forms, has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

OTHER STATEMENTS

As with all investments, you should be aware of all potential risks in investing in such companies and should make the decision to invest after giving due and careful consideration by referring to amongst others, this Prospectus, our latest financial statements and corporate announcements. You are strongly recommended to seek advice from your stockbroker, solicitor, accountant or other professional advisers.

Investors are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the *Capital Markets and Services Act 2007* (“**CMSA**”).

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning our Public Issue and Offer for Sale for which any of the persons set out in Section 236 of the CMSA, e.g. directors and advisers, are responsible.

The acceptance of applications for the securities being issued is conditional upon permission being granted by Bursa Securities for the listing of and quotation for the securities being issued on the Official List of Bursa Securities. An application has been or will be made for the securities being offered to be listed and quoted on the Official List of Bursa Securities. Any allotment made on an application to subscribe for the securities being

offered would be void if the application to list and quote has not been made within three (3) market days from the date of issue of this Prospectus or the permission for the application to list and quote is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC), provided that our Company is notified by or on behalf Bursa Securities within the aforesaid timeframe. Where such permission has not been applied for, or has not been granted by Bursa Securities, the Company shall repay all monies received from the applicants and if such monies are not repaid in full within fourteen days after the Company becomes liable to do so, the provisions of sub-section 243(2) of CMSA shall apply accordingly.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia. No action has been taken or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia. The Company does not and will not take any action to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia.

The Public Issue and Offer for Sale is only intended to be made available in Malaysia or to any person within Malaysia. The distribution of this Prospectus and the making of the Public Issue and Offer for Sale in other jurisdictions outside Malaysia may be restricted by law or be illegal.

We will not, prior to acting on any acceptance in respect of our Public Issue and Offer for Sale, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

We reserve the right in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It shall be your sole responsibility, if you are or may be subject to the laws of any country or jurisdiction other than Malaysia, to consult your legal and/or other professional advisers as to whether your application for our Public Issue and Offer for Sale would contravene any law of such country or jurisdiction.

Further, it shall also be your sole responsibility to ensure that your application for our Public Issue and Offer for Sale would comply with the terms of this Prospectus and would not contravene any law of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you have accepted our Public Issue and Offer for Sale in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

The distribution of this Prospectus and the accompanying documents are subject to Malaysian laws. Our Board, Promoters, Offerors, Principal Adviser, Joint Underwriters and Placement Agent take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Our Board, Promoters, Offerors, Principal Adviser, Joint Underwriters and Placement Agent have not taken any action to permit a Public Issue and Offer for Sale of our securities based on this Prospectus or the distribution of this Prospectus outside Malaysia.

This Prospectus may not be used as an offer to sell or an invitation to buy our securities in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or is unlawful. This Prospectus shall also not be used to make an offer of or invitation to buy our securities to any person to whom it is unlawful to do so. Our Board, Promoters, Offerors, Principal Adviser, Joint Underwriters and Placement Agent require you to form your own views and to observe such restrictions.

ELECTRONIC PROSPECTUS

This Prospectus can be viewed or downloaded from Bursa Securities' website at <http://www.bursamalaysia.com>. The contents of the Electronic Prospectus (as defined herein) and the copy of this Prospectus registered with the SC are the same.

You may also obtain a copy of the Electronic Prospectus from the website of Affin Bank Berhad at www.affinOnline.com, the website of Affin Hwang Investment Bank Berhad at <http://trade.affinhwang.com>, the website of CIMB Bank Berhad at www.cimbclicks.com.my, the website of CIMB Investment Bank Berhad at www.eipocimb.com, the website of Malayan Banking Berhad at www.maybank2u.com.my, the website of Public Bank Berhad at <http://www.pbebank.com>, and the website of RHB Bank Berhad at www.rhbgroup.com.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application (as defined herein) may be subject to the risks of problems occurring during the data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

In the event of any discrepancy arising between the contents of the Electronic Prospectus and the contents of the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC shall prevail.

Any reference made by us and/or our Principal Adviser in this Prospectus to third party internet sites (referred to as “**Third Party Internet Sites**”), whether by way of hyperlinks or by way of description of the Third Party Internet Sites:

- (i) are not endorsed by us nor are we and our Principal Adviser affiliated in any way to the Third Party Internet Sites. You shall acknowledge and agree to bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the content of any data, information, file or any other material provided for and/or the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of your agreements with the Third Party Internet Sites;
- (iii) we and our Principal Adviser are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, file or other material provided by such parties; and
- (iv) any data, information, file or other material downloaded from the Third Party Internet Sites is done at your discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information or other material.

Where the Electronic Prospectus is hosted on the website of the Internet Participating Financial Institution, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions and shall not be responsible in any way for the integrity of the contents of the Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

If in doubt about the validity or integrity of the Electronic Prospectus, you should immediately request from us, our Principal Adviser or the Issuing House, a paper / printed copy of this Prospectus. The Electronic Prospectus submitted to the SC and Bursa Securities is intended to be exactly the same as the registered paper / printed copy. However, the contents of the paper / printed copy of this Prospectus which is registered with the SC shall prevail if there is any discrepancy between the contents of the Electronic Prospectus and the paper / printed copy of this Prospectus.

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INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities is set out below:

EVENT	DATE / TIME
Issuance of Prospectus/Opening of application for our IPO Shares	23 June 2016 / 10.00 a.m.
Closing of application for our IPO Shares	12 July 2016 / 5.00 p.m.
Balloting of applications	14 July 2016
Allotment of IPO Shares to successful applicants	20 July 2016
Listing on the Main Market of Bursa Securities	21 July 2016

This timetable is tentative and is subject to any changes which may be necessary to facilitate implementation procedures.

Our Directors, Promoters and Offerors together with our Joint Underwriters, reserve the right to extend the closing date for applications for our IPO Shares. Unless so extended the application period shall end at 5.00 p.m. on 12 July 2016.

If the closing date of the application for our IPO Shares is extended, the dates for balloting and allotment of our IPO Shares and our Listing will be extended accordingly. Such extended dates will be announced by way of advertisements in widely circulated English and Bahasa Malaysia daily newspapers within Malaysia prior to the original closing date of the application.

Late applications will not be accepted.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

References to “we”, “us”, “our” and “ourselves” are to our Company or our Group or any member of our Group, as the context requires.

Unless the context otherwise requires, references to “Management” are to our Managing Director, Executive Director and our key management personnel as disclosed in this Prospectus and statements as to our beliefs, expectations, estimates and opinions are those of our Board.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus. Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include companies and corporations.

The words “include”, “includes” and “including” are to be construed as if they were immediately followed by the words “without limitation”.

Unless otherwise stated, any reference to dates and times in this Prospectus shall be a reference to dates and times in Malaysia.

Any rules, guidelines, act or enactment or listing requirements referred to in this Prospectus is a reference to those rules, guidelines, act, enactments or listing requirements for the time being in force and as amended or re-enacted from time to time and includes any subsidiary legislation made thereunder.

The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest tenth/hundredth or one/two decimal places. Any numeric discrepancies in the tables included in this Prospectus between the listed amounts and the totals thereof are due to rounding differences.

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us.

In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by Protégé Associates Sdn Bhd, an independent market researcher. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate. However, neither we nor our Principal Adviser have independently verified such report, data, projections and trends. Neither we nor our Principal Adviser make any representation as to the correctness, accuracy or completeness of such report, data, projections and trends and accordingly, you should not place undue reliance on the same cited in this Prospectus. Similarly, third party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved and you should not place undue reliance on the third party projections cited in this Prospectus.

The information on our website or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

This Prospectus includes forward-looking statements, which include all statements other than those of historical facts including amongst others, those regarding our Group’s financial position, business strategies, plans and objectives of our Management for future operations. Some of these statements can be identified by words that have a bias towards or are forward-looking such as “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our Group’s control that could cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. As such, we cannot assure you that the forward-looking statements in this Prospectus will be realised.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION *(Cont'd)*

Such forward-looking statements are based on numerous assumptions regarding our Group's present and future business strategies and the environment in which our Group operates. Additional factors that could cause our Group's actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 4 - Risk Factors and Section 12 - Management's Discussion and Analysis of Financial Condition, Results of Operations and Prospects.

These forward-looking statements are based on information available to us as at the date of this Prospectus. Subject to the provisions of Section 238 of the CMSA, we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statements contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward looking statements contained herein.

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DEFINITIONS

Unless otherwise defined or the context otherwise requires, the following definitions shall apply throughout this Prospectus:

AAGR	: Average Annual Growth Rate
ABC Equity	: ABC Equity Sdn Bhd (918941-V)
Acquisitions	: The Acquisition of Dancomech Engineering, Acquisition of Dancomech JB and Acquisition of Optimis, collectively
Acquisition of Dancomech Engineering	: Acquisition by Dancomech of the entire issued and paid-up share capital in Dancomech Engineering comprising 8,800,000 ordinary shares of RM1.00 each for a total purchase consideration of RM49,999,950 which was entirely satisfied by the issuance of 249,999,750 new Pre-Consolidation Shares, at an issue price of RM0.20 per Pre-Consolidation Share credited as fully paid. The acquisition was duly completed in accordance with the Share Sale Agreement dated 11 September 2014. Further details of this acquisition can be found in Section 5.4
Acquisition of Dancomech JB	: Acquisition by Dancomech of the entire issued and paid-up share capital in Dancomech JB comprising 300,000 ordinary shares of RM1.00 each for a total purchase consideration of RM256,715 which was entirely satisfied by cash. The acquisition involved two separate transactions both of which were duly completed in accordance with the Share Sale Agreements dated 11 September 2014 (relating to the acquisition of 70% of the entire issued share capital of Dancomech JB) and 30 June 2015 (relating to the acquisition of the remaining 30% of the entire issued share capital of Dancomech JB) respectively. Further details of this acquisition can be found in Section 5.4
Acquisition of Optimis	: Acquisition by Dancomech of 55.00% of the issued and paid-up share capital in Optimis comprising 110,000 ordinary shares of RM1.00 each for a total purchase consideration of RM387,191 which was entirely satisfied by cash. The acquisition was duly completed in accordance with the Share Sale Agreement dated 11 September 2014. Further details of this acquisition can be found in Section 5.4
Act	: Companies Act 1965
ADA	: Authorised Depository Agent
Application Form(s)	: Printed application form(s) for the application of our IPO Shares accompanying this Prospectus
ASEAN	: Association of South East Asian Nations
ATM	: Automated Teller Machine(s)
BNM	: Bank Negara Malaysia
Board or Directors	: Board of Directors of Dancomech
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W)

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DEFINITIONS (Cont'd)

Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CAGR	:	Compounded Annual Growth Rate
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System
CDS Account	:	An account established by Bursa Depository for a depositor to record deposits or withdrawals of securities and for dealings in such securities by the depositor
Central Depositories Act	:	The Securities Industry (Central Depositories) Act 1991
CMSA	:	Capital Markets and Services Act 2007
Dancomech or Company	:	Dancomech Holdings Berhad (1050285-U)
Dancomech Engineering	:	Dancomech Engineering Sdn Bhd (524484-V)
Dancomech Group or Group	:	Dancomech, Dancomech Engineering, Dancomech JB and Optimis, collectively
Dancomech JB	:	Dancomech Engineering (JB) Sdn Bhd (1047387-D)
Dancomech Share(s) or Share(s)	:	Ordinary share(s) of RM0.40 each in Dancomech
Dancovest	:	Dancovest (M) Sdn Bhd (420516-A)
DET	:	Danco Engineering and Trading, a sole proprietorship
DOS	:	Department of Statistics
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	:	Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or electronic storage medium, including but not limited to CD-ROMs and thumb drives
EPS	:	Earnings per share
ESA or Electronic Share Application	:	Application for our Public Issue Shares through a Participating Financial Institution's ATM
Euro	:	€, the legal currency of the European Union
FYE	:	Financial year(s) ended/ending 31 December
GBP	:	Pound sterling, the legal currency of the United Kingdom
GDP	:	Gross Domestic Product
GP	:	Gross Profit

DEFINITIONS (Cont'd)

Grant Thornton or Reporting Accountants	:	SJ Grant Thornton (AF 0737)
IMR or Independent Market Researcher	:	Protégé Associates Sdn Bhd (675767-H)
IMR Report	:	IMR's Independent Market Research Report titled 'Process Control Equipment and Measurement Instruments Market in Malaysia and an Overview of the Indonesian Market' included in Section 7
Internet Participating Financial Institution(s)	:	Participating Financial Institution(s) in the Internet Share Application
ISA or Internet Share Application	:	The application for the IPO Shares through an Internet Participating Financial Institution
Inter-Pacific	:	Inter-Pacific Securities Sdn Bhd (12738-U)
IPO	:	Public Issue and Offer for Sale, collectively
IPO Price	:	The issue/offer price of RM0.75 per IPO Share
IPO Share(s)	:	The Public Issue Shares and the Offer Shares, collectively
Issuing House	:	Malaysian Issuing House Sdn Bhd (258345-X)
Joint Underwriters	:	Inter-Pacific, Mercury Securities, and MIDF Investment, collectively, and references to a 'Joint Underwriter' shall be to either of them
Listing	:	The admission to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM59,600,000 comprising 149,000,000 Shares on the Main Market of Bursa Securities
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	13 May 2016, being the latest practicable date prior to the issuance of this Prospectus
Market Day	:	Any day between Monday and Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities
Mercury Securities	:	Mercury Securities Sdn Bhd (113193-W)
MIDA	:	Malaysian Industrial Development Authority
MIDF Investment, Principal Adviser, Managing Underwriter, Joint Underwriter and Placement Agent	:	MIDF Amanah Investment Bank Berhad (23878-X)
MITI	:	Ministry of International Trade and Industry, Malaysia
MITI Tranche	:	Has the meaning given to it in Sections 3.1.1(iii) and 3.1.2(i)

DEFINITIONS (Cont'd)

mm	:	Millimetres
NA	:	Net assets
NBV	:	Net book value
Non-MITI Tranche	:	Has the meaning given to it in Section 3.1.2(ii)
Official List	:	A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
Offer for Sale	:	Offer for sale by the Offerors of 16,000,000 Dancomech Shares representing approximately 10.74% of the enlarged issued and paid-up share capital of Dancomech at the IPO Price
Offer for Sale Share(s) or Offer Share(s)	:	16,000,000 Shares to be offered for sale by the Offerors
Offerors	:	ABC Equity, Aik Swee Tong, Aik Cwo Shing, Aik Kwo Liang, Wong Chiau Siew, Aik Hui Luan, Aik Ai Kok, Aik Seng Kah, Aik Hui Chyn and Chan Chop Tong @ Aik Chop Tong
Optimis	:	Optimis Engineering Sdn Bhd (831446-A)
Participating Financial Institution(s)	:	The participating financial institution(s) for the ESA as listed in Section 16.
PAT	:	Profit after tax
PBT	:	Profit before tax
PE Multiple	:	Price-earnings multiple
Pink Form Tranche	:	Has the meaning given to it in Section 3.1.1(ii)
Pre-Consolidation Share(s)	:	Ordinary share(s) of RM0.20 each in Dancomech
Promoters	:	ABC Equity, Aik Swee Tong, Aik Cwo Shing, Aik Kwo Liang, Wong Chiau Siew, Aik Hui Luan, Aik Ai Kok, Aik Seng Kah, Aik Hui Chyn and Chan Chop Tong @ Aik Chop Tong
Prospectus	:	This prospectus dated 23 June 2016 in relation to our IPO
Public	:	All persons and members of the public but excludes our Directors, the directors of the respective subsidiary companies of Dancomech, substantial shareholders, and associates of Directors or substantial shareholders of Dancomech (as defined in the Listing Requirements)
Public Issue	:	The 24,000,000 new Dancomech Shares, representing approximately 16.11% of the enlarged issued and paid-up share capital of Dancomech at the IPO Price
Public Issue Share(s) or Issue Share(s)	:	24,000,000 new Dancomech Shares to be issued pursuant to the Public Issue
Public Tranche	:	Has the meaning given to it in Section 3.1.1(i)

DEFINITIONS (Cont'd)

RM and sen	:	Ringgit Malaysia and sen, respectively
RMB	:	Renminbi, the legal currency of the People's Republic of China
SC	:	Securities Commission Malaysia
SGD	:	Singapore Dollar, the legal currency of Singapore
Share Consolidation	:	The consolidation of every 2 ordinary shares of RM0.20 each in Dancomech into 1 ordinary share of RM0.40 each in Dancomech, which was completed on 13 August 2015
sq. ft.	:	Square feet
Underwriting Agreements	:	Underwriting Agreement for Offer Shares and Underwriting Agreement for Public Issue Shares, collectively
Underwriting Agreement for Offer Shares	:	The underwriting agreement dated 2 June 2016 made between the Offerors and the Joint Underwriters for the underwriting of 4,630,000 Offer Shares under the MITI Tranche as set out in Section 3.1.2(i).
Underwriting Agreement for Public Issue Shares	:	The underwriting agreement dated 2 June 2016 made between our Company and the Joint Underwriters for the underwriting of 24,000,000 Public Issue Shares under the Public Tranche, Pink Form Tranche and MITI Tranche, as set out in Sections 3.1.1(i), 3.1.1(ii) and 3.1.1(iii) respectively
USD	:	United States Dollar, the legal currency of the United States of America

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DEFINITIONS (Cont'd)**GLOSSARY OF TECHNICAL TERMS**

Actuator	:	An actuator is a device that transforms a source of energy into a force to move or control a mechanism or system. The source of energy may include electric current, hydraulic fluid pressure, or pneumatic pressure. Actuators are typically integrated into a control system together with Valves to become part of an automation system and used in industrial processes
Bursting Disc / Explosion Protection Device	:	A bursting disc is a non-reclosing pressure relief device that protects a pressure vessel, equipment or system from over pressurisation and other potentially damaging vacuum conditions An explosion protection device is a safety device that protects and prevents an explosion in a plant by venting and other explosion suppression methods
EPCC Contractors	:	Contractors involved in engineering, procurement, construction and commissioning projects, either directly or by way of sub-contract.
Float / Steam Trap	:	A float trap is a device used to discharge condensate and non-condensable gasses A steam trap is a self-contained Valve which automatically drains the condensate from a steam containing enclosure while remaining tight to live steam, or if necessary, allowing steam to flow at a controlled or adjusted rate. Most steam traps will also pass non-condensable gases while remaining tight to live steam
Floating Roof & Seals System	:	A floating roof & seals system prevents vapour loss and contamination of stored products from storage tanks. The systems generally consist of the following: <ul style="list-style-type: none"> - Aluminium Dome Cover - External Floating Roof - Internal Floating Roof - Roof Drain System - Floating Suction & Oil Skimmer - Loading Arm - Tank accessories
Gauges	:	A gauge is used to make measurements of various parameters such as temperature and pressure
Level Gauge and Cock	:	A level gauge and cock measures the level of medium inside a tank
Main User Industries	:	Palm oil and oleochemicals (derived from oil palm), oil and gas and petrochemicals, and the treatment of water and sewerage industries
Mechanical Power Transmission Equipment or MPTE	:	Mechanical elements to harness power transmission
Measurement Instruments	:	Equipment and instruments that are used in variable measurement
OEM	:	Original equipment manufacturer

DEFINITIONS (Cont'd)

Oil and gas and petrochemical(s) industry	:	The oil and gas and petrochemicals industry revolves around the exploration, extraction and processing of fossil fuels, namely crude oil and natural gas
Orifice Plate / Venturi Tubes	:	An orifice plate can be used as a simple pressure reducing device, or to limit the flow rate in a pipe line The major advantage of venturi tubes over an orifice plate is in the area of pressure recovery
Palm oil and oleochemical(s) industry	:	The palm oil and oleochemicals industry features a diverse range of value generating activities ranging from oil palm plantation and milling to various downstream palm oil refining and processing activities
Positioner	:	A positioner is a device that is attached to an actuator in order to control and modulate the Valve's opening and closing position
Pressure Transmitter	:	A pressure transmitter is used to monitor the amount of pressure applied to a part of a process that is required in order to achieve the desired result. It is also used to ensure that no machinery is building up pressure beyond the levels that are considered safe to operators
Process control equipment or PCE	:	Equipment used to provide appropriate signal transformation and direct a process according to signals
Pump(s)	:	Pump is a device that move fluids by mechanical action
Recorder	:	A recorder is able to record and provide documentation of parameters that are being controlled or measured by Valves and other instruments
Sight Glass	:	A sight glass is a tank accessory component which is used to observe the level of liquid in a tank
Stainless Steel / Rubber Flexible Expansion Joint	:	A stainless steel/ rubber flexible expansion joint is an assembly designed to safely absorb the heat-induced expansion and contraction of various construction materials, to absorb vibration, or to allow movement due to machine vibration and pipe expansion As opposed to stainless steel expansion joint, rubber flexible expansion joint is not heat resistant
Strainer	:	A strainer enables liquid and air filtration to occur, even at high-pressure conditions
Switches	:	A switch, as defined in electrical context, is a component used to break an electrical circuit, to interrupt current or divert current among conductors
Tank Ball Float	:	A tank ball float regulates the admission or discharge of liquid to or from a tank, and the float is placed on the surface of the liquid within the tank to maintain a nearly constant height of liquid
Tank Protection Venting Device	:	A tank protection venting device is designed for protecting storage vessels, tanks, and pipes. It also prevents flame transmission when an explosion occurs and increases venting capacity
Valve(s)	:	A Valve regulates, directs and controls the flow of fluids, or controls the pressure, through a passageway. These fluids may include gas, liquid, fluidised solids or slurry

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name/Designation	Address	Occupation	Nationality
Datuk Zainal Abidin Bin Ujud Independent Non-Executive Chairman	No. 2693, Jalan Permata 22 Taman Permata Ulu Kelang 53300 Kuala Lumpur	Director	Malaysian
Aik Swee Tong Managing Director	No. 33, Jalan Jalil Perkasa 6 Bukit Jalil Golf & Country Resort (Parcel A), 57000 Kuala Lumpur	Director	Malaysian
Aik Cwo Shing Executive Director	No. 1, Jalan USJ 16/3F 47630 Subang Jaya Selangor Darul Ehsan	Director	Malaysian
Gong Wooi Teik Independent Non-Executive Director	No. 5, Jalan TR 6/1 Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor Darul Ehsan	Chartered Accountant	Malaysian
Marzuki Bin Abd Rahman Independent Non-Executive Director	28, Jalan Kristal 7/70A Seksyen 7 40000 Shah Alam Selangor Darul Ehsan	Director	Malaysian
Lee Chen Yow Independent Non-Executive Director	No. 3, Jalan Wangsa Cheras 1/9 Taman Wangsa Cheras 43200 Cheras Selangor Darul Ehsan	Chartered Accountant	Malaysian
Sharon Lee Ching Yee Independent Non-Executive Director	79, F-5-13 Ketumbar Hill Condo, Jalan Ketumbar, Taman Cheras 56100 Kuala Lumpur	Lawyer	Malaysian

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1. CORPORATE DIRECTORY (Cont'd)**AUDIT AND RISK MANAGEMENT COMMITTEE**

Name	Designation	Directorship
Gong Wooi Teik	Chairman	Independent Non-Executive Director
Datuk Zainal Abidin Bin Ujud	Member	Independent Non-Executive Chairman
Marzuki Bin Abd Rahman	Member	Independent Non-Executive Director
Lee Chen Yow	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Datuk Zainal Abidin Bin Ujud	Chairman	Independent Non-Executive Chairman
Gong Wooi Teik	Member	Independent Non-Executive Director
Marzuki Bin Abd Rahman	Member	Independent Non-Executive Director
Lee Chen Yow	Member	Independent Non-Executive Director
Sharon Lee Ching Yee	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Lee Chen Yow	Chairman	Independent Non-Executive Director
Datuk Zainal Abidin Bin Ujud	Member	Independent Non-Executive Chairman
Aik Cwo Shing	Member	Executive Director
Marzuki Bin Abd Rahman	Member	Independent Non-Executive Director

COMPANY SECRETARIES

: Tai Yit Chan (MAICSA 7009143)
 Tan Ai Ning (MAICSA 7015852)
 Boardroom Corporate Services (KL) Sdn Bhd (3775-X)
 Lot 6.05, Level 6, KPMG Tower
 8 First Avenue, Bandar Utama
 47800 Petaling Jaya
 Selangor Darul Ehsan
 Tel: (603) 7720 1188
 Fax: (603) 7720 1111

REGISTERED OFFICE

: Lot 6.05, Level 6, KPMG Tower
 8 First Avenue, Bandar Utama
 47800 Petaling Jaya
 Selangor Darul Ehsan
 Tel: (603) 7720 1188
 Fax: (603) 7720 1111

HEAD OFFICE

: Lot 19, Jalan Pelukis U1/46
 Seksyen U1
 40150 Shah Alam
 Selangor Darul Ehsan
 Tel: (603) 5569 2929
 Fax: (603) 5569 2935/37
 Email: info@dancomech.com.my
 Website: www.dancomech.com.my

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1. **CORPORATE DIRECTORY (Cont'd)**

- REPORTING ACCOUNTANTS** : SJ Grant Thornton (AF 0737)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: (603) 2692 4022
Fax: (603) 2691 5229
- AUDITORS** : Crowe Horwath (AF 1018) (FYE 2012 to FYE 2014)
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: (603) 2788 9999
Fax: (603) 2788 9998
- SJ Grant Thornton (AF 0737) (from FYE 2015)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: (603) 2692 4022
Fax: (603) 2691 5229
- SOLICITORS** : Messrs. Lee Choon Wan & Co
No. 12 Lorong Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: (603) 2093 0078
Fax: (603) 2094 1750
- INDEPENDENT MARKET RESEARCHER** : Protégé Associates Sdn Bhd (675767-H)
Suite C-06-06
Plaza Mont' Kiara
2 Jalan Kiara
Mont' Kiara
50480 Kuala Lumpur
Tel: (603) 6201 9301
Fax: (603) 6201 7302
- PRINCIPAL BANKERS** : CIMB Bank Berhad (13491-P)
Suite No 1.6, Tingkat 1 Wisma DRB Hicom
Jalan Usahawan U1/8, Seksyen U1
40150 Shah Alam
Selangor Darul Ehsan
Tel: (603) 7805 3281
Fax: (603) 7805 2935
- Maybank Islamic Berhad (787435-M)
No. 803-817, Bangunan Lim
Batu 4 ½, Jalan Ipoh
50120 Kuala Lumpur
Wilayah Persekutuan
Tel: (603) 6252 2079
Fax: (603) 6258 8553

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1. **CORPORATE DIRECTORY (Cont'd)**

PRINCIPAL BANKERS (Cont'd)	Public Bank Berhad (6463-H) B1-B4, Jalan SS15/4D Subang Jaya 47500 Petaling Jaya Selangor Darul Ehsan Tel: (603) 5633 2420 Fax: (603) 5634 7713
ISSUING HOUSE	: Malaysian Issuing House Sdn Bhd (258345-X) Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Tel: (603) 7841 8289 Fax: (603) 7841 8150
SHARE REGISTRAR	: Boardroom Corporate Services (KL) Sdn Bhd (3775-X) Lot 6.05, Level 6, KPMG Tower 8 First Avenue, Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel: (603) 7720 1188 Fax: (603) 7720 1111
PRINCIPAL ADVISER, MANAGING UNDERWRITER, JOINT UNDERWRITER AND PLACEMENT AGENT	: MIDF Amanah Investment Bank Berhad (23878-X) Level 21, Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Tel: (603) 2173 8888 Fax: (603) 2173 8777
JOINT UNDERWRITERS	: Mercury Securities Sdn Bhd (113193-W) L-7-2, No. 2, Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Tel: (603) 6203 7227 Fax: (603) 6203 7117 Inter-Pacific Securities Sdn Bhd (12738-U) West Wing, Level 13 Berjaya Times Square No.1 Jalan Imbi 55100 Kuala Lumpur Tel: (603) 2117 1888 Fax: (603) 2144 4910
LISTING SOUGHT	: Main Market of Bursa Securities

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2. INFORMATION SUMMARY

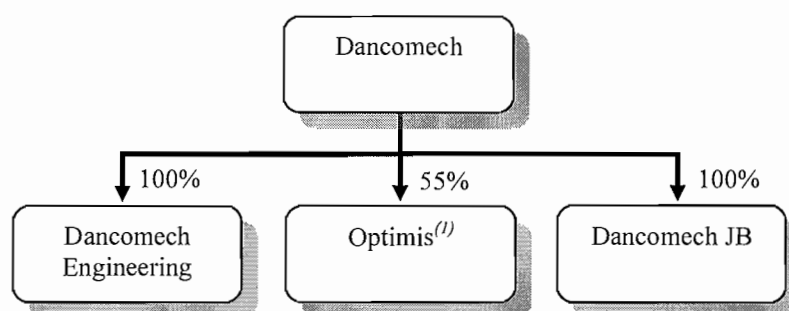
THIS INFORMATION SUMMARY SETS OUT THE SALIENT INFORMATION CONTAINED IN THIS PROSPECTUS. YOU SHOULD READ AND UNDERSTAND THIS INFORMATION SUMMARY TOGETHER WITH THE FULL TEXT OF THIS PROSPECTUS BEFORE YOU DECIDE WHETHER TO INVEST IN OUR COMPANY.

2.1 OUR HISTORY AND BUSINESS

Our Corporate Structure

Dancomech was incorporated in Malaysia under the Act on 17 June 2013 as a public limited company.

Our corporate structure is as follows:



Note:

⁽¹⁾ The remaining 45% of the entire issued and paid-up share capital of Optimis is held by Chang Soo Hong. Chang Soo Hong is a director and chief executive officer of Optimis as well as one of our key management personnel. Further details on Chang Soo Hong are set out in Section 8.4.

Our Business

We are primarily involved in the trading and distribution of PCE and Measurement Instruments. The principal activities of each member of our Group are as follows:

Company	Principal Activities
Dancomech	Investment holding
Dancomech Engineering	Trading and distribution of third party brands and own brands of PCE and Measurement Instruments, as well as third party brands of MPTE. Provision of after-sales services
Optimis	Trading and distribution of third party brands and own brands of PCE and Measurement Instruments to the water and sewerage industry
Dancomech JB	Trading and distribution of third party brands and own brands of PCE and Measurement Instruments in Gelang Patah, Tanjung Bin, Pasir Gudang, Tanjung Langsat, Pengerang, Nusa Jaya and Bandar Seri Iskandar in Johor Darul Takzim, Malaysia. Provision of after-sales services to our customers in Johor

Our Customers

The majority of our customers are from industries such as palm oil and oleochemicals, oil and gas and petrochemical and water treatment and sewerage. As at FYE 2015, we have a diverse customer base of 1,459 customers from various industries.

2. INFORMATION SUMMARY (Cont'd)**Our History**

Year	Event
1989	DET, a sole proprietorship under the name of Aik Swee Tong was established. DET's business activities were mainly in the trading of PCE and Measurement Instruments to end users in the Malaysian palm oil and oleochemicals industry.
1992	As our sales volume gradually increased over the years, we began sourcing our products directly from foreign manufacturers in Taiwan, Japan, People's Republic of China, United Kingdom, United States and Germany.
1993	Dancomech (M) Sdn Bhd was incorporated to take over the existing business of DET. Dancomech (M) Sdn Bhd's business activity remained the same as DET. DET ceased operations in the same year.
1999	Aik Cwo Shing and Dancomech (M) Sdn Bhd incorporated Dancord Engineering Sdn Bhd with a 70% and 30% equity interest respectively to supply PCE and Measurement Instruments mainly to the oleochemicals industry, palm oil refineries and EPCC Contractors.
2000	Dancomech Engineering was established to take over the existing businesses of Dancomech (M) Sdn Bhd and Dancord Engineering Sdn Bhd.
2008	Aik Cwo Shing and Chang Soo Hong incorporated Optimis with 50% (1 share) and 50% (1 share) equity interests respectively to supply PCE and Measurement Instruments to the water treatment and sewerage industry.
2013	Dancomech Engineering and Koo Chai Chin incorporated Dancomech JB with a 70% and 30% equity interest respectively to expand our presence in Gelang Patah, Tanjung Bin, Pasir Gudang, Tanjung Langsat, Pengerang, Nusa Jaya and Bandar Seri Iskandar in Johor Darul Takzim, Malaysia.
2014	Dancomech acquired: (a) the entire issued and paid-up capital of Dancomech Engineering; (b) 70% of the entire issued and paid-up capital of Dancomech JB; and (c) 55% of the entire issued and paid-up capital of Optimis.
2015	Dancomech acquired the remaining 30% of the entire issued and paid-up capital of Dancomech JB.

Further details on our history are set out in Section 5.1.

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2. INFORMATION SUMMARY (Cont'd)

Our Growth and Expansion

Since our founding in 1989, we have grown to meet the needs of our customers. Below are some highlights of our historical growth:

Year	Event
1992	DET secured its first major purchase order worth approximately RM600,000 for supply of PCE to Genting Sanyen Paperboard Sdn Bhd.
2000	Dancomech Engineering's first overseas purchase order was to supply to PT Super Andalas Steel based in Indonesia in the palm oil industry. The purchase order was worth approximately RM300,000.
2007	Dancomech Engineering introduced its own brand WAGI to its product portfolio which carries PCE, mainly Valves.
2008	Dancomech Engineering introduced another own brand, VMX to its product portfolio which mainly carries Valves.
2009	Dancomech Engineering introduced Omax to its product portfolio, which carries PCE.
2012	Dancomech Engineering secured its first purchase order valued above RM10.0 million to supply Valves to a customer involved in a large scale project related to the oil and gas industry.
2015	Dancomech Engineering expanded its range of products to include distribution of MPTE products in particular Pumps.

Over the years, we have been appointed by various suppliers to distribute their products. The diversity in our product range also provides us with considerable synergies for cross-selling as we will be able to provide our existing and new customers with a range of trading products. Currently, we have been granted seven (7) exclusive or sole distributorship rights and eleven (11) distributorship rights by our suppliers. The details of our principals and the distribution rights are set out in Section 6.12.

As at LPD, we carry a total of twelve (12) product categories as part of our PCE inventory and five (5) product categories as part of our Measurement Instruments inventory. The details of the product categories are set out in Section 6.1.1(c).

Further details on our growth and expansion are set out in Sections 5.1 and 5.7.

Our Premises and Landed Properties

Our Group operates from the following premises:

Location	Land Area (sq.ft.)	Built-up Area (sq.ft.)
Lot 19, Jalan Pelukis U1/46, Seksyen U1, Temasya Industrial Park, Shah Alam	79,523.80	97,679.17

Further details on our premises and landed properties are set out in Sections 5.1, 5.7 and 6.17.

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2. INFORMATION SUMMARY (Cont'd)**2.2 SUMMARY OF OUR IPO**

Size of our Public Issue : 24,000,000 new Dancomech Shares, representing approximately 16.11% of our Company's enlarged issued and paid-up share capital which are reserved for the application by the Public (of which at least 50.00% of the Public Tranche will be to the extent possible allocated to Bumiputera individuals, companies, societies, co-operatives and institutions), eligible directors, employees of our Group and persons who have contributed to the success of our Group and selected investors approved by the MITI

Size of our Offer for Sale : 16,000,000 Dancomech Shares, representing approximately 10.74% of our Company's enlarged issued and paid-up share capital to be offered for sale by the Offerors to Bumiputera investors approved by the MITI and selected investors

IPO Price : RM0.75 per IPO Share

Utilisation of proceeds from the Public Issue : The gross proceeds from the Public Issue amounting to RM18,000,000 is intended to be utilised in the following manner:

Purpose	RM'000	%
Repayment of bank borrowing	4,557	25.32
Purchase of offices cum stores	6,500	36.11
Purchase of equipment	1,000	5.55
Working capital	2,743	15.24
Estimated Listing expenses	3,200	17.78
Total gross proceeds	18,000	100.00

Total enlarged issued and paid-up share capital upon Listing : RM59,600,000 comprising 149,000,000 Dancomech Shares

Market capitalisation upon Listing : RM111,750,000

Further details of our IPO and utilisation of proceeds from our Public Issue are set out in Sections 3.1 and 3.6 respectively.

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2. INFORMATION SUMMARY (Cont'd)

2.3 FINANCIAL HIGHLIGHTS

2.3.1 Profit or Loss and Other Comprehensive Income

The table below sets out our Combined Statements of Profit or Loss and Other Comprehensive Income for the past three (3) FYEs 2012 to 2014 and Consolidated Statement of Profit or Loss and Other Comprehensive Income for the FYE 2015.

You should read the summary of our Statements of Profit or Loss and Other Comprehensive Income which has been presented below together with the Management's discussion and analysis of financial condition and results of operations as set out in Section 12 and the Accountants' Report as set out in Section 13.

	< ----- Audited ----- >			
	FYE 2012	FYE 2013	FYE 2014	FYE 2015
	RM'000	RM'000	RM'000	RM'000
Revenue ⁽¹⁾	65,566	83,190	79,001	68,253
Cost of sales	(40,751)	(53,314)	(51,467)	(46,593)
GP	24,815	29,876	27,534	21,660
Other income	751	9,018 ⁽²⁾	496	1,933
	25,566	38,894	28,030	23,593
Selling and distribution expenses	(883)	(1,196)	(1,445)	(442)
Administrative expenses	(3,924)	(5,247)	(5,950)	(6,753)
Other expenses	(885)	(426)	(1,154)	(904)
Profit from operations	19,874	32,025	19,481	15,494
Finance costs	(61)	(22)	(155)	(146)
PBT	19,813	32,003	19,326	15,348
Depreciation of property, plant and equipment	404	382	571	691
Interest expense	61	22	155	146
Interest income	(71)	(206)	(161)	(167)
EBITDA	20,207	32,201	19,891	16,018
Depreciation of property, plant and equipment	(404)	(382)	(571)	(691)
Interest expense	(61)	(22)	(155)	(146)
Interest income	71	206	161	167
PBT	19,813	32,003	19,326	15,348
Tax expense	(4,655)	(6,129)	(5,151)	(4,138)
PAT	15,158	25,874	14,175	11,210
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial year	15,158	25,874	14,175	11,210

2. INFORMATION SUMMARY (Cont'd)

	< ----- Audited ----- >			
	FYE 2012	FYE 2013	FYE 2014	FYE 2015
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the financial year attributable to:-				
- Owners of the Company	15,212	25,792	14,027	10,987
- Non-controlling interest	(54)	82	148	223 ⁽³⁾
	15,158	25,874	14,175	11,210
GP margin ⁽⁴⁾ (%)	37.85	35.91	34.85	31.73
PBT margin ⁽⁵⁾ (%)	30.22	38.47	24.46	22.49
PAT margin ⁽⁶⁾ (%)	23.12	31.10	17.94	16.42
Effective tax rate ⁽⁷⁾ (%)	23.49	19.15	26.65	26.96
Number of Shares in issue of RM0.20 each ⁽⁸⁾ ('000)	250,000	250,000	250,000	-
EPS ⁽⁹⁾ (RM)	0.06	0.10	0.06	-
Number of Shares in issue of RM0.40 each ⁽¹⁰⁾ ('000)	-	-	-	125,000
EPS ⁽¹¹⁾ (RM)	-	-	-	0.09

Notes:

- (1) Revenue represents the net invoiced value of goods sold and services rendered less discount.
- (2) Significant increase in other income in FYE 2013 due to the gain on disposal of property, plant and equipment amounting to RM8.44 million.
- (3) Exclude non-controlling interest of Dancomech JB as a result of the acquisition of the remaining 30% equity interest in Dancomech JB.
- (4) The GP margin was computed by GP divided by revenue.
- (5) The PBT margin was computed by PBT divided by revenue.
- (6) The PAT margin was computed by PAT divided by revenue.
- (7) The effective tax rate was computed by tax expense divided by PBT.
- (8) Number of Shares based on our issued and paid-up share capital before the Share Consolidation.
- (9) The EPS was computed by profit for the financial year net of tax attributable to the owners of the Company divided by the number of Shares based on our issued and paid-up share capital before the Share Consolidation.
- (10) Number of Shares based on our issued and paid-up share capital after the Share Consolidation but before the Public Issue.
- (11) The EPS was computed by profit for the financial year net of tax attributable to the owners of the company divided by the number of shares based on our issued and paid-up share capital after the Share Consolidation but before the Public Issue.

2. INFORMATION SUMMARY (Cont'd)

2.3.2 Pro Forma Consolidated Statements of Financial Position

Our Pro Forma Consolidated Statements of Financial Position has been prepared for illustrative purpose only, based on our Audited Consolidated Statement of Financial Position as at 31 December 2015 assuming that the Public Issue and utilisation of proceeds has been effected on 31 December 2015.

Pro Forma I: After the initial public offering
 Pro Forma II: After utilisation of proceeds from Public Issue

We advise you to read the Pro Forma Consolidated Statements of Financial Position presented below together with the notes included in the Reporting Accountants' Letter on the Compilation of Pro Forma Consolidated Statements of Financial Position as set out in Section 11.2.

	Audited as at 31 December 2015 RM'000	Pro Forma I RM'000	Pro Forma II RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	25,297	25,297	32,797
Total non-current assets	<u>25,297</u>	<u>25,297</u>	<u>32,797</u>
Current assets			
Inventories	23,623	23,623	23,623
Trade receivables	20,510	20,510	20,510
Other receivables	671	671	477
Tax recoverable	44	44	44
Fixed deposits with licensed banks	6,231	6,231	6,231
Cash and bank balances	21,674	39,674	26,317
Total current assets	<u>72,753</u>	<u>90,753</u>	<u>77,202</u>
TOTAL ASSETS	<u>98,050</u>	<u>116,050</u>	<u>109,999</u>
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital	50,000	59,600	59,600
Share premium	-	8,400	7,149
Merger deficit ⁽¹⁾	(41,477)	(41,477)	(41,477)
Other reserve ⁽²⁾	(9)	(9)	(9)
Retained earnings	65,177	65,177	64,934
	<u>73,691</u>	<u>91,691</u>	<u>90,197</u>
Non-controlling interest ⁽³⁾	543	543	543
Total equity	<u>74,234</u>	<u>92,234</u>	<u>90,740</u>

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2. INFORMATION SUMMARY (Cont'd)

	Audited as at 31 December 2015 RM'000	Pro Forma I RM'000	Pro Forma II RM'000
LIABILITIES			
Non-current liabilities			
Borrowings	7,872	7,872	3,315
Deferred tax liabilities	22	22	22
Finance lease liabilities	56	56	56
Total non-current liabilities	<u>7,950</u>	<u>7,950</u>	<u>3,393</u>
Current liabilities			
Trade payables	10,328	10,328	10,328
Other payables	4,418	4,418	4,418
Finance lease liabilities	117	117	117
Amount due to Directors	407	407	407
Amount due to a shareholder ⁽⁴⁾	204	204	204
Borrowings	223	223	223
Tax payable	169	169	169
Total current liabilities	<u>15,866</u>	<u>15,866</u>	<u>15,866</u>
Total liabilities	<u>23,816</u>	<u>23,816</u>	<u>19,259</u>
TOTAL EQUITY AND LIABILITIES	<u>98,050</u>	<u>116,050</u>	<u>109,999</u>
Number of ordinary shares in issue (unit '000)	<u>125,000</u>	<u>149,000</u>	<u>149,000</u>
Net tangible assets per ordinary share - RM0.40 each	<u>0.59</u>	<u>0.62</u>	<u>0.61</u>
Net assets per ordinary share - RM0.40 each	<u>0.59</u>	<u>0.62</u>	<u>0.61</u>

Notes:

⁽¹⁾ Merger deficit is arisen when the total value of share capital of Dancomech issued to purchase the equity interest in Dancomech Engineering and Optimis is less than the total value of the equity interest purchased.

⁽²⁾ Other reserve represents premium paid on acquisition of 30% non-controlling interest in Dancomech JB.

⁽³⁾ Non-controlling interest refers to the equity interest of 45% in Optimis which is not owned by Dancomech.

⁽⁴⁾ The amount is due to Aik Hui Luan.

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2. INFORMATION SUMMARY (Cont'd)**2.3.2.1 EPS**

The table below sets out our EPS for the past four (4) FYEs 2012 to 2015 and is provided for illustrative purpose assuming that the consolidation of shares had been effected on number of ordinary shares in issue.

	< ----- Audited ----- >			
	FYE 2012	FYE 2013	FYE 2014	FYE 2015
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the financial year				
Total comprehensive income for the financial year attributable to:-				
- Owners of the Company	15,212	25,792	14,027	10,987
- Non-controlling interest	(54)	82	148	223
	15,158	25,874	14,175	11,210
Number of Shares in issue of RM0.40 each ⁽¹⁾ ('000)	125,000	125,000	125,000	125,000
EPS ⁽²⁾⁽³⁾ (RM)	0.12	0.21	0.11	0.09

Notes:

- ⁽¹⁾ Number of Shares based on our issued and paid-up share capital after the Share Consolidation but before the Public Issue.
- ⁽²⁾ The EPS was computed by profit for the financial year net of tax attributable to the owners of the Company divided by the number of Shares based on our issued and paid-up share capital after the Share Consolidation but before the Public Issue.
- ⁽³⁾ There is no diluted EPS disclosure as the Company does not have any convertible instruments as at the end of the respective FYE.

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2. INFORMATION SUMMARY (Cont'd)

2.3.3 Cash Flows

The table below sets out a summary of our Combined Statements of Cash Flows for the past three (3) FYEs 2012 to 2014 and Consolidated Statement of Cash Flow for the FYE 2015.

You should read the summary of our Statements of Cash Flows which has been presented below together with the Management's discussion and analysis of financial condition and results of operations as set out in Section 12 and the Accountants' Report as set out in Section 13.

	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FYE 2015 RM'000
Net cash generated from operating activities	7,228	16,334	12,434	12,028
Net cash (used in) / from investing activities	(4,532)	(9,559)	1,897	(108)
Net cash used in financing activities	(2,311)	(3,963)	(8,534)	(5,042)
Net increase in cash and cash equivalents	385	2,812	5,797	6,878
Translation differences	(30)	18	265	195
Cash and cash equivalents brought forward	9,246	9,601	12,431	18,493
Cash and cash equivalents carried forward⁽¹⁾	9,601	12,431	18,493	25,566

Notes:

⁽¹⁾ Components of cash and cash equivalents as at 31 December:

	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FYE 2015 RM'000
Cash and bank balances	6,332	9,029	12,299	21,674
Fixed deposits with licensed bank	4,840	7,482	8,470	6,231
Less: Fixed deposits pledged with licensed banks ⁽²⁾	-	-	(1,716)	(1,761)
Less: Fixed deposits as investing purposes ⁽³⁾	(1,571)	(4,080)	(560)	(578)
	<u>9,601</u>	<u>12,431</u>	<u>18,493</u>	<u>25,566</u>

⁽²⁾ The fixed deposits pledged with licensed banks and fixed deposits as investing purposes are excluded from cash and cash equivalents as these fixed deposits are pledged as security for banking facilities granted to the Group and hence are not available for general use. These fixed deposits do not meet the definition of cash and cash equivalents in accordance with Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 22 issued by Malaysian Institutes of Accountants ("MIA").

⁽³⁾ The fixed deposits as investing purposes are excluded from cash and cash equivalents as these fixed deposits do not meet the definition of cash and cash equivalents whereby cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. In addition, these fixed deposits as investing purposes are placed with financial institutions with a maturity period of more than 3 months and early withdrawal will result the forfeiture of the interest earned. This classification is to comply with FRSIC Consensus 22 issued by MIA.

2. INFORMATION SUMMARY (Cont'd)

2.4 DIVIDEND POLICY

Investors should take note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends, which are subject to our Board's absolute discretion. Our ability to declare dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds which are not required to be retained to fund our business.

It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. In this regard, we envisage a dividend payout ratio of up to 30% of our future net profits of our Group to our shareholders in each financial year.

The payment and amount of any dividends and distributions to our shareholders will be at the discretion of our Board and will depend on various factors that will be considered by our Board. There can be no assurance as to whether dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

The details of our dividend policy are set out in Section 12.6 and the risk in relation to payment of dividends are set out in Section 4.3.5.

2.5 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risks and investment considerations as set out in Section 4 (which may not be exhaustive), and are summarised below:

Risks relating to our operation and business:

- (i) Dependency on major customers;
- (ii) Dependency on major third party suppliers;
- (iii) Credit risk;
- (iv) Dependency on Directors and key management personnel;
- (v) Exposure to exchange rate fluctuations;
- (vi) Absence of long term contract with customers;
- (vii) Shipping disruptions and fluctuation in shipping costs; and
- (viii) Inadequate insurance coverage.

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2. INFORMATION SUMMARY (Cont'd)

Risks affecting our industry:

- (i) Fluctuations in raw materials prices;
- (ii) Dependency on the performance of end-user markets;
- (iii) Changes in general economic, business, competitive and credit conditions, policies and regulations, etc;
- (iv) Competition risk; and
- (v) Political, economic and regulatory uncertainties.

Risks relating to investment in our Shares:

- (i) Delay or abortion of our Listing;
- (ii) No prior market for our Shares;
- (iii) Capital market risks and share price volatility;
- (iv) Control by Promoters;
- (v) Payment of dividends;
- (vi) Future fund raising may dilute shareholders' equity and/or restrict our operations;
- (vii) Delay between admission and trading of the IPO Shares; and
- (viii) Disclosure regarding forward-looking statements.

While the risks affecting our Group and its business and the risks in investing in our Shares are discussed in detail in Sections 4.1 and 4.3, you are reminded that the risk factors listed above are non-exhaustive and that there is a possibility of other risks materially and adversely affecting our Group, its business, its profitability or the market price of our Shares.

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3. PARTICULARS OF OUR IPO

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY BEFORE APPLYING FOR OUR PUBLIC ISSUE SHARES AND OFFER SHARES.

3.1 OUR IPO

3.1.1 Public Issue

Our Public Issue is subject to the terms and conditions of this Prospectus, and upon acceptance, the aggregate of 24,000,000 new Shares at the IPO Price will be allocated in the manner explained below, which is subject to clawback and reallocation:

(i) Public

7,500,000 Public Issue Shares, representing approximately 5.03% of our enlarged issued and paid-up share capital, will be available for application by the Public which include individuals, companies, societies, co-operatives and institutions.

Any Public Issue Shares reserved under the Public Tranche which are not fully subscribed for by the Public will be subscribed by our Joint Underwriters based on the terms of the Underwriting Agreement for Public Issue Shares.

(ii) Our eligible directors, employees and persons who have contributed to the success of our Group (“Pink Form Tranche”)

In recognition of their contributions to the success of our Group, we have reserved 2,503,000 Public Issue Shares, representing approximately 1.68% of our enlarged issued and paid-up share capital, for subscription by our eligible directors, employees and persons who have contributed to the success of our Group.

We will allocate the Public Issue Shares to our eligible directors, employees and persons who have contributed to the success of our Group in the following manner:

Eligible persons	No. of Eligible Persons	No. of Shares Allocated
Our eligible directors ⁽¹⁾	5	500,000
Our eligible employees ⁽²⁾	33	503,000
Eligible persons who have contributed to the success of our Group ⁽³⁾	200	1,500,000
Total	238	2,503,000

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3. PARTICULARS OF OUR IPO (Cont'd)

Notes:

(1) *As approved by our Board, the criteria for allocation to our eligible directors are based on, amongst others, length of service and their position in our Group. The Public Issue Shares under the Pink Form Tranche to be allocated to our eligible directors are as follows:*

<i>Name</i>	<i>Designation</i>	<i>No. Of Shares Allocated</i>
Datuk Zainal Abidin Bin Ujud	Independent Non-Executive Chairman	100,000
Gong Wooi Teik	Independent Non-Executive Director	100,000
Marzuki bin Abd Rahman	Independent Non-Executive Director	100,000
Lee Chen Yow	Independent Non-Executive Director	100,000
Chang Soo Hong	Director and Chief Executive Officer of Optimis	100,000
Total		500,000

(2) *The criteria for allocation to our eligible employees are based on, amongst others, seniority, length of service and category of employee in our Group.*

(3) *The criteria for allocation to eligible persons who have contributed to the success and growth of our Group, are based on, amongst others, importance of business relationship, volume and value of transactions.*

Any Public Issue Shares reserved under the Pink Form Tranche which are not taken up will be made available for subscription by the Public who are the applicants under the Public Tranche and if undersubscribed, such Public Issue Shares will be subscribed by our Joint Underwriters based on the terms of the Underwriting Agreement for Public Issue Shares.

(iii) **Bumiputera Investors Approved by MITI (“MITI Tranche”)**

13,997,000 Public Issue Shares, representing approximately 9.39% of our enlarged issued and paid up share capital are to be made available by way of private placement to Bumiputera investors approved by the MITI.

The Public Issue Shares for placement to Bumiputera investors approved by the MITI shall be subject to the following reallocation provisions:

- (a) any of the Public Issue Shares not subscribed by the Bumiputera investors under the MITI Tranche as disclosed in Section 3.1.1(iii) shall be made available for application by the Bumiputera public who are applicants under the Public Tranche; and
- (b) if there are insufficient Bumiputera public applicants under the Public Tranche for reallocation of unsubscribed Public Issue Shares pursuant to paragraph (a) above, such unsubscribed Public Issue Shares shall be made available for application by the Public who are applicants under the Public Tranche.

If the Public Issue Shares are undersubscribed under the Public Tranche, any remaining Public Issue Shares will be subscribed by our Joint Underwriters based on the terms of the Underwriting Agreement for Public Issue Shares.

The basis of allocation for our Public Issue Shares takes into account the desirability of distributing the Public Issue Shares to a reasonable number of applicants with a view of broadening our shareholders base to meet the public spread requirements as per the Listing Requirements and to establish a liquid and adequate market for our Shares.

There is no over-allotment or ‘greenshoe’ option that will result in an increase in the amount of Public Issue Shares.

3. PARTICULARS OF OUR IPO (Cont'd)

The salient terms of the Underwriting Agreement for Public Issue Shares are set out in Section 3.9.

3.1.2 Offer for Sale

Concurrent with our Public Issue, the Offerors will offer for sale 16,000,000 Offer Shares at the IPO Price, representing approximately 10.74% of our enlarged issued and paid-up share capital. Such Offer Shares will be made available in the following manner:

(i) Bumiputera Investors Approved by MITI (“MITI Tranche”)

Up to 4,630,000 Offer Shares representing approximately 3.11% of our enlarged issued and paid-up share capital will be made available by way of private placement to Bumiputera investors approved by the MITI.

The Offer Shares for placement to Bumiputera investors approved by the MITI shall be subject to the following reallocation provisions:

- (a) any of the Offer Shares not subscribed by the Bumiputera investors under the MITI Tranche as disclosed in Section 3.1.2(i) shall be made available for application by the Bumiputera public who are applicants under the Public Tranche; and
- (b) if there are insufficient Bumiputera public applicants under the Public Tranche for reallocation of unsubscribed Offer Shares pursuant to paragraph (a) above, such unsubscribed Offer Shares shall be made available for application by the Public who are applicants under the Public Tranche.

If the Offer Shares are undersubscribed under the Public Tranche, any remaining Offer Shares will be subscribed by our Joint Underwriters based on the terms of the Underwriting Agreement for Offer Shares. The salient terms of the Underwriting Agreement for Offer Shares are set out in Section 3.9.

(ii) Selected Investors via Placement (“Non-MITI Tranche”)

11,370,000 Offer Shares, representing approximately 7.63% of our enlarged issued and paid-up share capital will be made available by way of private placement to selected investors. Written irrevocable undertakings to subscribe for these Offer Shares under the Non-MITI Tranche have been procured from the respective selected investors prior to the signing of the Underwriting Agreement for Offer Shares.

The Offer Shares under the Non-MITI Tranche will not be underwritten.

3.1.3 Listing on Bursa Securities

Bursa Securities had on 31 May 2016, approved-in-principle the admission of our Company to its Official List and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM59,600,000 comprising 149,000,000 Shares on the Main Market of Bursa Securities.

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3. PARTICULARS OF OUR IPO (Cont'd)

3.1.4 Offerors

The details and shareholding of the Offerors before and after the IPO are as follows:

No.	Offerors / Address	Relationship with our Group	< -- As at LPD--> ⁽¹⁾ No. of Shares held	% held ⁽²⁾	<-- Before IPO--> ⁽¹⁾ No. of Shares held	% held ⁽²⁾	< ---- After IPO ----> No. of Shares held	% held ⁽²⁾
1.	ABC Equity Lot 6.05, Level 6 KPMG Tower 8 First Avenue Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan	Promoter and substantial shareholder	71,022,780	56.82	71,022,780	56.82	9,090,915	6.10
2.	Aik Swee Tong ^{(3)/(4)} No. 33, Jalan Jalil Perkasa 6 Bukit Jalil Golf & Country Resort (Parcel A) 57000 Kuala Lumpur	Promoter, Managing Director and substantial shareholder	11,335,216	9.07	11,335,216	9.07	1,450,908	0.97
3.	Aik Cwo Shing ^{(3)/(4)} No. 1, Jalan USJ 16/3F 47630 Subang Jaya Selangor Darul Ehsan	Promoter, Executive Director and substantial shareholder	11,335,216	9.07	11,335,216	9.07	1,450,908	0.97
4.	Aik Kwo Liang ^{(3)/(4)/(5)} No. 16 Jalan USJ 5/3C UEP Subang Jaya 47610 Subang Jaya Selangor Darul Ehsan	Promoter, Senior Sales Manager and substantial shareholder	7,017,038	5.61	7,017,038	5.61	898,181	0.60
							61,931,865	41.57
							9,884,308	6.63
							9,884,308	6.63
							6,118,857	4.11

3. PARTICULARS OF OUR IPO (Cont'd)

No.	Offerors / Address	Relationship with our Group	<-- As at LPD--> ⁽¹⁾ No. of Shares held	% held ⁽¹⁾	<-- Before IPO--> ⁽¹⁾ No. of Shares held	% held ⁽²⁾	<--- Offer for Sale of Shares ---> No. of Shares held	% held ⁽²⁾	<----- After IPO -----> No. of Shares held	% held ⁽²⁾
5.	Wong Chiau Siew ^{(4)/(5)/(6)} No. 6, Lorong Pendita 3 Taman Connaught 56000 Kuala Lumpur	Promoter, Senior Sales Manager and substantial shareholder	6,477,266	5.18	6,477,266	5.18	829,090	0.56	5,648,176	3.79
6.	Aik Hui Luan ^{(3)/(4)/(6)} No. 6, Lorong Pendita 3 Taman Connaught 56000 Kuala Lumpur	Promoter, Chief Operating Officer and shareholder	5,397,722	4.32	5,397,722	4.32	690,908	0.46	4,706,814	3.16
7.	Aik Ai Kok ^{(3)/(4)} No. 11, Lorong 4 Jalan Bunga Raya Kluang Baru 86000 Kluang Johor Darul Takzim	Promoter and shareholder	4,318,178	3.45	4,318,178	3.45	552,727	0.37	3,765,451	2.53
8.	Aik Seng Kah ^{(3)/(4)} No. 5, Jalan USJ 20/6J 47630 UEP Subang Jaya Selangor Darul Ehsan	Promoter and shareholder	3,778,406	3.02	3,778,406	3.02	483,636	0.32	3,294,770	2.21
9.	Aik Hui Chyn ^{(3)/(4)} No. 16 Jalan Gunung Lambak 7 Taman Gunung Lambak 86000 Kluang Johor Darul Takzim	Promoter and shareholder	2,698,861	2.16	2,698,861	2.16	345,454	0.23	2,353,407	1.58

3. PARTICULARS OF OUR IPO (Cont'd)

No.	Offerors / Address	Relationship with our Group	<--- As at LPD--> ⁽¹⁾ No. of Shares held	% held	<--- Before IPO--> ⁽¹⁾ No. of Shares held	% held	<--- Offer for Sale of Shares ---> No. of Shares held	% held ⁽²⁾	<----- After IPO -----> No. of Shares held	% held ⁽²⁾
10.	Chan Chop Tong @ Aik Chop Tong ^(3/4) No. 1, Jalan USJ 16/3F 47630 UEP Subang Jaya Selangor Darul Ehsan	Promoter and shareholder	1,619,317	1.30	1,619,317	1.30	207,273	0.14	1,412,044	0.95

Notes:

- (1) The number of Shares held after the Share Consolidation which was completed on 13 August 2015. The issued and paid-up share capital of Dancomech after the Share Consolidation is RM50,000,000 comprising 125,000,000 ordinary shares of RM0.40 each.
- (2) Based on our enlarged issued and paid-up share capital of 149,000,000 Dancomech Shares after our IPO.
- (3) Aik Swee Tong, Aik Cwo Shing, Aik Kwo Liang, Aik Hui Luan, Aik Ai Kok, Aik Seng Kah, Aik Hui Chyn and Chan Chop Tong @ Aik Chop Tong are siblings.
- (4) A shareholder of ABC Equity. Details of their shareholdings in ABC Equity are set out in Section 8.1.2.
- (5) Will cease to be a substantial shareholder of our Company subsequent to the IPO as their respective shareholdings will be diluted proportionately to become less than 5% after our IPO.
- (6) Aik Hui Luan is the spouse of Wong Chiau Siew.

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3. PARTICULARS OF OUR IPO (Cont'd)

3.2 SHARE CAPITAL

	RM
Authorised share capital	
250,000,000 ordinary shares of RM0.40 each	100,000,000
Issued and fully paid-up share capital before our Public Issue	
125,000,000 ordinary shares of RM0.40 each	50,000,000
To be issued and credited as fully paid-up share capital pursuant to our Public Issue	
24,000,000 new ordinary shares of RM0.40 each	9,600,000
Enlarged issued and paid-up share capital upon Listing	
149,000,000 ordinary shares of RM0.40 each	59,600,000
IPO Price per Share	0.75
Market capitalisation upon Listing	111,750,000

We have only one (1) class of shares in our Company, namely ordinary shares of RM0.40 each. Our IPO Shares will upon allotment rank *pari passu* in all respects with one another and all other existing issued and paid-up share capital in our Company, including voting rights and the rights to all dividends and other distributions that may be declared subsequent to the date of allotment of our IPO Shares. There is no treasury shares held by Dancomech Group.

Subject to any special rights attached to any Shares which we may issue in the future, our shareholders shall, in proportion to the capital paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and in the event of our liquidation, our shareholders shall be entitled to any surplus in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our Articles of Association and the provisions of the Act.

Each shareholder is entitled to vote at our general meetings in person or by proxy or by attorney and on a show of hands, every person present who is a shareholder or corporate representative or proxy of a shareholder shall have one (1) vote, and on a poll, every shareholder present in person or by proxy or by attorney or other corporate representative shall have one (1) vote for each Share held. A proxy may but need not be a member of our Company or a qualified legal practitioner or an approved company auditor or a person approved by CCM and the provisions of Sections 149(1)(a) and (b) of the Act shall not apply to our Company.

3.3 PURPOSES OF OUR IPO AND LISTING

The purposes of our IPO and Listing are:

- (i) to enhance our stature and heighten our public profile as well as increase market awareness of our products and services so as to assist us in expanding our growing customer base overseas;
- (ii) to enable us to gain access to the capital market to raise funds for our future expansion and growth when the need arises in the future, through other forms of capital raising avenues;
- (iii) to provide an opportunity for investors (including our eligible directors, employees and persons who have contributed to the success of our Group) and institutions to participate in the continuing growth of our Group; and
- (iv) to ensure that our standards of best practice and corporate governance are maintained and up to date by complying with the requirements imposed by the relevant authorities.

3. PARTICULARS OF OUR IPO *(Cont'd)*

3.4 PRICING OF OUR IPO SHARES

The IPO Price was determined and agreed upon by our Directors, Promoters, Offerors and MIDF Investment as our Principal Adviser, Managing Underwriter, Joint Underwriter and Placement Agent, after taking into account the prevailing market conditions and the following factors:

- (i) a net PE multiple of 8.53 times based on our Group's net EPS of approximately 8.79 sen, computed based on our Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income for FYE 2015 attributable to owners of the Company of RM10.99 million for the FYE 2015 and our issued and paid-up capital before the Public Issue of 125,000,000 Shares;
- (ii) a net PE multiple of 10.18 times based on our Group's pro forma net EPS of approximately 7.37 sen, computed based on our Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income for FYE 2015 attributable to owners of the Company of RM10.99 million for the FYE 2015 and our enlarged issued and paid-up capital after the Public Issue of 149,000,000 Shares;
- (iii) our consolidated NA per share of approximately RM0.59, computed based on our consolidated NA of approximately RM73.69 million as at 31 December 2015 and our issued and paid-up share capital of 125,000,000 Shares before the Public Issue; and
- (iv) our competitive advantages and business prospects as described in Sections 6.1.1(g) and 6.18.2.

You should note that the market price of our Shares upon and subsequent to our Listing is subject to the vagaries of market forces and other uncertainties, which may affect the price of our Shares being traded. Nevertheless, our profitability is not dependent on the performance of Bursa Securities as our business activities have no direct correlation with the performance of securities listed on Bursa Securities.

You should bear in mind the risk factors as set out in Section 4 and form your own views on the valuation of our IPO Shares before deciding on whether to invest in our Shares.

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3. PARTICULARS OF OUR IPO (Cont'd)**3.5 DILUTION**

Dilution is the amount by which the IPO Price to be paid by applicants for our IPO Shares exceeds our NA per Share after the IPO as follows:

	RM
IPO Price	0.75
Consolidated NA per Share as at 31 December 2015 before Public Issue and utilisation of Listing proceeds to be accrued to Dancomech	0.59
Pro forma consolidated NA per Share as at 31 December 2015 after the Public Issue and utilisation of Listing proceeds to be accrued to Dancomech	0.61
Increase in pro forma consolidated NA per Share to existing shareholders	0.02
Dilution in the pro forma consolidated NA per Share to new investors	0.14
Dilution in the pro forma consolidated NA per Share as a percentage of the IPO Price	21.33%

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3. PARTICULARS OF OUR IPO (Cont'd)

The following table summarises the total number of Shares acquired by our Directors, Promoters, Offerors, substantial shareholders, key management personnel or persons connected to them during the past four (4) years prior to the date of this Prospectus and the average cost per Share to them, and the total number of Shares acquired by the new investors who subscribe for our IPO Shares pursuant to the IPO:

Promoters, substantial management personnel or persons connected to them and new investors	Directors, substantial shareholders, key management personnel or persons connected to them and new investors	Offerors, key persons	Date of acquisition	No. of Shares Before IPO ⁽¹⁾	No. of Shares From IPO	Total Consideration RM	Average Cost Per Share RM
<u>Promoter, substantial shareholder and Offeror</u>							
ABC Equity			11 September 2014	71,022,780 ⁽²⁾⁽³⁾	-	28,409,112	0.40
<u>Promoters, substantial shareholders, Offerors and Directors</u>							
Aik Swee Tong ⁽⁴⁾⁽⁵⁾			11 September 2014	11,335,216 ⁽³⁾	-	4,534,086	0.40
Aik Cwo Shing ⁽⁴⁾⁽⁵⁾			11 September 2014	11,335,216 ⁽³⁾	-	4,534,086	0.40
<u>Promoters, substantial shareholders, Offerors and key management personnel</u>							
Aik Kwo Liang ⁽⁴⁾⁽⁵⁾⁽⁶⁾ (Senior Sales Manager of Dancomech Engineering)			11 September 2014	7,017,038 ⁽³⁾	-	2,806,815	0.40
Wong Chiau Siew ⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾ (Senior Sales Manager of Dancomech Engineering)			11 September 2014	6,477,266 ⁽³⁾	-	2,590,907	0.40
<u>Promoter, shareholder, Offeror and key management personnel</u>							
Aik Hui Luan ⁽⁴⁾⁽⁵⁾⁽⁷⁾⁽⁸⁾ (Chief Operating Officer)			11 September 2014	5,397,722 ⁽³⁾	-	2,159,089	0.40
<u>Promoters, shareholders and Offerors</u>							
Aik Ai Kok ⁽⁴⁾⁽⁵⁾			11 September 2014	4,318,178 ⁽³⁾	-	1,727,271	0.40
Aik Seng Kah ⁽⁴⁾⁽⁵⁾			11 September 2014	3,778,406 ⁽³⁾	-	1,511,362	0.40
Aik Hui Chyn ⁽⁴⁾⁽⁵⁾			11 September 2014	2,698,861 ⁽³⁾	-	1,079,544	0.40
Chan Chop Tong @ Aik Chop Tong ⁽⁴⁾⁽⁵⁾			11 September 2014	1,619,317 ⁽³⁾	-	647,727	0.40
<u>Directors of Dancomech</u>							
Datuk Zainal Abidin bin Ujud			Not applicable	-	100,000 ⁽⁹⁾	75,000	0.75
Gong Wooi Teik			Not applicable	-	100,000 ⁽⁹⁾	75,000	0.75
Marzuki bin Abd Rahman			Not applicable	-	100,000 ⁽⁹⁾	75,000	0.75
Lee Chen Yow			Not applicable	-	100,000 ⁽⁹⁾	75,000	0.75

3. PARTICULARS OF OUR IPO (Cont'd)

Promoters, substantial management personnel or persons connected to them and new investors	Directors, shareholders, offerors, key management personnel or persons connected to them and new investors	Date of acquisition	No. of Shares Before IPO ⁽¹⁾	No. of Shares From IPO	Total Consideration RM	Average Cost Per Share RM
<u>Director of Optimis</u>						
Chang Soo Hong ⁽¹⁰⁾ (Director and Chief Executive Officer of Optimis)		Not applicable	-	100,000 ⁽⁹⁾	75,000	0.75
<u>Person connected to director of Optimis</u>						
Chua Ee Shan ⁽¹⁰⁾		Not applicable	-	8,000 ⁽⁹⁾	6,000	0.75
<u>Key management personnel</u>						
Lim Lung Lik (Chief Financial Officer)		Not applicable	-	3,000 ⁽⁹⁾	2,250	0.75
Wong Seik Siang ⁽⁸⁾ (Sales and Business Development Manager of Dancomech Engineering)		Not applicable	-	84,000 ⁽⁹⁾	63,000	0.75
Oon Yen Tin (Operation Manager of Dancomech Engineering)		Not applicable	-	172,000 ⁽⁹⁾	129,000	0.75
<u>New Investors</u>						
• Public Issue		Not applicable	-	24,000,000	18,000,000	0.75
• Offer for Sale		Not applicable	-	16,000,000	12,000,000	0.75

Notes:

- (1) The number of Shares held after the Share Consolidation which was completed on 13 August 2015. The issued and paid-up share capital of Dancomech after the Share Consolidation is RM50,000,000 comprising 125,000,000 ordinary shares of RM0.40 each.
- (2) 142,045,311 Pre-Consolidation Shares were acquired pursuant to the Acquisition of Dancomech Engineering. Subsequently, an additional 250 Pre-Consolidation Shares were transferred to ABC Equity.
- (3) Dancomech's acquisition of equity interest in Dancomech Engineering by way of the issuance of new Shares to the shareholders of Dancomech Engineering.
- (4) Aik Swee Tong, Aik Cwo Shing, Aik Kwo Liang, Aik Hui Luan, Aik Ai Kok, Aik Seng Kah, Aik Hui Chyn and Chan Chop Tong @ Aik Chop Tong are siblings.
- (5) A shareholder of ABC Equity. Details of their shareholdings in ABC Equity are set out in Section 8.1.2.
- (6) Will cease to be a substantial shareholder of our Company subsequent to the IPO as their respective shareholdings will be diluted proportionately to become less than 5% after our IPO.
- (7) Aik Hui Luan is the spouse of Wong Chiau Siew.
- (8) Wong Seik Siang is the son of Wong Chiau Siew and Aik Hui Luan.
- (9) Assuming full subscription of his/her Pink Form Tranche allocation.
- (10) Chua Ee Shan is the spouse of Chang Soo Hong.

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3. PARTICULARS OF OUR IPO (Cont'd)

3.6 UTILISATION OF PROCEEDS

Our Company will not receive any proceeds from the Offer for Sale. The gross proceeds from the Offer for Sale amounting up to RM12.00 million will accrue entirely to the Offerors in their respective proportions.

The Offerors shall bear all expenses such as brokerage, underwriting and placement fees, stamp duty and other charges relating to the Offer for Sale.

There is no minimum subscription level in respect of the IPO Shares.

Based on the IPO Price, gross proceeds of RM18.00 million will be raised from our Public Issue. The proceeds shall accrue entirely to our Company and are intended to be utilised in the following manner:

Purposes	RM'000	%	Estimated timeframe for use (from the Listing date)
(i) Repayment of bank borrowing	4,557	25.32	Within 12 months
(ii) Purchase of offices cum stores	6,500	36.11	Within 24 months
(iii) Purchase of equipment	1,000	5.55	Within 12 months
(iv) Working capital ⁽¹⁾	2,743	15.24	Within 24 months
(v) Estimated Listing expenses ⁽¹⁾	3,200	17.78	Upon Listing
Total gross proceeds	<u>18,000</u>	<u>100.00</u>	

Note:

⁽¹⁾ If the actual Listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual Listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.

Further details of the utilisation of proceeds raised from our Public Issue are as set out below:

(i) Repayment of bank borrowing

Our Group intends to use RM4.56 million to partially repay the fixed loan from Public Bank Berhad which was obtained to part finance the construction of our office building located at Jalan Pelukis and for purchase of goods, products, and material related to our Group's business. As at LPD, the principal amount outstanding on this fixed loan is RM7.85 million.

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3. PARTICULARS OF OUR IPO (Cont'd)

Details of our Group's bank borrowing to be reduced are as follows:

Banking facilities	Purpose	Maturity date	Interest rates	Amount to be repaid from proceeds RM'000
Fixed Loan	Construction of our office building and purchase of goods, products and material related to our Group's business	3 January 2039	BLR - 2.30% per annum	4,557

The repayment of our bank borrowing will reduce our Group's gearing level⁽¹⁾ from 0.11 times to 0.04 times, based on our Group's borrowings as at LPD of approximately RM7.85 million and pro forma shareholders' funds after taking into consideration the IPO and proposed utilisation of proceeds of approximately RM18.00 million.

With the partial repayment of our bank borrowing at the interest rate specified above, we expect to improve our liquidity position in the future and enjoy interest savings of approximately RM0.71 million. As we will incur a penalty of 2 per cent on the approved borrowings amount if early repayment occurs within the first three (3) years from the date of first drawdown, which is 3 January 2014, we plan to repay the borrowings after January 2017, which is expected to be within the estimated timeframe of twelve (12) months from the Listing Date.

Note:

⁽¹⁾ Gearing ratio is computed by total interest bearing borrowing (finance lease liabilities and term loans) divided by total equity.

(ii) Purchase of offices cum stores

(a) Johor Bahru

Subsequent to the acquisition of remaining 30% equity interest from Mr. Koo Chai Chin in Dancomech JB, Mr. Koo Chai Chin, who was the person primarily responsible for the operations of Dancomech JB in Johor has left Dancomech JB. Accordingly, Dancomech has decided to terminate the tenancy agreement with the landlord on 30 June 2015 and transfer the operations of Dancomech JB to our headquarters in Jalan Pelukis.

After the termination of the tenancy relating to No.28, 28-01, Jalan Sagu 15, Taman Daya, 81100 Johor Bahru (the premises at which Dancomech JB previously operates from) between Ng Chee Fan (landlord) and Dancomech JB (tenant) on 30 June 2015, Dancomech JB operates from our headquarters at Jalan Pelukis.

In the circumstances, we intend to utilise RM2.50 million of the IPO proceeds as follows:

Purpose	Amount
To purchase a new office cum store for Dancomech JB in Johor Bahru	approximately RM2.00 million
To purchase equipment such as forklifts and stocks, as well as renovation cost	approximately RM0.50 million

3. PARTICULARS OF OUR IPO *(Cont'd)*

The setting-up of a new office cum store in Johor Bahru will enable us to implement our business strategies, expand our market coverage and customer base, as well as strengthen our position in Johor.

We believe the demand for our products in Johor will increase in light of the Refinery and Petrochemical Integrated Development (“**RAPID**”) project in Pengerang, Johor based on the following:

1. in 2014, the PCE and Measurement Instruments market for industrial pipeline systems rebounded from its negative growth of 6.9 per cent in 2013 as PETRONAS announced its final investment decision to approve the development of the RAPID project; and

(Source: IMR Report)

2. the RAPID project will house a 300,000 barrels per day capacity of crude oil refinery, a naphtha cracker that with a combined capacity of 3 million tonnes of olefins, and development of 22 downstream plants.

(Source: IMR Report)

With the new office cum store in place, we will be able to enhance our ability to service our existing and potential customers in Johor by providing convenience and prompt delivery.

Additionally, the new office cum store in Johor Bahru will be managed and supervised by a manager to be appointed by us. Pending the appointment of a suitable candidate for the aforesaid post, the existing customers in Johor will be serviced by our Senior Sales Manager who is based in our headquarters at Jalan Pelukis.

We expect the setting up of the new office cum store in Johor Bahru to be completed within 6 months from the Listing to enhance our ability to service our customers in Johor.

(b) Sabah and Sarawak

We intend to utilise RM4.00 million of the IPO proceeds to expand our market presence in Sabah and Sarawak. The expansion will focus on enhancing our ability to service our customers in Sabah and Sarawak with the establishment of offices cum stores to improve the delivery time of our products. The current delivery procedures are as follows:

1. Prepare delivery note, packing list and shipping mark once we receive purchase orders from customers;
2. Appoint forwarder, agents or courier service providers to pick up or deliver the products subject to the shipping terms;
3. The relevant shipping documents will undergo customs check at the destination port; and
4. The products will be couriered to the customers once released from the port.

The setting up of an office cum store in Sabah and Sarawak will eventually shorten the delivery time by sea freight or flight from Peninsular Malaysia to Sabah and Sarawak by consolidating multiple orders into one shipment. In addition, it can also be anticipated that Dancomech will be able to optimise the shipping cost hence allowing the customers to enjoy cheaper delivery charges as no premium is to be paid if the order value is small.

3. PARTICULARS OF OUR IPO (*Cont'd*)

The new offices cum stores will be located in Lahad Datu, Sabah and Bintulu, Sarawak. Our Group has decided to set up offices cum stores in these two areas because these areas are considered to be the centre of palm oil and oleochemicals as well as oil and gas and petrochemical activities in Sabah and Sarawak.

Bintulu

For Bintulu, it is the fourth largest town in Sarawak, Malaysia and is located strategically in between the towns of Miri and Sibul. It is easily accessible via air and sea from Kuala Lumpur.

Bintulu is an industrial centre. Its port is located at the east of the main town which hosts the Petronas Liquefied Natural Gas (LNG) complex together with other strategic economic establishments as follows:

1. Malaysia Liquefied Natural Gas Plant (MLNG Plant)

Malaysia LNG Sdn Bhd was incorporated on 4 June 1978 to construct and operate the first LNG plant. The principal activities of the MLNG Plant is to acquire natural gas from gas suppliers such as Petroliam Nasional Berhad, Petronas Carigali Sdn Bhd and Sarawak Shell Berhad, process natural gas into LNG, and secure buyers for MLNG, MLNG Dua and MLNG Tiga. The MLNG project has contributed significantly to the socio-economic growth and industrial development of Sarawak.

(Source: www.bda.gov.my)

2. Asean Bintulu Fertilizer (ABF) Plant

The ABF plant is a joint venture between 5 ASEAN countries, namely Malaysia, Thailand, Indonesia, Philippines and Singapore. The anhydrous ammonia and granular urea plant is operated by Asean Bintulu Fertilizer Sdn Bhd. The company commenced its commercial operations in 1985.

(Source: www.bda.gov.my)

3. Shell Middle Distillate Synthesis (SMDS) Plant

Shell MDS (Malaysia) Sdn Bhd owns and operates the SMDS plant, a commercial gas to liquid plant in Bintulu. The plant converts natural gas into high quality synthetic oil products and specialty chemicals which are paraffinic and colourless. The plant started operations in 1993.

(Source: www.bda.gov.my)

4. Sarawak Corridor of Renewable Energy (SCORE)

SCORE is a new development corridor in central of Sarawak. SCORE was established in 2008 and covers the areas of Tanjung Manis, Samalaju, Mukah, Baram and Tunoh. The 2008 to 2030 development plan for SCORE focuses on developing the energy sector and targets 10 high impact priority industries, being the aluminium, glass, steel, oil-based, palm oil, fishing and aquaculture, livestock, timber-based, marine and tourism industries.

(Source: www.recoda.com.my)

3. PARTICULARS OF OUR IPO (Cont'd)

The bulk of the investments in SCORE are in the aluminium, steel and oil and gas sectors. In November 2014, Sarawak State Planning Unit Director Datuk Ismawi Ismuni announced that SCORE had secured 19 approved projects with a total estimated investment of RM30.4 billion, mainly in energy-intensive operations in Bintulu's Samalaju Industrial Park, one of SCORE's growth areas.

(Source: www.mida.gov.my)

As at LPD, Dancomech Engineering has 45 customers in Sarawak.

In 2015, Dancomech Engineering had an accumulated sales revenue of RM1.52 million contributing to approximately 2.22% of our Group revenue, from customers who were based in the following areas of Sarawak:

Area of Sarawak	Revenue (RM'000)	Percentage (%)
Miri	624	41.13
Bintulu	640	42.19
Kuching	101	6.66
Sibu	40	2.64
Other areas	112	7.38
Total	1,517	100.00

Apart from the abovementioned improvements to our delivery, our rationale for setting up an office in Bintulu is to:

1. Gain access to end users in Sarawak based in the Bintulu industrial centre and under the SCORE development;
2. Gain access to the existing palm oil mills and refineries in Sarawak;
3. Gain access to our distributors in Sarawak in order to serve and understand our customers better; and
4. Provide timely response to the end users' request for products or product troubleshooting and reduce travelling expenses to be incurred if attended by the sales personnel from Dancomech Engineering's office in Bintulu, as compared to sales personnel from Dancomech Engineering's head office.

Lahad Datu

As for Lahad Datu, it is located strategically between the towns of Tawau and Sandakan.

Sabah has 2 Palm Oil Industrial Clusters (POIC) which are located in Lahad Datu and Sandakan as part of the Sabah Development Corridor. POIC Lahad Datu is the first dedicated palm oil industrial cluster in Malaysia and has received encouraging response from investors since its inception and has two biodiesel plants in operation. POIC Lahad Datu has attracted RM4.5 billion in investments. POIC investors include those in the industries of biodiesel, palm oil and palm kernel milling, logistics and godowns, property development, manufacturing fertilisers and its supporting services.

(Source: www.mycorridor.malaysia.gov.my)

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3. PARTICULARS OF OUR IPO (Cont'd)

Sipitang Oil & Gas Industrial Park (SOGIP) is managed by the Sipitang Oil and Gas Development Corporation. It serves as a new focal point for oil and gas investment within the Sabah, Brunei and Labuan economic centres. The availability of oil and natural gas found off the shores of Sabah allow for development of industries that utilise oil and natural gas, especially the petrochemical industry. Petronas Chemicals Group Berhad will be developing the Sabah Ammonia Urea plant (SAMUR) in SOGIP, estimated to cost USD1.5 billion.

(Source: www.mycorridor.malaysia.gov.my)

As at LPD, Dancomech Engineering has 39 customers in Sabah.

In 2015, Dancomech Engineering had an accumulated sales revenue of RM1.07 million contributing to approximately 1.58% of our Group revenue, from customers who were based in the following areas of Sabah:

Area of Sabah	Revenue (RM'000)	Percentage (%)
Lahad Datu	233	21.67
Sandakan	436	40.56
Tawau	281	26.14
Kota Kinabalu	85	7.91
Other areas	40	3.72
Total	1,075	100.00

Apart from the abovementioned improvements to our delivery, our rationale for setting up an office in Lahad Datu is to:

1. Gain access to end users in Sabah under the SOGIP and POIC Lahad Datu developments;
2. Gain access to palm oil mills and refineries in Sabah;
3. Gain access to our distributors in Sabah in order to serve and understand our customers better; and
4. Provide timely response to the end users' request for products or product troubleshooting and reduce travelling expenses to be incurred if attended by the sales personnel from Dancomech Engineering's office in Lahad Datu, as compared to sales personnel from Dancomech Engineering's head office.

With the set-up of the offices cum stores in Bintulu and Lahad Datu, our Group is anticipating new revenue stream from new geographical locations for the Group in the upcoming years.

We intend to set up the offices cum stores within twenty four (24) months after our Listing. Upon completion, our Group will be located closer to our customers, which will enable us to better understand our customers' needs. Our Group will also be able to improve our distribution channels as well as serve our customers better.

In the event the RM4.00 million is not fully utilised, the balance unutilised will be set aside for the working capital of the Group.

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3. PARTICULARS OF OUR IPO (Cont'd)

(iii) Purchase of equipment**(a) Upgrade of Testing Lab**

Currently, there is a testing lab facility in Dancomech which has the capacity to conduct safety valves testing and repair services for various types of safety valves. At this juncture, our Group only uses our testing lab facility for Leser brand safety valves testing purposes. Safety valves testing is conducted when our customer requires that the safety valve be set to a specific pressure and such tests may be conducted before or after a sale is concluded. For example, our customer may specify the pressure to be set when placing an order with us and in such circumstances, the safety valve testing needs to be conducted prior to delivery. In addition, our customer may also require that the pressure of the safety valves purchased from us be adjusted in accordance with their requirements from time to time.

We intend to utilise RM0.50 million of our IPO proceeds to upgrade our testing lab facility to enable our Group to conduct better safety valves testing and repair services. We will purchase additional fittings, tools and machineries. We intend to upgrade our testing lab within twelve (12) months after our Listing.

With the upgrading of our existing testing lab facility, we intend to become a Leser Authorised Repair Center ("LARC") subject to our compliance with the Leser pre-qualification criteria. Moving forward, our Group also aspires to utilise our testing lab facility to test and service safety valves of various brands. This competitive advantage would complement our trading operations as it would enhance our after sales service and support to the customers.

(b) Setting Up of Assembly Line

We intend to utilise RM0.50 million of our IPO proceeds to set up a stainless steel flexible hose assembly line, which is in line with our future business plans and product expansion. The assembly line will be located at our premises and will cover a floor area of approximately 970 sq. ft. of our existing factory floor. The assembly line will be equipped with several tools and machineries, including hose cutter machine, welding machine, threading machine, heavy duty drill machine and welding rod. We intend to set up the assembly line within twelve (12) months after our Listing. This will enable us to customise our stainless steel flexible hose to meet the requirements of our customers mainly in palm oil refineries.

(iv) Working capital

Our requirement for working capital will increase in tandem with our future plans. Therefore, we expect to utilise approximately RM2.74 million of the proceeds raised as additional working capital to finance our day-to-day operations, including inter alia, payment to trade suppliers, salaries for an expanded workforce and defrayment of operational expenses.

Optimum inventory level with more varieties of products enables us to serve our customers in a faster and timely approach. We can also cater to customers with more urgent needs which can be translated into better customer service. In addition, the increase in the working capital will support the future plans in respect of the setting up of the office cum stores and setting up of assembly line which would require the Group to have higher inventory levels.

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3. PARTICULARS OF OUR IPO (Cont'd)

(v) Estimated Listing expenses

The estimated Listing expenses for the Listing to be borne by us are as follows:

	RM'000
Professional advisory fees ⁽¹⁾	1,563
Fees to the authorities	177
Underwriting commission, placement fee and brokerage fees	617
Printing and advertising cost	113
Other incidental charges ⁽²⁾	730
Total	3,200

Notes:

⁽¹⁾ Include fees for the Principal Adviser, Reporting Accountants, Solicitors, Independent Market Researcher and other professional advisers for our IPO.

⁽²⁾ Other incidental charges or related expenses in connection with the IPO, such as fees to be paid to the translator, public relations consultants, Issuing House, share registrar, and funds reserved for contingencies purposes. Any unutilised amount shall be used for our Group's working capital purposes.

Pending the utilisation of the proceeds from our Public Issue as mentioned above, the proceeds will be placed in short-term deposits with approved licensed financial institutions or short-term money market instruments.

Our Managing Director and the Executive Director of the Group, namely Aik Swee Tong and Aik Cwo Shing will be responsible for making the decision for the placement of proceeds in short-term deposits.

3.7 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS

The financial impact from the utilisation of proceeds from the Public Issue on our Group is as follows:

(i) Increase in revenue and profitability

The utilisation of RM7.50 million to fund the purchase of the offices cum stores and the purchase of equipment. The purchase of the office cum stores will increase the number of customers in Johor, Sabah and Sarawak and result in saving of delivery cost as the new office would be able to store inventories. The purchase of equipment is expected to increase the number of repeat purchases of our products due to our concerted effort in providing after-sales services such as product testing and performing repairs for our customers. As a result, we expect our sales to increase, thus contributing positively to our Group's future earnings. In addition, the partial repayment of bank borrowing as described in Section 3.6 above at the interest rate disclosed therein will result in interest saving of an estimated RM0.71 million.

(ii) Improvement in working capital

The additional working capital of RM2.74 million arising from the Public Issue is expected to further strengthen our liquidity and cash flow positions and enable us to conduct our day-to-day operations.

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3. PARTICULARS OF OUR IPO (Cont'd)

3.8 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

Brokerage

Brokerage relating to our 7,500,000 of the Public Issue Shares made available for application by the Public is payable by us at the rate of 1.0% of the IPO Price, in respect of successful applications bearing the stamp of MIDF Investment, a participating organisation of Bursa Securities, a member of the Association of Banks in Malaysia, a member of the Malaysian Investment Banking Association or the Issuing House.

Underwriting Commission

- (i) The Joint Underwriters have agreed to underwrite 24,000,000 of the Public Issue Shares under the Public Tranche, Pink Form Tranche and MITI Tranche as set out in Sections 3.1.1(i), 3.1.1(ii) and 3.1.1(iii) respectively. Underwriting commission is payable by us to our Managing Underwriter at the rate 0.5% for the managing underwriter fee and to the Joint Underwriters at a rate of 2.0% of the total value of the underwritten Shares based on the IPO Price.
- (ii) The Joint Underwriters have agreed to underwrite 4,630,000 of the Offer Shares as set out in Section 3.1.2(i). Underwriting commission is payable by the Offerors to our Managing Underwriter at a rate of 0.5% for the managing underwriter fee and to the Joint Underwriters at the rate 2.0% of the total value of the underwritten Shares based on the IPO Price.

Placement Fee

MIDF Investment, as our Placement Agent, has agreed to place the IPO Shares available under the Non-MITI Tranche as set out in Section 3.1.2(ii).

The Offerors will pay the placement agent fee to the Placement Agent at the rate of 0.5% of the value of the IPO Shares based on the IPO Price to be incurred on the sale of the Offer Shares under Section 3.1.2(ii).

3.9 SALIENT TERMS OF THE UNDERWRITING AGREEMENTS

- (i) We have entered into an underwriting agreement with the Joint Underwriters on 2 June 2016 to underwrite 24,000,000 Public Issue Shares under the Public Tranche, Pink Form Tranche and MITI Tranche as set out in Sections 3.1.1(i), 3.1.1(ii) and 3.1.1(iii) respectively, subject to the clawback and reallocation provisions as set out therein. The following salient terms are reproduced from the Underwriting Agreement for Public Issue Shares. The terms and numbering references used in this section shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement for Public Issue Shares.

5. CONDITIONS PRECEDENT FOR UNDERWRITING

- 5.1 The obligations of the Joint Underwriters under this Agreement shall be conditional upon the fulfilment and/or satisfaction of the following:-
 - (a) Bursa Securities having approved the listing of and quotation for (on terms satisfactory to the Joint Underwriters) the entire issued and paid-up share capital of the Company on the Main Market of Bursa Securities and remaining in full force and effect up to the Listing Date;

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3. PARTICULARS OF OUR IPO (Cont'd)

- (b) the approval from the SC in respect of the Prospectus and registration of the Prospectus with the SC pursuant to the CMSA and subsequent lodgement of the Prospectus with the CCM pursuant to the Companies Act which remain in full force and effect up to the Listing Date and that all conditions to the said approval (except for any which can only be complied with after the Initial Public Offering has been completed) have been complied with;
- (c) all other necessary approvals and consents required in relation to the Public Issue, the Offer for Sale, the IPO Shares including but not limited to governmental approvals having been obtained and are in full force and effect up to the Listing Date and that all conditions to the said approvals and consents (except for any which can only be complied with after the Initial Public Offering has been completed) have been complied with;
- (d) the issuance of the Issue Shares having been approved by the shareholders of the Company in an extraordinary general meeting and such approval remain in full force and effect up to the Listing Date;
- (e) the Joint Underwriters receiving a certificate in the form or substantially in the form, as set out in **Schedule 3** of this Agreement, from the Company dated the date of registration of the Prospectus and next, from the Company, dated the Closing Date or the Extended Closing Date, as the case may be, all of which are to be signed by a director or a duly authorised signatory of the Company (on behalf of the board of directors of the Company);
- (f) there having been, on or prior to the Closing Date or the Extended Closing Date or Listing Date, as the case may be, no material adverse change, or any development involving a prospective material adverse change, in the financial condition or business or operations of the Group or in the prospects or future financial condition or business or operations of the Group (which in the reasonable opinion of the Joint Underwriters, is or will be material in the context of the Public Issue and Offer for Sale and the sale of any Underwritten Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenants and undertakings and obligations of the Company herein contained;
- (g) the Joint Underwriters receiving a copy of the certified true copy of the Board of Directors resolution of the board of directors of the Company approving this Agreement and authorising a person or persons to sign this Agreement on behalf of the Company;
- (h) there having been, as at the Closing Date or Extended Closing Date, no registration or lodgement of any amendment, supplement or replacement to the Prospectus with the SC or the CCM without the prior written consent of the Joint Underwriters;
- (i) the compliance by the Company with all its obligations under this Agreement, by the respective dates stated herein, where applicable;

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3. PARTICULARS OF OUR IPO (Cont'd)

- (j) there has not been, as at the Closing Date or Extended Closing Date or Listing Date, any stop order, injunction, withdrawal of approvals or similar orders issued by Bursa Securities and the SC or any court or other judicial, governmental or regulatory authority in relation to the Listing nor the Public Issue or Offer for Sale in accordance with the provisions of the Prospectus or the performance of the Prospectus being prohibited by any statute, order, rule, regulation or directive issued by, or objected to by any legislative, executive or regulatory body or authority of Malaysia; and
- (k) no termination events set out in Clause 11 below shall have occurred on or prior to the Closing Date or Extended Closing Date or Listing Date.

provided however, that the Joint Underwriters, at their discretion, by expressly so stating in writing, waive satisfaction of any of the conditions specified in **Clause 5.1** or extend the time provided for fulfilment of any such conditions in respect of all or any part of the performance thereof, provided always that any such waiver as aforesaid shall be without prejudice to the right of the Joint Underwriters to elect to treat any further or other breach, failure or event as releasing and discharging the Joint Underwriters, in whatever capacity from their obligations under this Agreement including Clause 5.2.

- 5.2 In the event any of the conditions set forth in **Clause 5.1** are not satisfied within two (2) months from the date of this Agreement, each of the Joint Underwriters shall be entitled to forthwith terminate this Agreement by notice in writing to the Company and in such event, the provisions of **Clause 11.3** shall apply.

11. FORCE MAJEURE & TERMINATION

- 11.1 Notwithstanding anything herein contained, the Joint Underwriters and/or the Managing Underwriter, as the case may be, may by notice in writing to the Company given at any time before the Listing Date, terminate, cancel and withdraw their respective Underwriting Commitment upon the occurrence of any of the following:-

- (a) in the event that the Listing does not take place by 21 July 2016 or such later date that the Joint Underwriters at their sole and absolute discretion, may agree in writing or approval of Bursa Securities for the admission of the Company to the Official List of the Main Market of Bursa Securities or for Listing is withdrawn or, obtained but subject to the conditions not acceptable to the Joint Underwriters;
- (b) if Bursa Securities, the SC, the CCM or any other regulatory or governmental body in Malaysia, shall make any stop order, ruling (or revoke any ruling previously made) the effect of which is to prevent the issue, and the listing of and quotation for the entire issue and paid-up share capital of the Company on the Main Market of Bursa Securities;
- (c) if the registration of the Prospectus with the SC, the approvals from the SC and/or Bursa Securities required for the Listing are revoked, suspended, withdrawn or lapses or if any of the conditions for such registrations, consents or approvals have not been fulfilled to the satisfaction of the SC and/or Bursa Securities or there has been registration or lodgement of any amendment, supplement or replacement to the Prospectus with the SC or the CCM without the prior written approval of the Joint Underwriters;

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3. PARTICULARS OF OUR IPO *(Cont'd)*

- (d) if the subscription for the Issue Shares in accordance with the provisions of this Agreement or the Prospectus or the execution and performance of or any of the transaction documents shall be prohibited by any statute, order, rule, regulation or directive issued by, or objected to by any legislative, executive or regulatory body or authority of Malaysia (including without limitation, Bursa Securities, the SC or the CCM);
- (e) there is any breach by the Company of any of the representations, warranties or undertakings contained in Clauses 3 and 4, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company by the Joint Underwriters;
- (f) there is failure on the part of the Company to perform any of its obligations herein contained;
- (g) there is withholding of information of a material nature from the Joint Underwriters which is required to be disclosed pursuant to this Agreement or the Prospectus which, in the reasonable opinion of the Joint Underwriters, would have or can reasonably be expected to have, a Material Adverse Effect on the financial condition, business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares;
- (h) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Group;
- (i) there shall have been, in the opinion of the Joint Underwriters, since the date of this Agreement:
 - (aa) any change, or any development involving a prospective Material Adverse Effect;
 - (bb) any introduction or prospective introduction of (as announced by a competent authority) or any change or any prospective change in (as announced by a competent authority) any legislation, regulation, order, policy, rule, guideline or directive in Malaysia, (whether or not having the force of law and including, without limitation, any directive or request issued by Bursa Securities, the SC or the CCM) or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Malaysia; or
 - (cc) any formal investigation, proceeding or inquiry by or before any court or governmental or regulatory authority against the Company/Group, which has been disclosed to the public, announced in the media or otherwise appears in the media, for which the Company and/or any of the companies within the Group, has not been able to provide an explanation to the satisfaction of the Joint Underwriters,

which event or events shall in the opinion of the Joint Underwriters:

- (i) be likely to prejudice materially the ability of the Joint Underwriters to market the Issue Shares and Offer Shares, to enforce contracts for the subscription and distribution of the Issue Shares and Offer Shares, the success of the Listing or dealing in the Issue Shares and Offer Shares in the secondary market; or

3. PARTICULARS OF OUR IPO (Cont'd)

- (ii) be likely to have a Material Adverse Effect; or
 - (iii) be likely to result in the withdrawal of any of the approvals by the SC, Bursa Securities or the CCM and any other relevant authorities in connection with the Listing.
- (j) there shall have occurred, or happened or come into effect, any one or more of the following circumstances: -
- (i) any material change, or any development involving a prospective change, in national or international monetary, financial and capital market, economic legal regulatory, industrial or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or currency exchange rates;
 - (ii) there shall have occurred a suspension, establishment of minimum prices, moratorium or restriction of trading in shares or securities generally on Bursa Securities or any moratorium on securities settlement or clearing services in or affecting Malaysia;

the occurrence of any combination of any of the foregoing or which in the opinion of the Joint Underwriters is likely to have a Material Adverse Effect (whether in the primary market or in respect of dealings in the secondary market) on the value or price of the IPO Shares or a Material Adverse Effect on the Listing or the Public Issue or Offer for Sale.
 - (iii) For the avoidance of doubt, and without prejudice to the foregoing, if the FTSE Bursa Malaysia KLCI Index is, at the close of normal trading on Bursa Securities, on any Market Day:
 - (1) on or after the date of this Agreement; and
 - (2) prior to the Closing Date or Extended Closing Date,

lower than 90% of the level of index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of this Agreement and/or up to the Listing Date or any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event, it shall be deemed a material adverse change in the stock market condition;
 - (iv) any new or change in law, regulation, directive, policy or ruling, taxation in Malaysia or in any jurisdiction in which the Group operate in;

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3. PARTICULARS OF OUR IPO (Cont'd)

- (v) any event or series of events beyond the reasonable control of the parties hereto including (without limitation), acts of government, acts of God, acts of terrorism (including, without limitation, the occurrence of a tsunami and/or earthquakes), strikes, national disorder, declaration of a state of emergency, lock-outs, fire, explosion, flooding, landslide, civil commotion, sabotage, acts of war, diseases or accidents which in the view of the Managing Underwriter and the other Joint Underwriter have or are likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting of the Underwritten Shares,

which, would have or can reasonably be expected to have, a Material Adverse Effect which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

- (k) any commencement of criminal investigations, legal proceedings judicial manager or winding-up action or action against any member of the Group or any of their directors, which in the reasonable opinion of the Managing Underwriter and/or the other Joint Underwriter, would have a Material Adverse Effect or make it impracticable to proceed with the Public Issue and Offer for Sale;

- (l) the Public Issue or the Offer for Sale is stopped or delayed by:

- (i) the Company; or
- (ii) the regulatory authorities,

for any reason whatsoever (unless such delay has been approved by the Joint Underwriters).

- (m) if any of the Conditions Precedent under Clause 5 is not satisfied or otherwise waived by the Joint Underwriters before the Closing Date or Extended Closing Date.

- (ii) The Offerors have entered into an underwriting agreement with the Joint Underwriters on 2 June 2016 to underwrite 4,630,000 Offer Shares as set out in Section 3.1.2(ii). The following salient terms are reproduced from the Underwriting Agreement for Offer Shares. The terms and numbering references used in this section shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement for Offer Shares.

5. CONDITIONS PRECEDENT FOR UNDERWRITING

- 5.1 The obligations of the Joint Underwriters under this Agreement shall be conditional upon the fulfilment and/or satisfaction of the following:-

- (a) Bursa Securities having approved the listing of and quotation for (on terms satisfactory to the Joint Underwriters) the entire issued and paid-up share capital of the Company on the Main Market of Bursa Securities and remaining in full force and effect up to the Listing Date;

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3. PARTICULARS OF OUR IPO (Cont'd)

- (b) the approval from the SC in respect of the Prospectus and registration of the Prospectus with the SC pursuant to the CMSA and subsequent lodgement of the Prospectus with the CCM pursuant to the Companies Act which remain in full force and effect up to the Listing Date and that all conditions to the said approval (except for any which can only be complied with after the Initial Public Offering has been completed) have been complied with;
- (c) all other necessary approvals and consents required in relation to the Public Issue, the Offer for Sale, the IPO Shares including but not limited to governmental approvals having been obtained and are in full force and effect up to the Listing Date and that all conditions to the said approvals and consents (except for any which can only be complied with after the Initial Public Offering has been completed) have been complied with;
- (d) the issuance of the Issue Shares having been approved by the shareholders of the Company in an extraordinary general meeting and such approval remain in full force and effect up to the Listing Date;
- (e) the Joint Underwriters receiving a certificate in the form or substantially in the form, as set out in **Schedule 3** of this Agreement, from the Offerors dated the date of registration of the Prospectus and next, from the Offerors, dated the Closing Date or the Extended Closing Date, as the case may be;
- (f) there having been, on or prior to the Closing Date or the Extended Closing Date or Listing Date, as the case may be, no material adverse change, or any development involving a prospective material adverse change, in the financial condition or business or operations of the Group or in the prospects or future financial condition or business or operations of the Group (which in the reasonable opinion of the Joint Underwriters, is or will be material in the context of the Public Issue and Offer for Sale and the sale of any Underwritten Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenants and undertakings and obligations of the Offerors herein contained;
- (g) the Joint Underwriters receiving a copy of the certified true copy of the Board of Directors resolution of the board of directors of the Offerors (where applicable) approving this Agreement and authorising a person or persons to sign this Agreement on behalf of the Company;
- (h) there having been, as at the Closing Date or Extended Closing Date, no registration or lodgement of any amendment, supplement or replacement to the Prospectus with the SC or the CCM without the prior written consent of the Joint Underwriters;
- (i) the compliance by the Offerors with all its obligations under this Agreement, by the respective dates stated herein, where applicable;
- (j) there has not been, as at the Closing Date or Extended Closing Date or Listing Date, any stop order, injunction, withdrawal of approvals or similar orders issued by Bursa Securities and the SC or any court or other judicial, governmental or regulatory authority in relation to the Listing nor the Public Issue or Offer for Sale in accordance with the provisions of the Prospectus or the performance of the Prospectus being prohibited by any statute, order, rule, regulation or directive issued by, or objected to by any legislative, executive or regulatory body or authority of Malaysia;

3. PARTICULARS OF OUR IPO (Cont'd)

- (k) no termination events set out in **Clause 11** below shall have occurred on or prior to the Closing Date or Extended Closing Date or Listing Date.

provided however, that the Joint Underwriters, at their discretion, by expressly so stating in writing, waive satisfaction of any of the conditions specified in Clause 5.1 or extend the time provided for fulfilment of any such conditions in respect of all or any part of the performance thereof, provided always that any such waiver as aforesaid shall be without prejudice to the right of the Joint Underwriters to elect to treat any further or other breach, failure or event as releasing and discharging the Joint Underwriters, in whatever capacity from their obligations under this Agreement including **Clause 5.2**.

- 5.2 In the event any of the conditions set forth in **Clause 5.1** are not satisfied within two (2) months from the date of this Agreement, each of the Joint Underwriters shall be entitled to forthwith terminate this Agreement by notice in writing to the Offerors and in such event, the provisions of **Clause 11.3** shall apply.

11. FORCE MAJEURE & TERMINATION

- 11.1 Notwithstanding anything herein contained, the Joint Underwriters and/or the Managing Underwriter, as the case may be, may by notice in writing to the Offerors given at any time before the Listing Date, terminate, cancel and withdraw their respective Underwriting Commitment upon the occurrence of any of the following:-

- (a) in the event that the Listing does not take place by 21 July 2016 or such later date that the Joint Underwriters at their sole and absolute discretion, may agree in writing or approval of Bursa Securities for the admission of the Company to the Official List of the Main Market of Bursa Securities or for Listing is withdrawn or, obtained but subject to the conditions not acceptable to the Joint Underwriters;
- (b) if Bursa Securities, the SC, the CCM or any other regulatory or governmental body in Malaysia, shall make any stop order, ruling (or revoke any ruling previously made) the effect of which is to prevent the issue, and the listing of and quotation for the entire issue and paid-up share capital of the Company on the Main Market of Bursa Securities;
- (c) if the registration of the Prospectus with the SC, the approvals from the SC and/or Bursa Securities required for the Listing are revoked, suspended, withdrawn or lapses or if any of the conditions for such registrations, consents or approvals have not been fulfilled to the satisfaction of the SC and/or Bursa Securities or there has been registration or lodgement of any amendment, supplement or replacement to the Prospectus with the SC or the CCM without the prior written approval of the Joint Underwriters;
- (d) if the subscription for the Issue Shares in accordance with the provisions of this Agreement or the Prospectus or the execution and performance of or any of the transaction documents shall be prohibited by any statute, order, rule, regulation or directive issued by, or objected to by any legislative, executive or regulatory body or authority of Malaysia (including without limitation, Bursa Securities, the SC or the CCM);
- (e) there is any breach by the Offerors of any of the representations, warranties or undertakings contained in Clauses 3 and 4, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company by the Joint Underwriters;

3. PARTICULARS OF OUR IPO (Cont'd)

- (f) there is failure on the part of the Offerors to perform any of its obligations herein contained;
- (g) there is withholding of information of a material nature from the Joint Underwriters which is required to be disclosed pursuant to this Agreement or the Prospectus which, in the reasonable opinion of the Joint Underwriters, would have or can reasonably be expected to have, a Material Adverse Effect on the financial condition, business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares;
- (h) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Group;
- (i) there shall have been, in the opinion of the Joint Underwriters, since the date of this Agreement:
 - (aa) any change, or any development involving a prospective Material Adverse Effect;
 - (bb) any introduction or prospective introduction of (as announced by a competent authority) or any change or any prospective change in (as announced by a competent authority) any legislation, regulation, order, policy, rule, guideline or directive in Malaysia, (whether or not having the force of law and including, without limitation, any directive or request issued by Bursa Securities, the SC or the CCM) or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Malaysia; or
 - (cc) any formal investigation, proceeding or inquiry by or before any court or governmental or regulatory authority against the Company/Group, which has been disclosed to the public, announced in the media or otherwise appears in the media, for which the Company and/or any of the companies within the Group, has not been able to provide an explanation to the satisfaction of the Joint Underwriters,

which event or events shall in the opinion of the Joint Underwriters:

- (i) be likely to prejudice materially the ability of the Joint Underwriters to market the Issue Shares and Offer Shares, to enforce contracts for the subscription and distribution of the Issue Shares and Offer Shares, the success of the Listing or dealing in the Issue Shares and Offer Shares in the secondary market; or
- (ii) be likely to have a Material Adverse Effect; or
- (iii) be likely to result in the withdrawal of any of the approvals by the SC, Bursa Securities or the CCM and any other relevant authorities in connection with the Listing.

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3. PARTICULARS OF OUR IPO (*Cont'd*)

(j) there shall have occurred, or happened or come into effect, any one or more of the following circumstances: -

- (i) any material change, or any development involving a prospective change, in national or international monetary, financial and capital market, economic legal regulatory, industrial or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or currency exchange rates;
- (ii) there shall have occurred a suspension, establishment of minimum prices, moratorium or restriction of trading in shares or securities generally on Bursa Securities or any moratorium on securities settlement or clearing services in or affecting Malaysia;

the occurrence of any combination of any of the foregoing or which in the opinion of the Joint Underwriters is likely to have a Material Adverse Effect (whether in the primary market or in respect of dealings in the secondary market) on the value or price of the IPO Shares or a Material Adverse Effect on the Listing or the Public Issue or Offer for Sale.

(iii) For the avoidance of doubt, and without prejudice to the foregoing, if the FTSE Bursa Malaysia KLCI Index is, at the close of normal trading on Bursa Securities, on any Market Day:

- (1) on or after the date of this Agreement; and
- (2) prior to the Closing Date or Extended Closing Date,

lower than 90% of the level of index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of this Agreement and/or up to the Listing Date or any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event, it shall be deemed a material adverse change in the stock market condition;

- (iv) any new or change in law, regulation, directive, policy or ruling, taxation in Malaysia or in any jurisdiction in which the Group operate in;
- (v) any event or series of events beyond the reasonable control of the parties hereto including (without limitation), acts of government, acts of God, acts of terrorism (including, without limitation, the occurrence of a tsunami and/or earthquakes), strikes, national disorder, declaration of a state of emergency, lock-outs, fire, explosion, flooding, landslide, civil commotion, sabotage, acts of war, diseases or accidents which in the view of the Managing Underwriter and the other Joint Underwriter have or are likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting of the Underwritten Shares,

which, would have or can reasonably be expected to have, a Material Adverse Effect which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

3. PARTICULARS OF OUR IPO *(Cont'd)*

- (k) any commencement of criminal investigations, legal proceedings judicial manager or winding-up action or action against any member of the Group or any of their directors, which in the reasonable opinion of the Managing Underwriter and/or the other Joint Underwriter, would have a Material Adverse Effect or make it impracticable to proceed with the Public Issue and Offer for Sale;
- (l) the Public Issue or the Offer for Sale is stopped or delayed by:
 - (i) the Company; or
 - (ii) the regulatory authorities,for any reason whatsoever (unless such delay has been approved by the Joint Underwriters).
- (m) if any of the Conditions Precedent under Clause 5 is not satisfied or otherwise waived by the Joint Underwriters before the Closing Date or Extended Closing Date.

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4. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS BEFORE INVESTING IN OUR SHARES.

The following are potential risks which our Board views as having a possible material adverse impact on the future performance of our Group or on the market price of our Shares. Some of these risks can be mitigated by deploying contingency plans and/or safeguards. Other risks however are inherent or beyond our control and cannot be mitigated.

If you are in any doubt as to the information contained in this section, you should consult your stockbroker, bank manager, solicitors, accountants or other professional adviser.

4.1 RISKS RELATING TO OUR OPERATION AND BUSINESS

4.1.1 Dependency on major customers

For the past financial years under review (FYE 2012 to 2015) and up to LPD, our major customers accounted for approximately 10.42%, 29.56%, 18.90%, 15.24% and 6.51% of our total revenue. There is no assurance that these major customers will continue to purchase from our Group. In the event that our Group is unable to retain these customers, or seek replacement customers, our business, results of operations, profitability and liquidity may be affected.

4.1.2 Dependency on major third party suppliers

As disclosed in Section 6.11, our Group has three (3) major third party suppliers and they collectively accounted for 36.63%, 41.56%, 43.39%, 33.76% and 30.54% of our total purchases for the past financial years under review (FYE 2012 to 2015) and up to LPD. The products supplied by the major third party suppliers are generally generic in nature and our customers generally do not require specific product from any specific supplier. However, customers who are involved in certain projects in the oil and gas industry may require products of certain specifications and requirements. Hence, for these instances where the specifications and requirements of the customers could not be met by other suppliers who supply generic products, we would have dependency towards certain third party suppliers. Accordingly, any termination of, withdrawal of or disruption to our business relationships with any of our major third party suppliers may have a negative impact on our Group's ability to supply their products to our customers and consequently, adversely affect our business and financial performance.

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4. RISK FACTORS *(Cont'd)*

4.1.3 Credit risk

Our financial performance and position are dependent, to a certain extent, on the creditworthiness of our customers. We generally grant our customers credit periods of between 30 days and 90 days. We are exposed to credit risks arising from trade receivables which may arise from events and circumstances beyond our control or events which are difficult to anticipate or detect, such as economic downturn or deterioration.

In the event of significant delay or default in payment by our customers or where our customers face significant financial difficulties, we will have to provide for doubtful debts or write off trade receivable as bad debts, which may adversely affect our financial performance.

For the past financial years under review (FYE 2012 to 2015) and up to LPD, Dancomech Engineering, Dancomech JB and Optimis have not written off any bad debts save and except for the FYE 2013, FYE 2014 and the financial period up to LPD, where we had written off RM17,600, RM53,621, and RM18,660 as bad debts, respectively. For the periods of the FYE 2012 to 2015, the balance provision for doubtful debts amounted to approximately RM376,000, RM38,000, RM442,000, and RM318,000 respectively. There are no changes to the provision for doubtful debts in the financial period up to LPD.

The decrease in provision for doubtful debts from FYE 2012 to FYE 2013 was due to the reversal of the provision for doubtful debts which amounted to RM157,610 arising from the subsequent collection of the debts, and the written-off provision for doubtful debts for FYE 2012 which amounted to RM218,044. Our usual procedures to follow-up with customers on long overdue debts contributed to the decrease in provision for doubtful debts for FYE 2013. Such procedures include sending out reminder letters and emails, calls, field visits, as well as taking legal actions on a case-by-case basis.

There was an increase in provision for doubtful debts from FYE 2013 to FYE 2014 mainly due to slow collection in FYE 2014. Provision for doubtful debts decreased to RM318,000 in FYE 2015 due to the net reversal of the provision for doubtful debts which amounted to approximately RM125,000 arising from the subsequent collection of the debts.

4.1.4 Dependency on Directors and key management personnel

We believe that human capital is one of our key factors for success. Our Managing Director, Aik Swee Tong and our Executive Director, Aik Cwo Shing possess years of experience respectively and are vital to our Group's success. Over the years, we have also built a strong management and operation team that has vast experience in the process equipment and Measurement Instrument products industry and knowledge of our business as well as understanding of our customers' needs and requirements. As such, any loss of our Managing Director, Executive Director or key management personnel without a suitable and timely replacement may have a material adverse impact on our business and our continuing ability to compete effectively. The profiles of our Managing Director, Executive Director and key management personnel are set out in Sections 8.2.1 and 8.4.1.

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4. RISK FACTORS *(Cont'd)*

4.1.5 Exposure to exchange rate fluctuations

As at LPD, approximately 19.67% of our sales are international sales and approximately 82.16% of our purchases of imported stocks are in the foreign currencies of USD, Euro, GBP, RMB, and SGD. As such, we are exposed to foreign exchange risks, with the majority of our purchases transacted in USD. Any unfavourable foreign exchange movement against the RM, especially with the weakening of the RM against the USD, may have an adverse impact on our financial performance.

4.1.6 Absence of long term contract with customers

We do not have long term contracts with our customers. Some of our sales are based on planned purchase orders, which relate to arrangements with our customers who commit to buy our products based on a delivery schedule. Such purchase orders usually exceed RM1.00 million per order. However, the majority of our sales come from customers (including our major customers) who purchase as and when the need arises, with the purchase orders being not more than RM1.00 million per order. As such, the uncertainty in sales may impact our Group's business performance.

4.1.7 Shipping disruptions and fluctuation in shipping costs

We may experience shipping disruptions and fluctuations in shipping costs for the import of our products and for the sale of our goods. As at LPD, 82.16% of our products are imported from our suppliers outside of Malaysia. In addition, as at LPD, approximately 19.67% of our sales are international sales whilst approximately 80.33% of our sales are domestic sales. As such, we are exposed to:

- shipping disruptions that may arise due to weather conditions, political turmoil, pirate attacks, social unrest, port strikes, oil spills, delayed or lost shipments, which may have an adverse impact on our business; and/or
- major fluctuation, if any, in charter and freight rates which may have a material impact on our cost. Our ability to pass the cost increase to our customers is, to a large extent, subject to the intensity of market competition, spending power of the end users of our customers and the general economic condition in Malaysia. If we are unable to pass on the increase in such costs to our customers, our profitability may be adversely affected.

4.1.8 Inadequate insurance coverage

General insurance

We are aware of the adverse consequences arising from inadequate insurance coverage for the accidents and outbreaks that could disrupt our business operations and ensure continuity of our insurance by renewing all our insurances annually. As at LPD, our headquarters at Jalan Pelukis has been insured for the amount of RM8.00 million, whereas our equipment, machinery, stocks and inventories have been insured for the amount of RM20.00 million, against the NBV of our stocks of RM20.97 million as at LPD.

No assurance can be given that the insurance coverage will be sufficient to compensate for the replacement cost of our assets or any consequential loss arising thereof.

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4. RISK FACTORS *(Cont'd)*

4.2 RISKS AFFECTING OUR INDUSTRY

4.2.1 Fluctuations in raw materials prices

The PCE and Measurement Instruments market is subjected to constant price fluctuations on iron ore, natural gas and crude oil, the three (3) being the raw materials to steel and plastic resins for the manufacture of PCE and Measurement Instruments. A combination of external factors such as geopolitical instability, economic cycle, catastrophic risk and global demand for these natural resources impacts the volatility of the prices.

(Source: IMR report)

Due to the nature of our business, we purchase a range of PCE and Measurement Instruments. Fluctuations in raw material prices could result in higher prices and accordingly, lead to increased costs which will affect all market players. If we are unable to continue passing on increased cost to our customers, there may be an adverse effect on Dancomech Group's financial performance.

4.2.2 Dependency on the performance of end user markets

Our Group currently supplies a diverse range of PCE and Measurement Instruments to a variety of customers, for use within various industries including the oil and gas and palm oil and oleochemicals industries. Therefore, we are dependent on the performance of the industries which are affected by the fluctuations in the market price of hydrocarbons (including crude oil and natural gas) and crude palm oil.

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

The downward pricing trend persisted in 2015 as crude oil prices dropped to an average of USD50.8 per barrel. Lower oil prices adversely affect the business profitability of oil companies thus forcing them to reassess their development projects and focus on driving prudent cost management. In Malaysia, Petroliaam Nasional Berhad ("PETRONAS") expects oil prices to remain low in 2016 and accordingly has announced a cut in its operational expenditure and capital expenditure for 2016 by between RM15 billion to RM20 billion. The reduction is also part of PETRONAS' move to reduce the capital expenditure and operational expenditure by RM50 billion over the next four (4) years. Therefore, demand for products and services from the PCE and Measurement Instruments market could be adversely affected in the medium term (2015 to 2018) – particularly for market participants supplying to oil and gas customers who are focused on activities related to exploration and production expansions.

Likewise in the palm oil industry, crude palm oil prices generally trended downward in 2015. The declining pricing trend may pressure on the business profitability of the market players, resulting in cuts or deferments of investment decision for capacity expansion and equipment maintenance and upgrade. As such, demand for PCE and Measurement Instruments from palm oil and oleochemicals industry may be affected if the downward pricing trend prolongs.

(Source: IMR report)

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4. RISK FACTORS (Cont'd)

4.2.3 Changes in general economic, business, competitive and credit conditions, policies and regulations, etc.

We are subject to business risks inherent to the industry that we are currently operating in. These include amongst others, fluctuation in raw material prices of PCE and Measurement Instruments, fluctuation in the demand for our products, changes in general economic, business, competitive and credit conditions, changes in government and international policies and regulations and other business risks common to our Group's business.

Our business may be adversely affected by any increase in our operational cost. An example which may result in such increase is an increase in raw material prices which will in turn increase our suppliers' production cost and ultimately leading to a hike in prices of the products supplied to us.

In addition, as our Group's business caters to a wide range of industries including the palm oil and oleochemical, oil and gas and petrochemical and water treatment and sewerage industries, any slowdown in the said industries may decrease demand for our products.

4.2.4 Competition risk

We face competition from our competitors and we expect competition to intensify, especially with the growing market demand for the PCE and Measurement Instruments for industrial piping system in Malaysia. According to the IMR Report, our market share in the provision of PCE and Measurement Instruments for industrial piping system market in Malaysia in 2014 and 2015 was approximately 2.9% and 2.5% respectively.

Some of our competitors may have greater financial, marketing, management and other resources than us. These competitors may be better positioned to attract more customers by being able to offer a wider range of products.

4.2.5 Political, economic and regulatory uncertainties

Any adverse development in the political, economic and regulatory environment in Malaysia as well as in countries where our Group sources our supplies or sells our products could materially or adversely affect our operations and financial performance.

Political and economic uncertainties include changes in general economic and business conditions, government legislations and policies affecting our industry, inflation, fluctuation in foreign exchange rates and interest rates, political or social development, risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, methods of taxation and currency exchange controls.

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4. RISK FACTORS *(Cont'd)*

4.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

4.3.1 Delay or abortion of our Listing

Our Listing may be potentially delayed or aborted in the event of the following:

- (i) the approval of the SC or any other relevant authority for our Listing is revoked, withdrawn or cancelled;
- (ii) the identified investors fail to subscribe to the portion of Public Issue Shares intended to be placed to them although they have furnished their irrevocable undertaking letters to subscribe for such Shares; and
- (iii) we are unable to meet the public spread requirement of at least 25% of our enlarged issued and paid-up share capital to be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each, at the time of our Listing.

We expect to meet the public shareholding requirement at the point of Listing by allocating the IPO Shares to the required number of public shareholders during the balloting/private placement processes. However, in the event that we are unable to meet the above requirement, monies paid in respect of any application accepted will be returned to you without interest within fourteen (14) days after we and the Offerors become liable to repay it. If any such monies are not repaid within 14 days after we and the Offerors become liable to repay it, then the provisions under sub-sections 243(2) and 243(6) of the CMSA shall apply.

4.3.2 No prior market for our Shares

Prior to our IPO, there has been no prior public market for our Shares. There can be no assurance that an active market for our Shares will develop or be sustained after our Listing or that the market price of our Shares will not decline below the IPO Price. We believe that a variety of factors could cause our share price to fluctuate and such fluctuation may adversely affect the market price of our Shares.

The IPO Price has been determined after taking into consideration a number of factors, including but not limited to, our Group's financial, operating history and condition, the prospects of our Group and the industry in which our Group operates, the Management, the market prices for shares of companies engaged in business similar to that of our Group and the prevailing market conditions. There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the Main Market of Bursa Securities upon or subsequent to our Listing.

4.3.3 Capital market risks and share price volatility

The performance of the local bourse is very much dependent on external factors such as the performance of the regional and world bourses and the flows of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions in Malaysia as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risk to the market price of the listed securities.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:-

- (i) difference between our actual financial and operating results and those expected by investors and analysts;
- (ii) success or failure of our Management in implementing business and growth strategies;

4. RISK FACTORS *(Cont'd)*

- (iii) changes in securities analysts' recommendations, perceptions or estimates of our Group's financial performance;
- (iv) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- (v) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed on Bursa Securities;
- (vi) additions or departures of key management personnel;
- (vii) fluctuation in stock market prices and volume; or
- (viii) involvement in litigation, arbitration or other form of dispute resolution.

4.3.4 Control by Promoters

Upon Listing, our Promoters will collectively hold approximately 73.15% of the enlarged issued and paid-up share capital of Dancomech. As a result, our Promoters will be able to exercise significant influence over the business direction and will have voting control over our Company, unless they are required to abstain from voting by law and/or as required by the relevant authorities.

4.3.5 Payment of dividends

Our Company, being an investment holding company derives income mainly from dividends received from our subsidiary companies. Hence, our ability to pay future dividends is largely dependent on the performance of our subsidiary companies.

In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but are not limited to our financial performance, cash flow requirements, debt servicing and financing commitments, future expansion plans, loan covenants and compliance with regulatory requirements.

4.3.6 Future fund raisings may dilute shareholders' equity and/or restrict our operations

We may require additional funding for our future growth. This may result in dilution of our shareholders' equity or restrictions imposed by additional debt funding.

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our customer base and the need to maintain and expand our production facilities. Thus, we may need additional capital expenditure for mergers and acquisitions or investments. Any issue of Shares or other securities to raise funds will dilute shareholders' equity interests and may, in the case of a rights issue, require additional investments by shareholders.

Further, an issue of Shares below the prevailing market price will also affect the value of Shares then held by investors. Dilution in shareholders' equity interests may occur even if the issue of Shares is at a premium to the market price. In addition, any additional debt funding would increase our gearing ratio and may restrict our freedom to operate our business as it may have conditions that:-

- (i) limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- (ii) increase our vulnerability to general adverse economic and industry conditions;

4. RISK FACTORS *(Cont'd)*

(iii) require us to dedicate a portion of our cash flow from operations to repayments of our debt, thereby reducing the availability of our cash flow for capital expenditures, working capital and other general corporate purposes; and

(iv) limit our feasibility in planning for, or reacting to, changes in our businesses and our industry.

If we fail in obtaining more funds to meet requirements for our business, merger and acquisition plans or investments, we may not be able to implement future plans that are essential to our continued growth.

4.3.7 Delay between admission and trading of the IPO Shares

Delays in the admission and the commencement of trading in shares on Bursa Securities have occurred in the past. In respect of the Public Issue Shares comprised in the IPO Shares, following their allotment and issue to investors, a return of monies to such investors may be effected either by way of a repurchase by us of those Shares at the IPO Price, or by way of a reduction of our share capital. A capital reduction would require the approval by special resolution of our shareholders and approval of the court.

Further, such capital reduction shall not be effected if on the date the reduction is to be effected, there are reasonable grounds for believing that we are, or after the reduction would be, unable to pay our liabilities as they become due.

There can be no assurance that monies can be recovered within a short period of time, or at all. If Bursa Securities does not admit our Shares for Listing, the market for our Shares will be illiquid and it may not be possible to trade our Shares. This may also have a materially adverse effect on the value of our Shares.

4.3.8 Disclosure regarding forward-looking statements

Certain statements in this Prospectus are based on historical data that may not be reflective of the future results, whilst others are forward-looking in nature and are subject to uncertainties and contingencies. All forward-looking statements are based on expectations and assumptions made by our Board and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements expressed or implied in such forward looking statements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our Principal Adviser that our plans and objectives will be achieved.

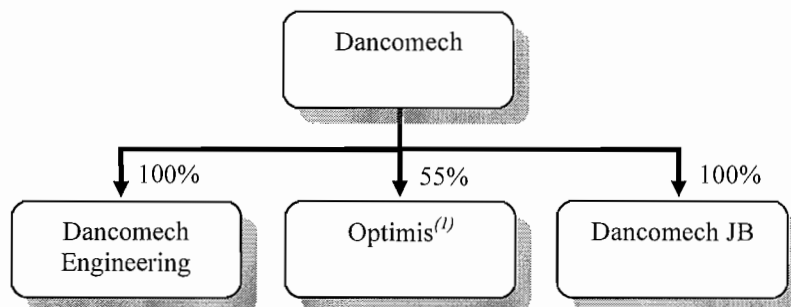
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5. INFORMATION ON OUR GROUP

5.1 OUR HISTORY

Our Company was incorporated in Malaysia under the Act on 17 June 2013 as a public limited company. Prior to our IPO, we undertook the Acquisitions in September 2014 and June 2015. The Acquisitions are described in Section 5.4.

Our corporate structure is as follows:



Note:

⁽¹⁾ The remaining 45% of the entire issued and paid-up share capital of Optimis is held by Chang Soo Hong. Chang Soo Hong is a director and chief executive officer of Optimis as well as one of our key management personnel. Further details on Chang Soo Hong are set out in Section 8.4.

Company	Principal Activities
Dancomech	Investment holding
Dancomech Engineering	Trading and distribution of third party brands and own brands of PCE and Measurement Instruments as well as third party brands of MPTE. Provision of after-sales services
Optimis	Trading and distribution of third party brands and own brands of PCE and Measurement Instruments to the water and sewerage industry
Dancomech JB	Trading and distribution of third party brands and own brands of PCE and Measurement Instruments in Gelang Patah, Tanjung Bin, Pasir Gudang, Tanjung Langsat, Pengerang, Nusa Jaya and Bandar Seri Iskandar in Johor Darul Takzim, Malaysia. Provision of after-sales services to our customers in Johor

We are primarily involved in the trading and distribution of PCE and Measurement Instruments. Our focus area is mainly in the palm oil and oleochemicals, oil and gas and petrochemical and water treatment and sewerage industries. In 2015, we have expanded our product range with the supply of MPTE, in particular Pumps, to the palm oil and oleochemicals industry subsequent to the acquisition of distribution right from KSB Malaysia Pumps & Valves Sdn Bhd on 21 October 2015.

Our business was co-founded by Aik Swee Tong (our Managing Director) together with his sister, Aik Hui Luan (our Chief Operating Officer) and her husband, Wong Chiau Siew (our Senior Sales Manager), all of whom have contributed significantly to the development, growth and success of our Group. Aik Swee Tong has been instrumental in developing the strategic direction of our Group bringing with him approximately 30 years of experience in the abovementioned industries in Malaysia.

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5. INFORMATION ON OUR GROUP (Cont'd)

Our history can be traced back to August 1989 with the establishment of DET, a sole proprietorship under the name of Aik Swee Tong. DET's business activities were mainly in the trading of PCE and Measurement Instruments to end users in the Malaysian palm oil and oleochemicals industry. We initially sourced our supplies from local importers. As our sales volume gradually increased over the years, in 1992 we began sourcing our products directly from foreign manufacturers in Taiwan, Japan, People's Republic of China, United Kingdom, United States and Germany. DET's business operations were carried out from a rented office premises in Jalan Kuchai Lama, Kuala Lumpur.

In 1993, Dancomech (M) Sdn Bhd was incorporated to take over the existing business of DET, with Aik Swee Tong, Aik Cwo Shing, Wong Chiau Siew, Aik Hui Luan, Aik Ai Kok, Aik Seng Kah and Lim Cheng Huat as the shareholders. Dancomech (M) Sdn Bhd's business activity remained the same as DET. Dancomech (M) Sdn Bhd operated its business in a warehouse cum office premises in Medan Maju Jaya, Petaling Jaya in 1993. DET ceased operations in the same year.

In 1999, Aik Cwo Shing and Dancomech (M) Sdn Bhd incorporated Dancord Engineering Sdn Bhd with a 70% and 30% equity interest respectively to supply PCE and Measurement Instruments mainly to the oleochemicals industry, palm oil refineries and EPCC Contractors. Dancord Engineering Sdn Bhd operated its business in Subang Jaya.

In 2000, Dancomech Engineering was established to take over the existing businesses of Dancomech (M) Sdn Bhd and Dancord Engineering Sdn Bhd with Aik Swee Tong, Aik Cwo Shing, Wong Chiau Siew, Aik Hui Luan, Aik Ai Kok, Aik Seng Kah, Lim Cheng Huat, Aik Kwo Liang and Chan Chop Tong @ Aik Chop Tong as shareholders.

In 2005, Lim Cheng Huat transferred his shareholding in Dancomech Engineering to Aik Hui Chyn, his spouse, who is the sister of Aik Swee Tong, Aik Cwo Shing, Aik Hui Luan, Aik Ai Kok, Aik Seng Kah, Aik Kwo Liang and Chan Chop Tong @ Aik Chop Tong.

In 2008, Aik Cwo Shing and Chang Soo Hong incorporated Optimis with 50% (1 share) and 50% (1 share) equity interests respectively to supply PCE and Measurement Instruments to the water treatment and sewerage industry. In 2009, Aik Cwo Shing transferred his 1 share to Dancovest and Optimis increased its issued and paid-up share capital to 200,000 ordinary shares of RM1.00 each, resulting in Dancovest (50%), Chang Soo Hong (40%) and Eastech Systems Sdn Bhd (10%) as the shareholders. In 2010, Eastech Systems Sdn Bhd sold its shares to Dancovest and Chang Soo Hong in equal proportions, resulting in Dancovest and Chang Soo Hong holding a 55% and 45% equity interest respectively.

In March 2013, ABC Equity became a shareholder of Dancomech Engineering, having subscribed for 4,999,998 ordinary shares of RM1.00 each. In March 2014, Dancomech Engineering further issued 3,300,000 shares of RM1.00 each to the Promoters, save and except for ABC Equity. Subsequently in April 2014, ABC Equity acquired 2 ordinary shares of RM1.00 each in Dancomech Engineering, which resulted in an increase of ABC's Equity shareholdings to 5,000,000 ordinary shares of RM1.00 each.

In May 2013, Dancomech Engineering and Koo Chai Chin incorporated Dancomech JB with a 70% and 30% equity interest respectively to expand our presence in Gelang Patah, Tanjung Bin, Pasir Gudang, Tanjung Langsat, Pengerang, Nusa Jaya and Bandar Seri Iskandar in Johor Darul Takzim, Malaysia.

In September 2014 and June 2015, we undertook the Acquisitions which resulted in Dancomech Engineering, Optimis and Dancomech JB being our subsidiaries. The details of the Acquisitions are as described in Section 5.4. As explained in Section 5.4, Dancomech JB was acquired in two separate transactions ie. acquisition of 70% equity interest in September 2014 and the remaining 30% in June 2015. Prior to the acquisition of the remaining 30% equity interest in Dancomech JB, Dancomech JB operated from a rented premises in Johor Bahru. Upon completion of the acquisition of the remaining 30% equity interest in Dancomech JB and the termination of the tenancy relating to the Dancomech JB's operating premises in Johor Bahru, Dancomech JB operates from our headquarters at Jalan Pelukis.

5. INFORMATION ON OUR GROUP (Cont'd)

Growth and Expansion

In 1992, DET secured its first major purchase order worth approximately RM600,000 for supply of PCE to Genting Sanyen Paperboard Sdn Bhd. Dancomech Engineering's first overseas purchase order was to supply to PT Super Andalas Steel based in Indonesia in the palm oil industry. The purchase order was worth approximately RM300,000.

In May 2007, Dancomech Engineering introduced its own brand WAGI to its product portfolio, which mainly carries Valves and thereafter VMX in June 2008. In June 2009, Dancomech Engineering introduced Omaval to its product portfolio, which mainly carries PCE products.

In 2012, Dancomech Engineering secured its first purchase order valued above RM10.0 million to supply Valves to a customer involved in a large scale project related to the oil and gas industry.

In 2015, Dancomech Engineering expanded its range of products to include distribution of MPTE products in particular Pumps.

Over the years, we have been appointed by various suppliers to distribute their products. The diversity in our product range also provides us with considerable synergies for cross-selling as we will be able to provide our existing and new customers with a range of trading products. Currently, we have been granted seven (7) exclusive or sole distributorship rights and eleven (11) distributorship rights by our suppliers. The details of our principals and the distribution rights are set out in Section 6.12.

As at LPD, we carry a total of twelve (12) product categories as part of our PCE inventory and five (5) product categories as part of our Measurement Instruments inventory. The details of the product categories are set out in Section 6.1.1(c).

Our key achievements and milestones since inception are described in detail under Section 5.7.

Premises and Landed Properties

In 2000, when Dancomech Engineering was established, its business operations were based at No. 12, Jalan Pengacara U1/48, Glenmarie, Shah Alam. The Jalan Pengacara property was owned by Dancomech (M) Sdn Bhd.

In 2002, Dancomech Engineering acquired a semi-detached light industrial factory at No. 1, Jalan Kartunis U1/47, Temasya Industrial Park, Shah Alam from Temasya Development Co Sdn Bhd for RM2.59 million, which was rented out. Dancomech Engineering has also acquired No. 21, Jalan Pemberita U1/49, Glenmarie, Shah Alam from Looi Yow Beng for RM4.17 million in May 2004. They later shifted their business operations to the Jalan Pemberita property in 2005 and used it as warehouse-cum-office.

In August 2010, Dancomech Engineering acquired a freehold industrial land bearing the address of Lot 19, Jalan Pelukis U1/46, Seksyen U1, Temasya Industrial Park, Shah Alam from Temasya Development Co Sdn Bhd for RM11.53 million and thereafter in June 2012 commenced construction of our new headquarters on the property. In December 2010, Dancomech Engineering sold a semi-detached factory at No. 22, Jalan Pendaftar U1/54, Temasya Industrial Park, Shah Alam for RM6.00 million to Dancovest (M) Sdn Bhd on a willing buyer willing seller basis. The Jalan Pendaftar property was acquired by Dancomech Engineering in October 2007 from Temasya Development Co Ltd for RM5.12 million.

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5. INFORMATION ON OUR GROUP (Cont'd)

In FYE 2013, Dancomech Engineering declared a dividend of RM15.84 million to all of its shareholders. ABC Equity (a shareholder of Dancomech Engineering at the relevant time) was entitled to a dividend payment of RM14.40 million. Prior to the declaration of the said dividend, Dancomech Engineering has acquired a new operation office at Jalan Pelukis with the intention of relocating its business operations there (as explained in the paragraph above). Upon relocation of the business operations of Dancomech Engineering to the newly acquired property at Jalan Pelukis (the relocation was completed in May 2014) the properties located at Jalan Kartunis and Jalan Pemberita were no longer utilised by Dancomech Engineering for its business operations. Therefore, in April 2013, both the properties in Jalan Kartunis and Jalan Pemberita were transferred by Dancomech Engineering to ABC Equity by way of set-off against dividend payments (based on their respective market values of RM5.90 million and RM8.50 million as appraised by an independent registered valuer) as such arrangement would enable Dancomech Engineering to:

- (a) dispose off its unutilised properties; and
- (b) maintain a larger cash balance.

The Jalan Pemberita property was subsequently rented by Dancomech Engineering from ABC Equity pending completion of the construction of our new headquarters at Jalan Pelukis, at a monthly rental of RM27,000 during the period from April 2013 to April 2014.

In May 2014, construction of our new headquarters at the Jalan Pelukis property was completed and we have since shifted our business operations there.

For our key achievements and milestones, please refer to Section 5.7.

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5. INFORMATION ON OUR GROUP *(Cont'd)*

5.2 SHARE CAPITAL

Our present authorised share capital is RM100,000,000 comprising 250,000,000 ordinary shares of RM0.40 each, of which RM50,000,000 comprising 125,000,000 ordinary shares of RM0.40 each are issued and credited as fully paid-up.

Upon completion of our IPO, our issued and paid-up share capital will increase to RM59,600,000 comprising 149,000,000 Shares. The changes in our issued and paid-up share capital since our incorporation are as follows:

Date of allotment	No. of Shares allotted	Par Value RM	Consideration	Cumulative Total RM
17.06.2013	250 Pre-Consolidation Shares	0.20	Cash	50
23.09.2014	249,999,750 Pre-Consolidation Shares	0.20	Issued as consideration for the acquisition of Dancomech Engineering	50,000,000

Note:

⁽¹⁾ Consolidation of every two (2) existing ordinary shares of RM0.20 each in Dancomech into one (1) ordinary share of RM0.40 each which was completed on 13 August 2015.

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments. As at LPD, neither us nor our subsidiaries have any outstanding warrants, options, convertible securities or uncalled capital.

5.3 SUBSIDIARIES

5.3.1 Dancomech Engineering (524484-V)

(i) History and Business

Dancomech Engineering was incorporated on 24 August 2000 in Malaysia under the Act as a private limited company and commenced operations in the same year. It is principally involved in the trading and distribution of PCE and Measurement Instruments.

(ii) Share Capital

Dancomech Engineering's present authorised share capital is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each, of which RM8,800,000 comprising 8,800,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

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5. INFORMATION ON OUR GROUP (Cont'd)

The changes in the issued and paid-up share capital of Dancomech Engineering since its incorporation are as follows:

Date of allotment	No. of ordinary shares allotted	Par Value RM	Consideration	Cumulative Total RM
24.08.2000	5	1.00	Cash	5
09.07.2001	499,995	1.00	Cash	500,000
29.03.2013	5,000,000	1.00	Cash	5,500,000
18.03.2014	3,300,000	1.00	Cash	8,800,000

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments. As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Dancomech Engineering.

(iii) Shareholders and Directors

Dancomech Engineering is our wholly-owned subsidiary company and its directors are Aik Swee Tong, Aik Cwo Shing, Aik Kwo Liang, Aik Hui Luan and Wong Chiau Siew.

(iv) Subsidiary and Associated Companies

Dancomech Engineering does not have any subsidiary or associated company.

5.3.2 Optimis (831446-A)

(i) History and Business

Optimis was incorporated on 3 September 2008 in Malaysia under the Act as a private limited company and commenced operations in the same year. It is principally involved in the trading and distribution of PCE and Measurement Instruments to the water industry.

(ii) Share Capital

Optimis' present authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which RM200,000 comprising 200,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of Optimis since its incorporation are as follows:

Date of allotment	No. of ordinary shares allotted	Par Value RM	Consideration	Cumulative Total RM
03.09.2008	2	1.00	Cash	2
18.05.2009	199,998	1.00	Cash	200,000

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments. As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Optimis.

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5. INFORMATION ON OUR GROUP (Cont'd)

(iii) Shareholders and Directors

Optimis is a 55% owned subsidiary company of Dancomech whilst Chang Soo Hong owns 45% shareholding in Optimis. The directors are Aik Cwo Shing and Chang Soo Hong.

(iv) Subsidiary and Associated Companies

Optimis does not have any subsidiary or associated company.

5.3.3 Dancomech JB (1047387-D)

(i) History and Business

Dancomech JB was incorporated on 23 May 2013 in Malaysia under the Act as a private limited company and commenced operations in the same year. It is principally involved in the trading and distribution of PCE and Measurement Instruments in Gelang Patah, Tanjung Bin, Pasir Gudang, Tanjung Langsat, Pengerang, Nusa Jaya and Bandar Seri Iskandar in Johor Darul Takzim, Malaysia.

(ii) Share Capital

Dancomech JB's present authorised share capital is RM400,000 comprising 400,000 ordinary shares of RM1.00 each, of which RM300,000 comprising 300,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of Dancomech JB since its incorporation are as follows:

Date of allotment	No. of ordinary shares allotted	Par Value RM	Consideration	Cumulative Total RM
23.05.2013	2	1.00	Cash	2
01.11.2013	299,998	1.00	Cash	300,000

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments. As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Dancomech JB.

(iii) Shareholders and Directors

Dancomech JB is our wholly-owned subsidiary company and its directors are Aik Swee Tong and Aik Cwo Shing.

(iv) Subsidiary and Associated Companies

Dancomech JB does not have any subsidiary or associated company.

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5. INFORMATION ON OUR GROUP (Cont'd)

5.4 ACQUISITIONS

Acquisition of Dancomech Engineering

Dancomech acquired the entire equity interest in Dancomech Engineering comprising 8,800,000 ordinary shares of RM1.00 each for a total purchase consideration of RM49,999,950 satisfied entirely by the issuance of 249,999,750 Pre-Consolidation Shares, at an issue price of RM0.20 per Pre-Consolidation Share.

Pursuant to the share sale agreement dated 11 September 2014 (“**Dancomech Engineering Share Sale Agreement**”), Dancomech acquired the entire equity interest in Dancomech Engineering from the shareholders of Dancomech Engineering as follows:

Shareholder	Number of ordinary shares acquired	% of Issued and paid-up share capital	Purchase consideration RM	No. of Pre-Consolidation Shares issued
ABC Equity	5,000,000	56.82	28,409,062.20	142,045,311
Aik Swee Tong	798,000	9.07	4,534,086.40	22,670,432
Aik Cwo Shing	798,000	9.07	4,534,086.40	22,670,432
Aik Kwo Liang	494,000	5.61	2,806,815.40	14,034,077
Wong Chiau Siew	456,000	5.18	2,590,906.60	12,954,533
Aik Hui Luan	380,000	4.32	2,159,088.80	10,795,444
Aik Ai Kok	304,000	3.45	1,727,271.00	8,636,355
Aik Seng Kah	266,000	3.02	1,511,362.20	7,556,811
Aik Hui Chyn	190,000	2.16	1,079,544.40	5,397,722
Chan Chop Tong @ Aik Chop Tong	114,000	1.30	647,726.60	3,238,633
	8,800,000 ⁽¹⁾	100.00	49,999,950.00	249,999,750

Note:

⁽¹⁾ The issued and paid-up capital of Dancomech Engineering after the Acquisitions.

The purchase consideration of RM49,999,950 was arrived at on a willing buyer-willing seller basis and based on the adjusted pro forma NA of Dancomech Engineering as at 31 December 2013 after taking into account the effects of the Acquisitions as follows:

	RM
Audited NA of Dancomech Engineering as at 31 December 2013	49,937,731
Add: Increase in share capital	3,300,000
Less: Dividend payment to existing shareholders after 31 December 2013	<u>(3,237,781)</u>
Adjusted pro forma NA of Dancomech Engineering	<u>49,999,950</u>

The acquisition was duly completed in accordance with the terms of the Dancomech Engineering Share Sale Agreement.

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5. INFORMATION ON OUR GROUP (Cont'd)

Acquisition of Optimis

Dancomech acquired 55% of the equity interest in Optimis comprising 110,000 ordinary shares of RM1.00 each for a total purchase consideration of RM387,191 satisfied entirely by cash.

Pursuant to the share sale agreement dated 11 September 2014 ("**Optimis Share Sale Agreement**"), Dancomech acquired 55% of the equity interest in Optimis from the shareholder of Optimis as follows:

Shareholder	Number of ordinary shares acquired	% of Issued and paid-up share capital	Purchase consideration RM
Dancovest	110,000	55	387,191
	110,000	55	387,191

The purchase consideration of RM387,191 was arrived at on a willing buyer willing seller basis and represents 55% of the audited NA of Optimis as at 31 December 2013 of RM703,984. The acquisition was duly completed in accordance with the terms of the Optimis Share Sale Agreement.

Acquisition of Dancomech JB

Dancomech acquired the entire equity interest in Dancomech JB comprising 300,000 ordinary shares of RM1.00 each for a total purchase consideration of RM256,715 satisfied entirely by cash. This acquisition involved two (2) separate transactions pursuant to the share sale agreements dated 11 September 2014 (relating to the acquisition of 70% of the entire issued share capital of Dancomech JB) ("**Dancomech JB Share Sale Agreement-1**") and 30 June 2015 (relating to the acquisition of 30% of the entire issued share capital of Dancomech JB) ("**Dancomech JB Share Sale Agreement-2**"), respectively.

Dancomech acquired the entire equity interest in Dancomech JB from the shareholders of Dancomech JB as follows:

Shareholder	Number of ordinary shares acquired	% of Issued and paid-up share capital	Purchase consideration RM
Dancomech Engineering	210,000 ⁽¹⁾	70.00	166,715 ⁽³⁾
Koo Chai Chin	90,000 ⁽²⁾	30.00	90,000 ⁽⁴⁾
	300,000	100.00	256,715

Notes:

⁽¹⁾ Acquisition of 70% of the entire issued share capital of Dancomech JB pursuant to the Dancomech JB Share Sale Agreement-1.

⁽²⁾ Acquisition of 30% of the entire issued share capital of Dancomech JB pursuant to the Dancomech JB Share Sale Agreement-2.

⁽³⁾ The purchase consideration of RM166,715 was arrived at on a willing buyer-willing seller basis and represents 70.00% of the audited NA of Dancomech JB as at 31 December 2013 of RM238,164. The acquisition was duly completed in accordance with the Dancomech JB Share Sale Agreement-1.

5. INFORMATION ON OUR GROUP *(Cont'd)*

⁽⁴⁾ *The purchase consideration of RM90,000 was arrived at on a willing buyer willing seller basis and represents the initial capital injection by Koo Chai Chin. The acquisition was duly completed in accordance with the Dancomech JB Share Sale Agreement-2.*

The Acquisitions were undertaken to consolidate the business of the Group and to facilitate the Listing.

5.5 IPO

We are undertaking the IPO, the details of which are set out in Section 3.1.

5.6 LISTING ON BURSA SECURITIES

Upon completion of IPO, we will seek the admission and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM59,600,000 comprising 149,000,000 Shares on the Main Market of Bursa Securities.

5.7 KEY ACHIEVEMENTS AND MILESTONES

Our key achievements and milestones since inception are as follows:

Year	Key Achievements And Milestones
1989	Started DET which operated from a rented premises at Jalan Kuchai Lama, Kuala Lumpur
1992	<ul style="list-style-type: none"> • DET began sourcing directly from foreign manufacturers from Taiwan, Japan, People's Republic of China, United Kingdom, United States and Germany. DET secured first major purchase order worth approximately RM600,000 for supply of PCE to Genting Sanyen Paperboard Sdn Bhd
1993	<ul style="list-style-type: none"> • Dancomech (M) Sdn Bhd was incorporated to replace DET • Dancomech (M) Sdn Bhd moved to Medan Maju Jaya, Petaling Jaya premises
1995	Dancomech (M) Sdn Bhd is appointed as an approved vendor to supply British Rototherm Co. Ltd equipment pressure and temperature recorders to approximately sixty (60) of FELDA's palm oil mills
1997	<ul style="list-style-type: none"> • Dancomech (M) Sdn Bhd is appointed as a sole agent for Malaysia by Ayvaz Ltd. from Turkey to supply steam traps and expansion joints • Dancomech (M) Sdn Bhd is appointed as a sole agent for Malaysia by Korea Steel Power Corporation from Korea to supply tank protection venting devices for the oil and gas industry in Malaysia
2000	<ul style="list-style-type: none"> • Dancomech Engineering was incorporated • Dancomech Engineering moved to Temasya Industrial Park, Shah Alam premises at Jalan Pengacara premises • For Dancomech Engineering's first overseas purchase order, they supplied to PT Super Andalas Steel based in Indonesia in the palm oil industry. The purchase order was worth approximately RM300,000

5. INFORMATION ON OUR GROUP (Cont'd)

Year	Key Achievements And Milestones
2001	<p>Dancomech Engineering is appointed as an authorised distributor for Malaysia by Neway Valve (Suzhou) Co. Ltd. from the People's Republic of China to supply butterfly valves, gate valves, check valves, globe valves and ball valves under the Neway brand</p> <p>Since the setting up of Neway Valve (Suzhou) Co. Ltd.'s regional sales office, Neway Valve (Singapore) Pte. Ltd. in 2013 which is based in Singapore and covers the region of South-East Asia (including Australia, New Zealand and India), Dancomech's latest renewed appointment as an authorised distributor of the said valves is granted by Neway Valve (Singapore) Pte. Ltd.. The tenure of the appointment is until 31 December 2017. Dancomech Engineering is also currently authorised by Neway Valve (Singapore) Pte. Ltd. to supply butterfly valves, gate valves, check valves, globe valves and ball valves under the Neway brand to a specific entity in Sumatera, Indonesia until 31 December 2017</p>
2005	<ul style="list-style-type: none"> • Dancomech Engineering moved from Jalan Pengacara to Jalan Pemberita premises at Temasya Industrial Park, Shah Alam • Dancomech Engineering is appointed as an agent for Malaysia by Power-Genex Ltd. from South Korea to supply positioners and switches. The current appointment of Dancomech Engineering is as sales and service distributor and the tenure of the appointment is until 21 August 2016
2007	<ul style="list-style-type: none"> • Dancomech Engineering introduced its own brand WAGI to its product portfolio, which carries PCE, mainly Valves • Dancomech Engineering is appointed as an exclusive representative in Malaysia by Korea Steel Power Corporation (representative of Tanktech Co. Ltd.) from South Korea to supply tank protection venting devices. The tenure of the appointment was until 2 January 2009 but the appointment shall be automatically renewed for period of 2 years each unless either party decides to terminate the appointment by giving 60 days' written notice. The appointment is currently subsisting
2008	<ul style="list-style-type: none"> • Dancomech Engineering secured a purchase order worth approximately RM2.50 million from KNM Process Systems Sdn Bhd to supply Valves to Mission II Gebeng Biogas located in Pahang • Dancomech Engineering secured a purchase order worth approximately RM1.00 million from PT Wilmar Nabati to supply Valves for the palm oil industry • Optimis was incorporated • Dancomech Engineering introduced its own brand VMX to its product portfolio, which mainly carries Valves
2009	<ul style="list-style-type: none"> • Dancomech Engineering is appointed as authorised distributor in Malaysia by British Rototherm Co. Ltd from the United Kingdom • Dancomech Engineering introduced its own brand Omaival to its product portfolio, which mainly carries PCE
2010	<p>Dancomech Engineering sold its property in Jalan Pendaftar and acquired a property in Jalan Pelukis at Temasya Industrial Park, Shah Alam to construct new headquarters</p>

5. INFORMATION ON OUR GROUP (Cont'd)

Year	Key Achievements And Milestones
2011	Dancomech Engineering obtained the Top Seller Award for South East Asia region and the Second Top Seller Award for Asia (including the People's Republic of China) from Leser GmbH & Co. KG ("Leser") for its achievements in Leser's sales targets. Leser is the largest manufacturer of safety Valves in Europe and a leader in its market worldwide
2012	Dancomech Engineering secured an order worth approximately RM14.70 million to supply Valves to a customer involved in a large scale project related to the oil and gas industry
2013	<ul style="list-style-type: none"> • Dancomech was incorporated • Dancomech Engineering transferred its properties in Jalan Kartunis and Jalan Pemberita to ABC Equity by way of set-off against dividend payments • Dancomech JB became a subsidiary of Dancomech Engineering
2014	<ul style="list-style-type: none"> • Dancomech Engineering and Optimis moved their business operations to newly constructed headquarters at Jalan Pelukis at Temasya Industrial Park, Shah Alam • The Acquisitions were undertaken by Dancomech • Dancomech Engineering, Optimis and Dancomech JB became subsidiaries of Dancomech
2015	<ul style="list-style-type: none"> • Dancomech acquired the remaining 30% equity interest in Dancomech JB • Dancomech Engineering is appointed as an exclusive agent/distributor for Peninsular Malaysia by KSB Malaysia Pumps & Valves Sdn Bhd to supply Pumps under the KSB brand. The tenure of the appointment is for 2 years from 21 October 2015 until 20 October 2017

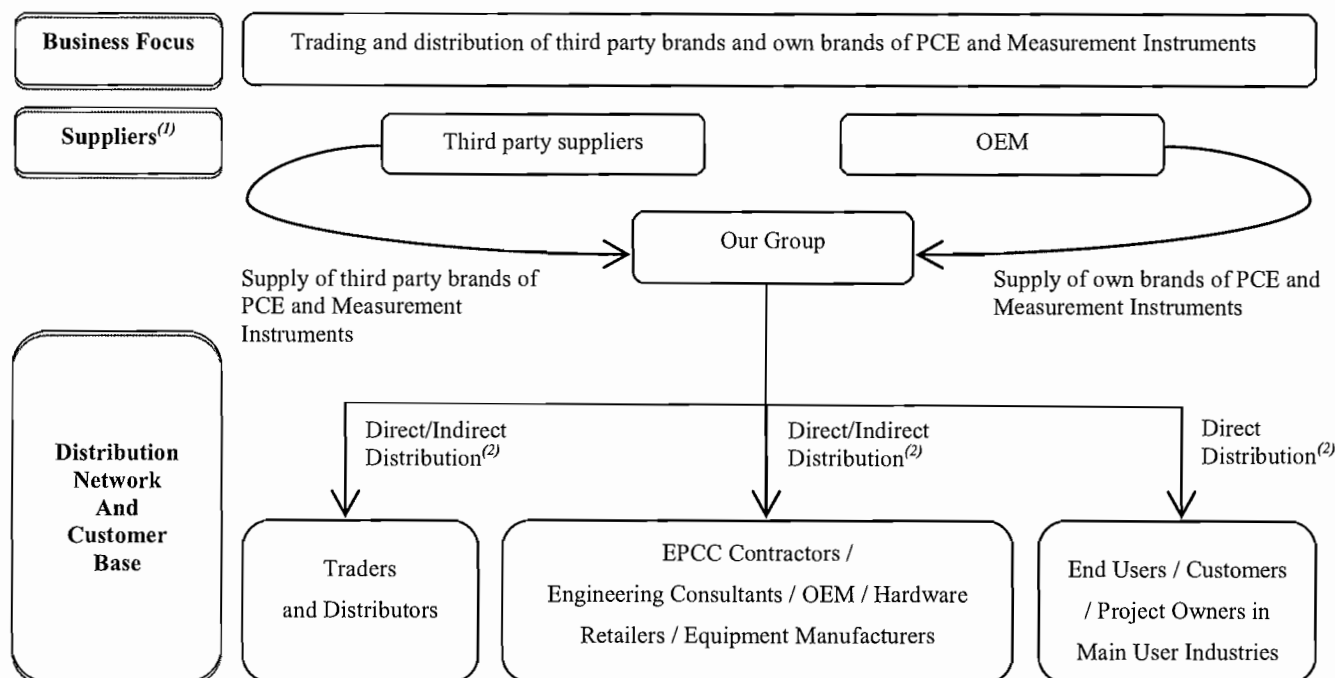
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6. BUSINESS OVERVIEW

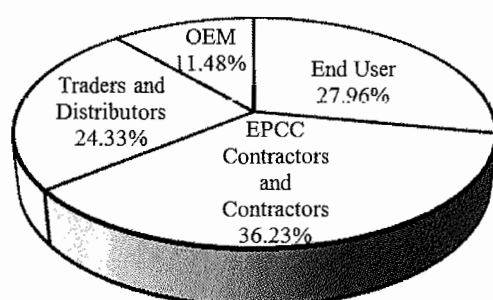
6.1 OUR PRINCIPAL BUSINESS ACTIVITIES

6.1.1 Our Business Model

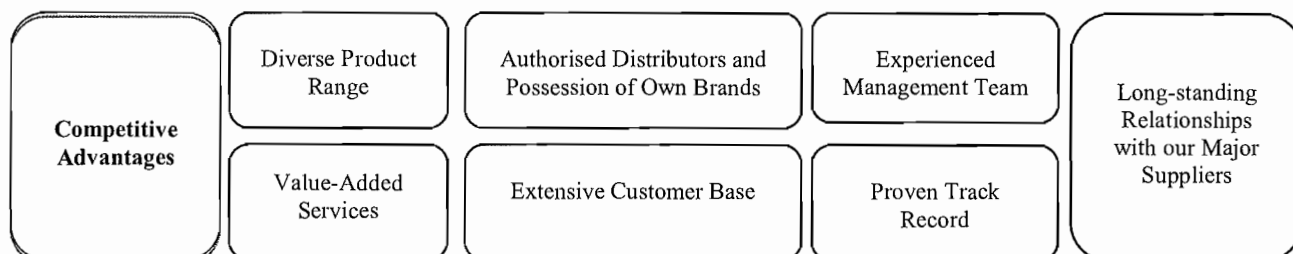
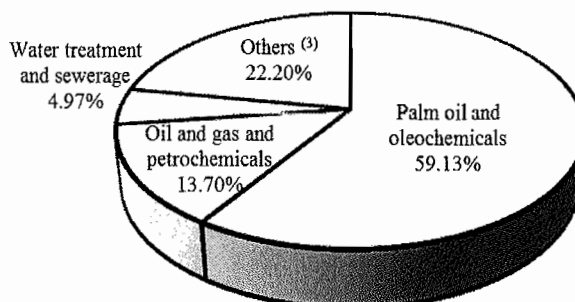
Our Group's business model is summarised as below:



Revenue Contribution by Customers (FYE 2015)



Revenue Contribution by Industries (FYE 2015)



Notes:

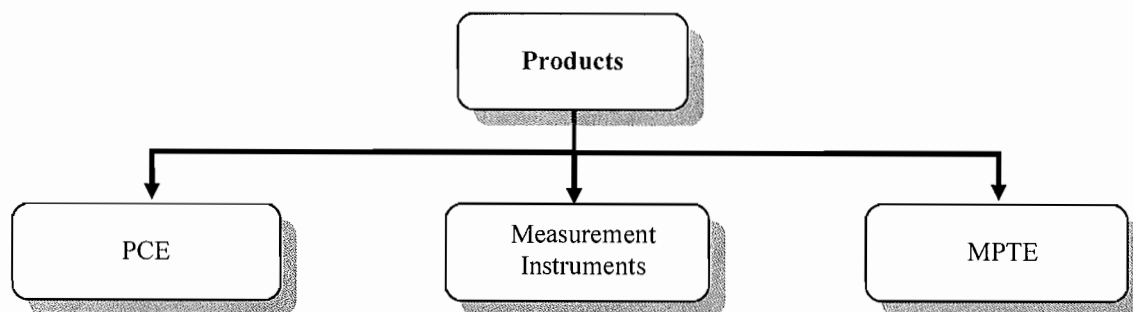
- ⁽¹⁾ In practice, warranty claims made by Dancomech's customers against manufacturing defects will be reimbursed by Dancomech's suppliers and OEM. Further details regarding warranties are set out in Section 6.2(b).
- ⁽²⁾ Direct distribution refers to products purchased from Dancomech for customers' own consumption. Indirect distribution refers to the customers acting as intermediaries who supply the products purchased from Dancomech to their own customers.
- ⁽³⁾ Constitutes the trading, manufacturing, and engineering construction industries.

6. BUSINESS OVERVIEW (Cont'd)

(a) Business Focus

We are focusing in the business of trading and distribution of third party brands of PCE and Measurement Instruments as well as our own brands of PCE and Measurement Instruments.

Our Group currently supplies a comprehensive range of PCE and Measurement Instruments to a variety of customers and our products serve their industrial activities as follows:



Process control is a statistics and engineering discipline that deals with architectures, mechanisms and algorithms for maintaining the output of a specific process within a desired range. **PCE** refers to equipment used to provide appropriate signal transformation and direct a process according to signals, which enables mass production of consistent products from continuously-operated industrial processes. PCE that we trade in and distribute include Valves, switches, actuators, bursting discs, explosion protection devices, expansion joints, float/steam traps, orifice plates, venturi tubes, positioners, strainers, tank protection venting devices, tank ball floats and floating roof & seals system.

Measurement Instruments are equipment and instruments that are used in variable measurement. Measurement Instruments that we trade in and distribute include gauges, recorders, pressure transmitters, sight glasses, level gauges and cocks.

MPTE are equipment that are used to harness power transmission through the use of mechanical elements. MPTE that we trade in and distribute include pump.

In 2015, we have expanded our product range with the supply of MPTE, in particular Pumps, to the palm oil and oleochemicals industry subsequent to the acquisition of distribution right from KSB Malaysia Pumps & Valves Sdn Bhd on 21 October 2015. Pump is a device used to move fluids by mechanical action. Such expansion of our product range is in line with our future plans and strategies, as set out in Section 6.18.1(iv). We believe there is a good opportunity for growth through expanding the range of products we offer to our customers.

Generally, the products above are complementary whereby our PCE customers require Measurement Instruments in order to measure various parameters within a piping system. These products ensure productivity, safety and efficiency in the industrial activities carried out by our customers.

Our business is further enhanced by the establishment of our own brands, WAGI in 2007 which carries PCE, VMX in 2008 which carries both PCE and Measurement Instruments, and Omaval in 2009 which carries PCE. They are managed and marketed by Dancomech Engineering. WAGI carries only Valves used in the palm oil and petrochemicals industries. Omaval mainly carries stainless steel Valves in the palm oil and oleochemicals industry, and VMX mainly carries PCE and Measurement Instruments which are used in general and in multiple industries, such as the palm oil, heating, ventilating and air conditioning (HVAC) and water treatment industries. The manufacturing of our own brand of products are outsourced to our OEM, which are based in the People's Republic of China and Taiwan.

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6. BUSINESS OVERVIEW (Cont'd)

A variety of industries utilise PCE and Measurement Instruments. Where a customer is flexible in their product requirements in terms of the brand and standards of the product, we offer them product options from our WAGI, VMX and Omaval brands. In addition, the delivery period for products from our own brands is shorter compared to the delivery of products from third party brands carried by our Group. This is favourable to our customers when their orders are time sensitive. The types of customers that purchase our own brands comprise EPCC Contractors, engineering consultants, OEM, hardware retailers, equipment manufacturers and end users.

Our business has been predominantly in Malaysia, with our subsidiaries based in Kuala Lumpur.

(b) Type of Suppliers

Our products are sourced from either third party suppliers (for third party brands of products) or OEM (for own brands of products). Further information regarding our suppliers are set out in Section 6.11.

(c) Type of Products

As at LPD, we carry a total of twelve (12) product categories as part of our PCE inventory and five (5) product categories as part of our Measurement Instruments inventory. The table below sets out an overview of the types of products distributed by our Group. By and large, each product type we carry may consist of products manufactured by more than one brand, including our own brands of WAGI, VMX and Omaval.

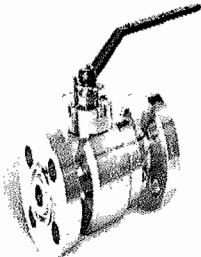
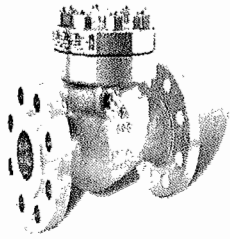
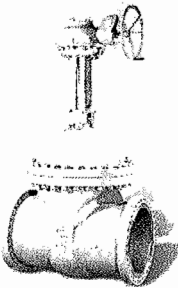

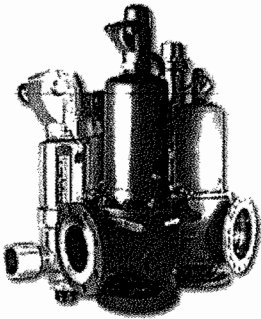
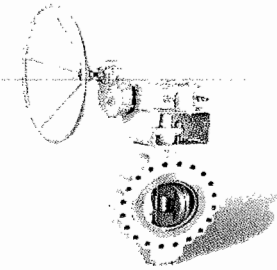
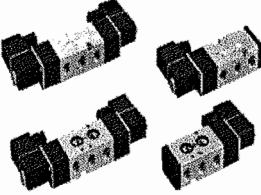
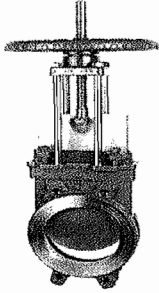
As at the LPD, we have expanded our product range with the supply of MPTE products in particular Pumps to the palm oil and oleochemicals industry subsequent to the acquisition of distribution right from KSB Malaysia Pumps & Valves Sdn Bhd on 21 October 2015. Pump is a device used to move fluids by mechanical action.

We carefully select and stock a variety of sizes and different qualities within each product type to suit the customer's specifications and budget, for use in the Main User Industries as referred to in Section 6.1.1(f).


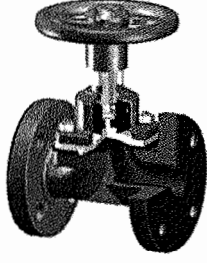
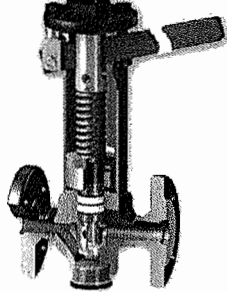
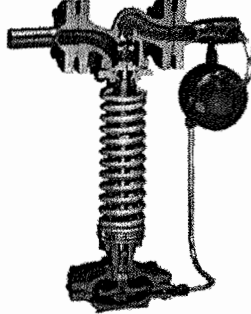
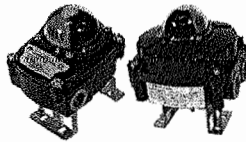
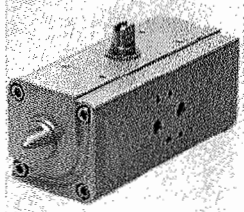
(i) Process Control Equipment

No.	Product Category	Description
1.	Valves	<p>A Valve regulates, directs and controls the flow of fluids, or controls the pressure, through a passageway. These fluids may include gas, liquid, fluidised solids or slurry.</p> <p>A Valve's lifespan depends on its duty cycle which impacts its wear and tear. Its lifespan is also affected by its application, due to the working pressure and temperature imposed on it, which may vary depending on the type of application the Valve is subject to. Lastly, a Valve's lifespan correlates with what the Valve is made of. A Valve can be made of different materials, such as cast iron, cast and forged carbon steel, low cast and forged carbon steel, aluminium bronze, brass, cast and forged stainless steel and special materials such as Duplex Stainless Steel, Super Duplex Stainless Steel, Monel, Inconel and Hastelloy C.</p>


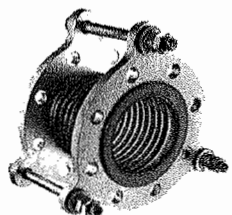
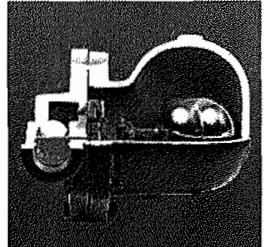
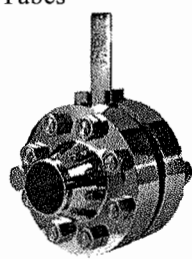
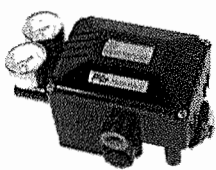
6. BUSINESS OVERVIEW (Cont'd)

No.	Product Category	Description
		<p data-bbox="756 367 1372 427">Some of the more common Valves sold by our Group are as follows:</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p data-bbox="772 461 887 488">Ball Valve</p>  </div> <div style="text-align: center;"> <p data-bbox="1078 461 1222 488">Check Valve</p>  </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <div style="text-align: center;"> <p data-bbox="772 819 896 846">Gate Valve</p>  </div> <div style="text-align: center;"> <p data-bbox="1078 819 1219 846">Globe Valve</p>  </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <div style="text-align: center;"> <p data-bbox="772 1196 1034 1256">Safety / Pressure Relief Valve</p>  </div> <div style="text-align: center;"> <p data-bbox="1078 1196 1251 1223">Butterfly Valve</p>  </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <div style="text-align: center;"> <p data-bbox="772 1617 944 1644">Solenoid Valve</p>  </div> <div style="text-align: center;"> <p data-bbox="1078 1617 1273 1644">Knife Gate Valve</p>  </div> </div>


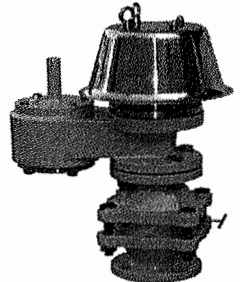
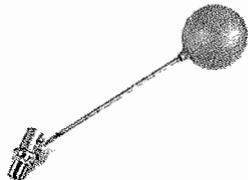
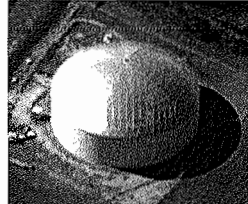
6. BUSINESS OVERVIEW (Cont'd)

No.	Product Category	Description
		<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p data-bbox="767 376 868 434">Penstock Valve</p>  </div> <div style="text-align: center;"> <p data-bbox="1075 376 1270 405">Diaphragm Valve</p>  </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <div style="text-align: center;"> <p data-bbox="767 779 890 837">Blowdown Valve</p>  </div> <div style="text-align: center;"> <p data-bbox="1075 779 1350 808">Pressure Reducing Valve</p>  </div> </div>
2.	<p data-bbox="464 1256 564 1285">Switches</p> 	<p data-bbox="756 1256 1374 1346">A switch, as defined in electrical context, is a component used to break an electrical circuit, to interrupt current or divert current among conductors.</p>
3.	<p data-bbox="464 1503 564 1532">Actuator</p> 	<p data-bbox="756 1503 1374 1711">An actuator is a device that transforms a source of energy into a force to move or control a mechanism or system. The source of energy may include electric current, hydraulic fluid pressure, or pneumatic pressure. Actuators are typically integrated into a control system together with Valves to become part of an automation system and used in industrial processes.</p>

6. BUSINESS OVERVIEW (Cont'd)

No.	Product Category	Description
4.	Bursting Disc / Explosion Protection Device 	<p>A bursting disc is a non-reclosing pressure relief device that protects a pressure vessel, equipment or system from over pressurisation and other potentially damaging vacuum conditions.</p> <p>An explosion protection device is a safety device that protects and prevents an explosion in a plant by venting and other explosion suppression methods.</p>
5.	Stainless Steel / Rubber Flexible Expansion Joint 	<p>A stainless steel/ rubber flexible expansion joint is an assembly designed to safely absorb the heat-induced expansion and contraction of various construction materials, to absorb vibration, or to allow movement due to machine vibration and pipe expansion.</p> <p>As opposed to stainless steel expansion joint, rubber flexible expansion joint is not heat resistant.</p>
6.	Float / Steam Trap 	<p>A float trap is a device used to discharge condensate and non-condensable gasses.</p> <p>A steam trap is a self-contained Valve which automatically drains the condensate from a steam containing enclosure while remaining tight to live steam, or if necessary, allowing steam to flow at a controlled or adjusted rate. Most steam traps will also pass non-condensable gasses while remaining tight to live steam.</p>
7.	Orifice Plate / Venturi Tubes 	<p>An orifice plate can be used as a simple pressure reducing device, or to limit the flow rate in a pipe line.</p> <p>The major advantage of venturi tubes over an orifice plate is in the area of pressure recovery.</p>
8.	Positioner 	<p>A positioner is a device that is attached to an actuator in order to control and modulate the Valve's opening and closing position.</p>

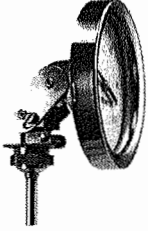
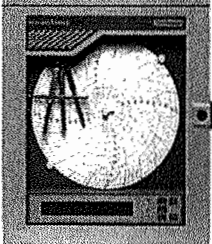
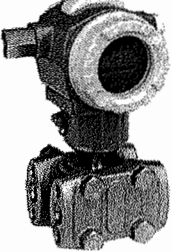
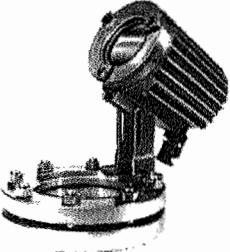

6. BUSINESS OVERVIEW (Cont'd)

No.	Product Category	Description
9.	Strainer 	A strainer enables liquid and air filtration to occur, even at high-pressure conditions.
10.	Tank Protection Venting Device 	A tank protection venting device is designed for protecting storage vessels, tanks, and pipes. It also prevents flame transmission when an explosion occurs and increases venting capacity.
11.	Tank Ball Float 	A tank ball float regulates the admission or discharge of liquid to or from a tank, and the float is placed on the surface of the liquid within the tank to maintain a nearly constant height of liquid.
12.	Floating Roof & Seals System 	A floating roof & seals system prevents vapour loss and contamination of stored products from storage tanks. The systems generally consist of the following: <ul style="list-style-type: none"> - Aluminium Dome Cover - External Floating Roof - Internal Floating Roof - Roof Drain System - Floating Suction & Oil Skimmer - Loading Arm - Tank accessories

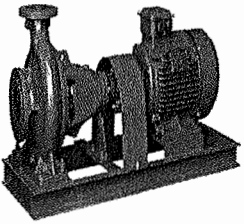
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6. BUSINESS OVERVIEW (Cont'd)

(ii) Measurement Instruments

No.	Product Category	Description
1.	Gauges 	A gauge is used to make measurements of various parameters such as temperature, pressure and volume.
2.	Recorder 	A recorder is able to record and provide documentation of parameters that are being controlled or measured by Valves and other instruments.
3.	Pressure Transmitter 	A pressure transmitter is used to monitor the amount of pressure applied to a part of a process that is required in order to achieve the desired result. It is also used to ensure that no machinery is building up pressure beyond the levels that are considered safe to operators.
4.	Sight Glass 	A sight glass is a tank accessory component which is used to observe the level of liquid in a tank.
5.	Level Gauge And Cock 	A level gauge and cock measures the level of medium inside a tank.

6. BUSINESS OVERVIEW (Cont'd)**(iii) Mechanical Power Transmission Equipment**

No.	Product Category	Description
1.	Pump 	A pump is a device that move fluids by mechanical action.

The majority of our products are sourced from overseas third party suppliers and OEM. We only source for products locally to cater for urgent orders from our customers. The table below sets out an overview of the brands and corresponding product types that we carry:

Brand	Product Types	Manufacturers / Suppliers	Countries of Origin
Process Control Equipment			
Ayvaz	Steam Trap, Check Valve and Stainless Steel Expansion Joint	Ayvaz A.S	Turkey
Crane Flowseal	High Performance Butterfly Valve	Crane Australia Pty Ltd	USA
DHC	High Performance and Rubber Lined Butterfly Valve	DHC Co., Ltd.	South Korea
Diaval	Diaphragm Valve	Comeval	Spain
DSC	Steam Trap	DSC	Taiwan
Eurotec	Namur Standard Solenoid Valve and Switches	EUROTEC Antriebszubehör GmbH	Germany
Festo	Pneumatic Actuator and Namur Valve	Festo Sdn Bhd	Germany
Korea Float	Aluminium Dome Roof, Floating Roof Seal System, Internal Floating Roof System, Roof Drain/ Floating Suction/ Floating Skimmer System, Tank Safety Valve and other devices	Korea Float Co Ltd	South Korea
Korea Steel Power Corporation	Tank Protection Venting Device	Korea Steel Power Co. Ltd. (Tanktech KSPC)	South Korea

6. BUSINESS OVERVIEW (Cont'd)

Brand	Product Types	Manufacturers / Suppliers	Countries of Origin
Leser	Safety / Pressure Relief Valve	Leser GmbH & Co. KG	Germany
Neway	Gate Valve, Globe Valve, Check Valve, Ball Valve, Butterfly Valve and Strainer	Neway Valve (Singapore) Pte. Ltd. ⁽¹⁾	People's Republic of China
Omaval ⁽²⁾	Ball Valve	OEM	People's Republic of China and Taiwan
Power-Genex	Positioner and Switches	Power-Genex Ltd.	South Korea
Rembe	Bursting Disc and Explosion Protection	Rembe GmbH	Germany
Ritag	Wafer Type Non-Return Valves and Wafer Type Check Valves	Ritag Ritterhuder Armaturen GmbH & Co. Armaturenwerk KG	Germany
Rototherm	Orifice Plate	British Rototherm Co. Ltd.	United Kingdom
Uni-D	Solenoid Valve	Pro Uni-D Co., Ltd	Taiwan
VMX ⁽²⁾	Blowdown Valve, Gate Valve, Globe Valve, Check Valve, Ball Valve, Butterfly Valve, Pressure Reducing Valve, Blow Down Valve, Rubber Flexible Expansion Joint and Tank Ball Float	OEM	People's Republic of China and Taiwan
WAGI ⁽²⁾	Gate Valve, Globe Valve, Check Valve, Ball Valve, Butterfly Valve, Strainers, Knife Gate Valve and Penstock Valve	OEM	People's Republic of China and Taiwan
Measurement Instruments			
Fival	Level Gauge and Cock	Fival Srl	Italy
Rototherm	Recorders, Pressure Transmitters and Gauges	British Rototherm Co. Ltd.	United Kingdom
VMX ⁽²⁾	Gauges	OEM	People's Republic of China and Taiwan
Max Mueller	Sight Glass	Max Mueller AG	Switzerland

6. BUSINESS OVERVIEW (Cont'd)

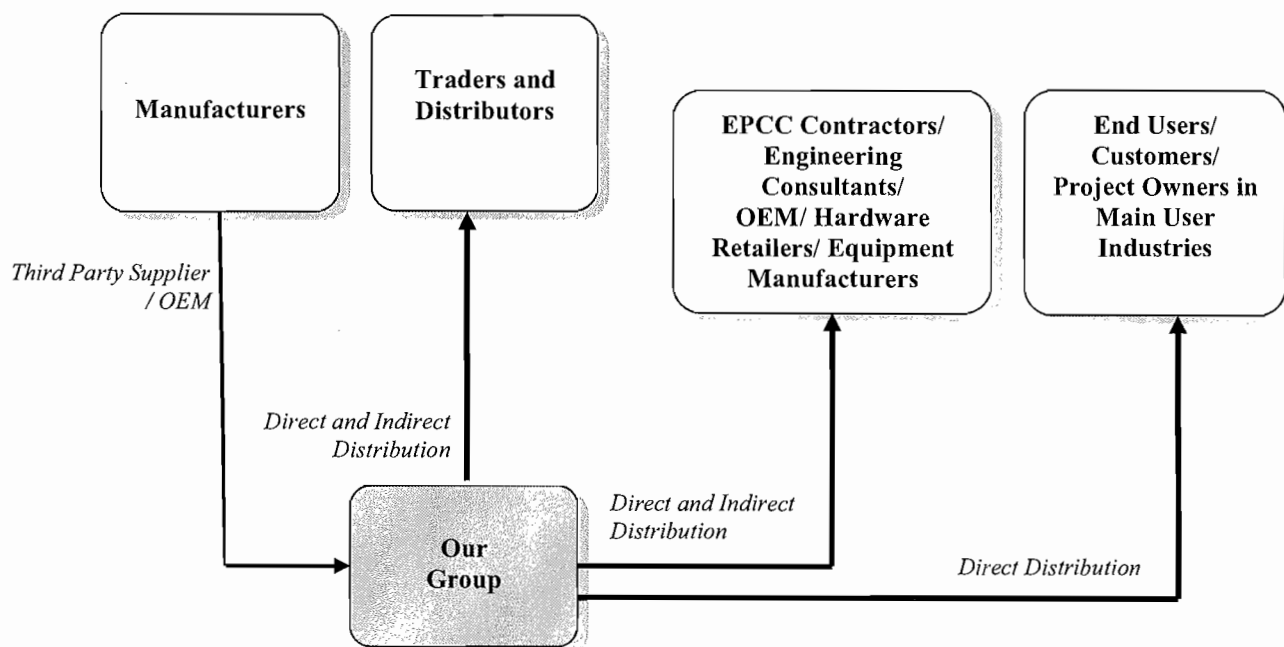
Brand	Product Types	Manufacturers / Suppliers	Countries of Origin
Mechanical Power Transmission Equipment			
KSB	Pump	KSB Malaysia Pumps & Valves Sdn Bhd	Germany

Notes:

- (1) In 2001, Dancomech Engineering was appointed as an authorised distributor for Malaysia by Neway Valve (Suzhou) Co. Ltd. from the People's Republic of China to supply butterfly valves, gate valves, check valves, globe valves and ball valves under the Neway brand. Since the setting up of Neway Valve (Suzhou) Co. Ltd.'s regional sales office, Neway Valve (Singapore) Pte. Ltd. in 2013 which is based in Singapore and covers the region of South-East Asia (including Australia, New Zealand and India), Dancomech's latest renewed appointment as an authorised distributor of the said valves is granted by Neway Valve (Singapore) Pte. Ltd.
- (2) These are our own brands which are outsourced to our OEM based in the People's Republic of China and Taiwan.

(d) Distribution Network

We adopt a combination of direct and indirect distribution strategies as follows:



(i) Direct Distribution

Our direct distribution channel approach is performed through our own sales and marketing team, which focused on selling our products directly to traders and distributors, EPCC Contractors, engineering consultants, OEM (in particular OEM who are specialised in boiler, machine/equipment maker that require our products to be included in their machines in order for the machines to operate), hardware retailers, equipment manufacturers and end users who are from the Main User Industries.

Our direct distribution approach enables us to work closely with our customers to evaluate and attain a better understanding of our customers' requirements, which serves as a feedback mechanism for us to improve the range and quality of our products.

6. BUSINESS OVERVIEW (Cont'd)

(ii) Indirect Distribution

Our indirect distribution channel approach is performed by utilising the existing network of our intermediaries including traders and distributors, EPCC Contractors, engineering consultants, OEM, hardware retailers and equipment manufacturers to expand our market coverage without the need for significant investment in sales and marketing infrastructure. Unlike direct distribution where the products purchased from Dancomech are for the customers' own consumption, indirect distribution involves the customers acting as an intermediary who supplies the products purchased from us to their own customers.

We adopt the above approach for both local and international distribution of products.

(e) Type of Customers

Our customers consist of the following:

- (a) Traders and Distributors;
- (b) EPCC Contractors/ Engineering Consultants/ OEM/ Hardware Retailers/ Equipment Manufacturers; and
- (c) End Users/ Customers/ Project Owners in Main User Industries

Majority of our customers purchase as and when the need arises. The normal credit period generally granted by our Group to our customers is between 30 days to 90 days. Our credit terms to customers are assessed and approved on a case-by-case basis, taking into consideration various factors such as relationship with customers, customers' payment history and creditworthiness while new customers are subject to our credit verification process.

(f) Revenue Contribution

Our revenue registered a positive growth at AAGR of 2.75% and CAGR of 1.35% for the period from FYE 2012 to FYE 2015. In FYE 2013, we secured a large purchase order from KNM, the delivery of which was completed over FYE 2013 and FYE 2014. Such purchase order has led to an increase in our revenue by 26.88% in FYE 2013. Although we recorded a higher revenue in FYE 2014 as compared to FYE 2012, our revenue for FYE 2014 is lower than that of FYE 2013 due to a lower contribution from the large purchase order. For FYE 2015, our total revenue has declined by 13.60% mainly caused by lower sales volume from customers involved in the oil and gas industry and palm oil and oleochemicals industry.

As noted in the IMR Report in Section 7, average crude oil prices declined by 47.2% as compared to 2014 while average crude palm oil price dropped by 9.7%. Consequently, market players within the oil and gas and palm oil and oleochemicals industries were pressured on the business profitability and have shied away from new investment or reduce or defer their investment decisions. Such market condition affects our business as we supply our PCE and Measurement Instruments to customers from the oil and gas and palm oil and oleochemicals industries. Our dependency on the performance of end user markets is detailed in Section 4.2.2.

Further information regarding our customers and Main User Industries and the impact of the market condition on our revenue are set out below.

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6. BUSINESS OVERVIEW (Cont'd)

(i) Revenue Contribution by Customers

The table below sets forth the breakdown of our Group's revenue by customers:

Customers	< ----- Audited ----- >											
	FYE 2012			FYE 2013			FYE 2014			FYE 2015		
	Number of Customers	RM '000	%	Number of Customers	RM '000	%	Number of Customers	RM '000	%	Number of Customers	RM '000	%
End users	250	16,005	24.41	278	17,251	20.74	265	20,614	26.09	303	19,082	27.96
Intermediaries												
-EPCC												
Contractors		22,725	34.66		38,503	46.28		31,954	40.45		24,731	36.23
-Traders and Distributors		18,557	28.30		19,574	23.53		18,309	23.18		16,608	24.33
- OEM		8,279	12.63		7,805	9.38		8,124	10.28		7,832	11.48
Others		-	-		57	0.07		-	-		-	-
Subtotal	1,131	49,561	75.59	1,152	65,939	79.26	1,155	58,387	73.91	1,156	49,171	72.04
TOTAL	1,381	65,566	100.00	1,430	83,190	100.00	1,420	79,001	100.00	1,459	68,253	100.00

As at FYE 2015, we have a diverse customer base of 1,459 customers.

(ii) Revenue Contribution by Main User Industries

Our customers mainly comprise EPCC Contractors, engineering consultants, OEM, hardware retailers, equipment manufacturers and end users within the Main User Industries. Revenue contribution from the distribution of PCE and Measurement Instruments to the industries within the Main User Industries for the past four (4) years (FYE 2012 to FYE 2015) is as follows:

	< ----- Audited ----- >							
	FYE 2012		FYE 2013		FYE 2014		FYE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Palm oil and oleochemicals	38,923	59.37	43,228	51.96	45,577	57.69	40,359	59.13
Oil and gas and petrochemical	9,916	15.12	22,393	26.92	15,104	19.12	9,351	13.70
Water treatment and sewerage	1,717	2.62	2,261	2.72	2,990	3.79	3,392	4.97
Others ⁽¹⁾	15,010	22.89	15,308	18.40	15,330	19.40	15,151	22.20
Total	65,566	100.00	83,190	100.00	79,001	100.00	68,253	100.00

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6. BUSINESS OVERVIEW (Cont'd)

Note:

(1) Constitutes of the trading, manufacturing, and engineering construction industries, details as per the table below.

	-----Audited-----							
	FYE 2012		FYE 2013		FYE 2014		FYE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Trading	9,688	14.78	8,936	10.74	9,037	11.44	9,401	13.77
Manufacturing	2,738	4.17	2,469	2.97	2,862	3.62	2,354	3.45
Engineering Construction	2,584	3.94	3,903	4.69	3,431	4.34	3,396	4.98
Total	15,010	22.89	15,308	18.40	15,330	19.40	15,151	22.20

For the past four (4) years, more than 50 per cent of our revenue was contributed by customers from the palm oil and oleochemicals industry. As detailed in the IMR report in Section 7, the palm oil and oleochemicals industry has experienced a declining price trend in 2015 and the PCE and Measurement Instruments market is likely to witness a lower demand from this industry if the declining pricing trend prolongs. However, crude palm oil prices began to exhibit signs of recovery from January to April 2016, and is expected to continue to gain growth momentum moving forward. Therefore, the palm oil and oleochemicals industry in Malaysia is likely to improve in the medium to long term and such improvement is anticipated to have a positive impact on the PCE and Measurement Instruments market.

The oil and gas industry which forms part of our Main User Industries has also experienced a declining price trend in 2015. The downward pressure on oil prices could adversely affect the PCE and Measurement Instruments market in the medium term (year 2015 to 2018) as oil companies are forced to reassess their development projects. Nevertheless, demand for oil and gas is projected to be sustainable in the long run, which will benefit the PCE and Measurement Instruments market.

Further, on a positive note, Dancomech is not heavily reliant on the oil and gas industry. In the event that the global commodities prices reduction prolongs, we will focus our marketing activities to our customers in other industries, namely the treatment of water sewage industries. As can be seen from the above table, we are gradually increasing our exposure to the water treatment and sewerage industry which has a positive outlook moving forward. The increased revenue from this industry is expected to compensate for the short term volatility of the oil and gas industry. In addition, our business will also be supported by recurring income generated from the need for replacement of Valves by new or existing customers.

Despite the unfavourable conditions in the oil and gas and palm oil and oleochemicals industries, the PCE and Measurement Instruments market for industrial pipeline systems in Malaysia registered a positive growth of 1.3%, supported by demand stemming mainly from the water services and manufacturing industries. Growth was also supported by the needs for facilities maintenance and equipment replacement within the oil and gas and palm oil and oleochemicals industries. Overall, there is a positive outlook for the PCE and Measurement Instruments market in the long term. Further details regarding the market outlook and our business prospects are set out in Section 6.18.2 and the IMR report in Section 7.

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6. BUSINESS OVERVIEW (Cont'd)

(g) Competitive Advantages

We believe that our Group's competitive advantages are as follows:

(i) Diverse Product Range

We distribute a wide range of PCE which comprise a variety of Valves all of which have different functions and cater to different end users in different industries. We also carry a variety of PCE such as switches, actuator, bursting discs, explosion protection devices, expansion joints, float/steam traps, orifice plates, venturi tubes, positioner, strainer, tank protection venting devices, tank ball floats and floating roof & seals systems to complement our Valves. Please refer to Section 6.1.1(c) for our range of products in detail. As at LPD, we carry a total of twelve (12) product categories as part of our PCE inventory and five (5) product categories as part of our Measurement Instruments inventory.

As at the LPD, we have expanded our product range with the supply of MPTE products in particular Pumps to the palm oil and oleochemicals industry subsequent to the acquisition of distribution right from KSB Malaysia Pumps & Valves Sdn Bhd on 21 October 2015. Pump is a device used to move fluids by mechanical action.

The diversity in our product range is important for our customers who would generally prefer to source their supplies from a single supplier for ease and familiarity of dealings.

(ii) Authorised Distributors and Possession of Own Brands

We take pride in being the authorised distributor of several international suppliers. These distributorships enable us to market the products under established brand names. We are confident that adequate supply will be maintained in the foreseeable future due to the long term and proven relationships with our suppliers. The diversity in our product range also provides us with considerable synergies for cross-selling as we will be able to provide our existing and new customers with a range of trading products. By supplying products from multiple brands, we are able to cater for a customer's budgetary requirements on the price and quality of a product. Please refer to Section 6.12 for details of our principals and the distribution rights they have granted to us.

In addition, possession of our own brands is one of our strengths as it has synergistic effect with our distribution business. Revenue from our own brands namely WAGI, VMX and Omaval products have grown exponentially since we introduced our brands to our existing customers. They have amounted to RM23.57 million in the FYE 2012 consisting of 35.95% of our revenue for the FYE 2012, increasing to RM24.95 million in the FYE 2013, consisting of 29.99% of our revenue for the FYE 2013, RM25.10 million in the FYE 2014, consisting of 31.77% of our revenue for the FYE 2014, and RM26.64 million in the FYE 2015, consisting of 39.02% of our revenue for the FYE 2015.

Both brands from our foreign suppliers and our own brands under our distribution cater to different customer requirements including pricing, technical, industries, regulatory compliance, etc, and are subject to customer's requirements.

(iii) Experienced Management Team

As outlined in Section 7, product and technical knowledge is crucial in the PCE and Measurement Instruments market. The requirements on PCE and Measurement Instruments vary across different industrial sectors, such as the palm oil and oleochemicals, oil and gas and petrochemical, and water treatment and sewerage industries. Having extensive product and technical competencies knowledge allows a market participant to understand the requirements for the respective industrial sectors and would be able to supply their products accordingly. This product and technical knowledge typically comes together with industrial experience.

6. BUSINESS OVERVIEW (Cont'd)

The core of our business lies with the expertise of our experienced management team in the PCE and Measurement Instruments market who leads and manages our business operations. Our Managing Director, Aik Swee Tong, together with Aik Cwo Shing, our Executive Director, have been managing our business since we began operations in 1989. Each of our Managing Director and Executive Director has between 20 to 30 years' experience in the PCE and Measurement Instruments market.

Since the incorporation of Dancomech Engineering in 2000, its distributorship rights have expanded to several foreign brands and it has secured orders from notable customers. Details of our achievements are set out in Section 5.7.

In addition, we are also supported by a strong Management team which includes our Chief Operating Officer, Aik Hui Luan, Senior Sales Managers, Aik Kwo Liang and Wong Chiau Siew who each has between 20 to 30 years' experience in the PCE and Measurement Instruments market. The long years of service by our Management team indicates stable and continuing relationship with our Group, which are beneficial to our business operations, sustainability and growth. Please refer to Sections 8.2 and 8.4 for the profiles of our Managing Director, Executive Director and key management personnel.

(iv) Value-Added Services

With the vast experience of our Management team, our Group is equipped to provide services which include advising our customers as to the optimal combination of products they may require in accordance with their specifications and desired results. Our staff is also trained to assist our customers in any assembly of these products upon their request. For example, some PCE may be assembled onto our Valves. In addition, we also offer consultation where products are required to be customised based on the customer's requirements and specifications. We then perform customisations on the products and commissioning on the customised products to ensure quality control. We also offer an after-sales troubleshooting service where in the event of any detection by our customers of issues or problems arising from our products, we provide support in the form of addressing the related products' operational issues, or identifying as well as resolving technical issues. Please refer to Section 6.2 for full details of the pre-sales and after sales services we provide to our customers.

(v) Extensive Customer Base

As at FYE 2015, we have a diverse customer base of 1,459 customers from various industries, comprising traders and distributors, EPCC Contractors, engineering consultants, OEM, hardware retailers, equipment manufacturers and end users. This large customer base provides us with the platform to sustain and grow our business. In addition, it mitigates our reliance on our major customers as set out in Section 6.10 and provides us with a number of areas of growth and opportunities.

We operate from our distribution hub in Kuala Lumpur which enables us to extend our geographical coverage throughout Malaysia and internationally to provide convenience and prompt delivery to our customers. Please refer to Section 6.12 for details of our distributorship rights, whereby the distributorship rights granted by Korea Steel Power Corporation (representative of Tanktech Co. Ltd), DHC Co Ltd, and British Rototherm Co. Ltd do not preclude our Group from selling to Indonesia. In addition, we are also authorised by Neway Valve (Singapore) Pte Ltd to sell to a specific entity in Indonesia.

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6. BUSINESS OVERVIEW (Cont'd)

(vi) Proven Track Record

We have a proven track record with a history that spans approximately 26 years since the establishment of DET in 1989. Over the years, our major orders have increased from approximately RM600,000 in 1992 to RM14.7 million in 2012. As at FYE 2015, our customer base has increased to 1,459 customers from various industries, comprising traders and distributors, EPCC Contractors, engineering consultants, OEM, hardware retailers, equipment manufacturers and end users. We place priority in establishing good rapport and long term relationships with our customers by providing high quality, prompt delivery and reasonably priced products. Our efforts result in a steady increase in our list of long standing customers. Our time in the PCE and Measurement Instruments market has provided us with an established customer base whereby more than five (5) of our top 10 customers for FYE 2015 have been dealing with us for at least 5 years. These business relationships with our customers are an indication of the assurance of reliability and quality in our products.

In addition, we are the authorised distributor of several foreign suppliers to distribute established brand name products. In 2000, Dancomech Engineering was incorporated and in 2001 was appointed as an authorised distributor for Malaysia by Neway, with its latest renewed appointment by Neway Valve (Singapore) Pte. Ltd. since the establishment in 2013 of a regional sales office based in Singapore by Neway. Currently, we have been granted seven (7) exclusive or sole distributorship rights and eleven (11) distributorship rights by our suppliers. As at LPD, we carry a total of twelve (12) product categories as part of our PCE inventory and five (5) product categories as part of our Measurement Instruments inventory.

Since 2007, Dancomech Engineering is able to synergise its distribution business by introducing its own brands, namely WAGI, VMX and Omaval. The revenue from its own brands has been increased from approximately RM23.57 million in FYE 2012 to RM26.64 million in FYE 2015. Due to the growth and expansion in business, our total workforce consists of 44 personnel as at LPD where we are supported by an experienced management team leads by our Managing Director, Aik Swee Tong, together with Aik Cwo Shing, our Executive Director and other key management personnel.

(vii) Long-standing Relationships with our Major Suppliers

Over fourteen (14) years of Dancomech Engineering's operation, we have nurtured long-term business relationships with our major suppliers as described in Section 6.11. Owing to good relationships with our major suppliers, we are confident of continued support and timely supply of the products from them. In addition, we also enjoy competitive prices and good credit terms from our major suppliers. These long-term business relationships enable us to maintain our overall competitive edge in the PCE and Measurement Instruments market.

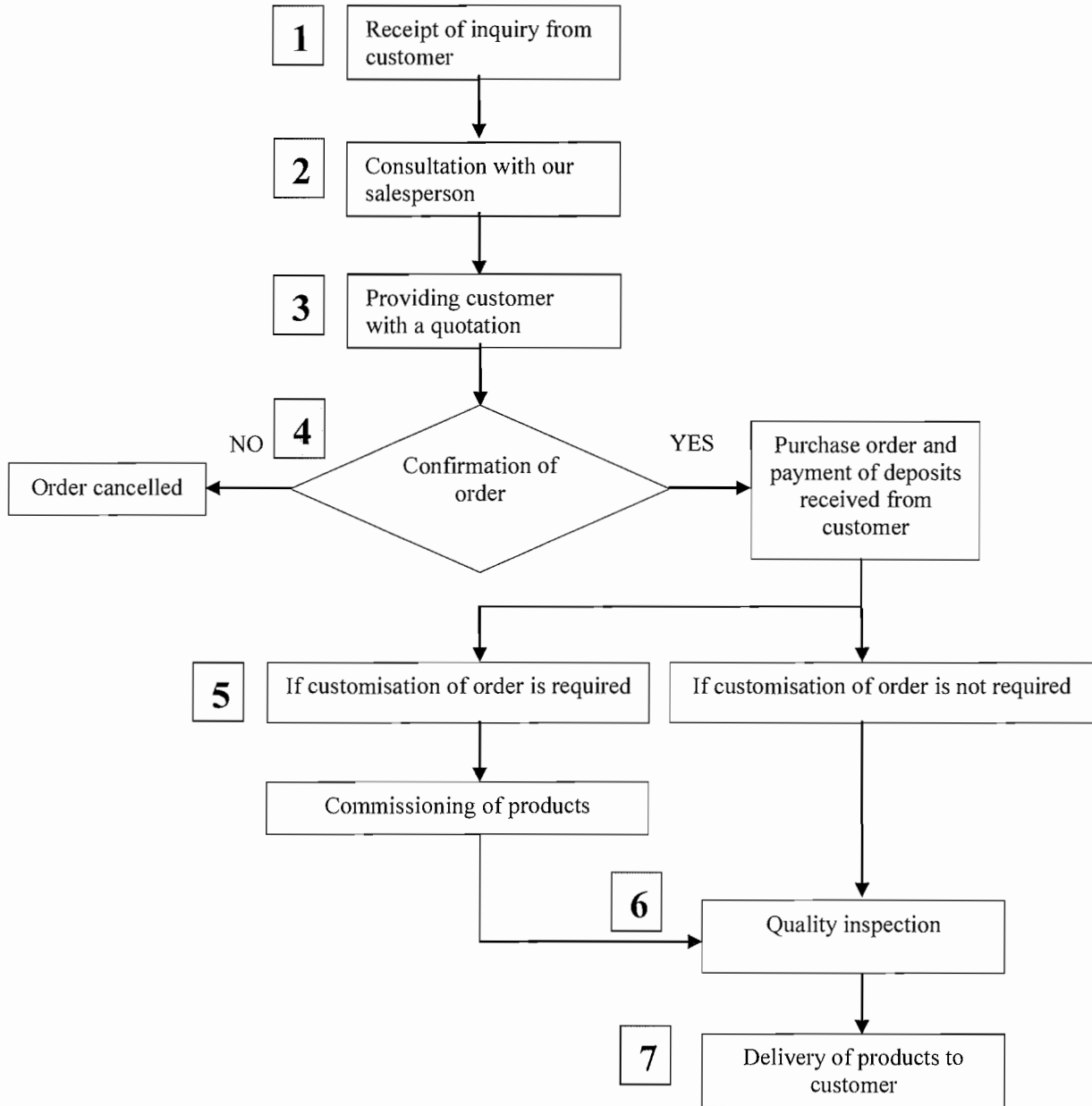
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6. BUSINESS OVERVIEW (Cont'd)

6.2 OUR BUSINESS AND OPERATIONAL PROCESSES

(a) Pre-Sales Process

Our pre-sales process is illustrated in the following flowchart:



(1) Receipt of inquiry from customer

In general, we are approached by our customers in the following manner:

- (i) Customers who are seeking advice on the type of product(s) suitable for their needs and requirements; and/or
- (ii) Customers who would like to place an order from us directly.

6. BUSINESS OVERVIEW (*Cont'd*)

(2) Consultation with our salesperson

Upon receipt of inquiry from our customer, we will arrange for a consultation session between the customer and our salesperson to address the customer's needs by identifying suitable product(s) for the customer and offering consultation where products are required to be customised based on the customer's requirements and specifications.

In addition, if any relevant documents such as catalogues, drawings, procedures and certificates are needed, the salesperson will compile the documents and provide the same to the customer. If a technical clarification is required, we will attempt to provide clarification, failing which the supplier will assist us with the clarification.

(3) Providing customer with a quotation

Once we have ascertained the product sought by our customer pursuant to paragraph 2 above, we will prepare a quotation for the customer's acceptance.

The process involved in preparation of the quotation depends on the product sought by the customer. If the product sought by the customer:

- (i) is common in nature and stocks are available in our warehouse, a draft quote will be prepared based on the price list in respect of the said product; or
- (ii) is a product which we do not keep ready stocks, a draft quote will be prepared based on the quotation to be provided by our suppliers.

The draft quote prepared pursuant to either paragraph 3(a) or 3(b) above will subsequently be sent to our Management for their approval. Our Management may revise the said draft quote after taking into consideration, among others, the following factors:

- (i) the size of the order;
- (ii) the existence of competitors or competition; and
- (iii) the existing rate for mark up within the Group.

The approved draft quote will thereafter be finalised ("**Quotation**") and sent to the customer for their acceptance.

(4) Confirmation of Order

If the customer accepts the Quotation and confirms the order, the customer will issue us a purchase order together with payment of deposit (if applicable).

(5) Customisation of Order

If customisation of the products is required, the products will be customised by us in accordance with the customer's requirements and specifications.

(6) Quality Inspection

Prior to delivery of the products or customised products to our customers, visual inspection will be conducted to ensure that the products are in good condition and are properly assembled, where our assembly service has been employed.

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6. BUSINESS OVERVIEW (Cont'd)**(7) Delivery of products to customer**

Upon completion of the quality inspection, the products or customised products will be delivered to our customers together with our invoice.

(b) After Sales Process

Upon completion of sales of our products, we offer our customers twelve (12) months' warranty against manufacturing defects upon the commissioning of installation, or eighteen (18) months' warranty upon delivery, whichever comes first. In practice, all warranty claims made by our customers due to manufacturing defects will be reimbursed by our suppliers and OEM, unless such defects were due to our fault such as product damages which occurred during delivery by us to the customer. Hence, if there is such warranty claim by our customers, we will first replace the defective product from our existing stocks (if available) and thereafter, request for a replacement from our supplier. The replacement of a defective product by our supplier will take about 6 to 8 weeks. Despite such practice, we will only make claims against our suppliers for reimbursement if the value of the defective products is more than RM1,000.00. This is because incidental costs such as freight charges, custom duty and transport charges will be incurred for the purposes of transporting the replacement products to our office and therefore, it is not viable to make a claim for reimbursement if the value of such claim is below the aforesaid amount.

Our Group has experienced minimal claims for our warranty against manufacturing defects and the number of warranty claims made by our customer for the financial years under review and up to the LPD are set out below:

Period	Number of warranty claims by our customer	Approximate range of value of the warranty claims (RM)
FYE 2012	2	300 – 4,300
FYE 2013	0	-
FYE 2014	8	50 – 46,000
FYE 2015	23	40 – 5,300
Up to LPD	3	2,000 – 9,500

Save for a warranty claim by our customer in FYE 2012 (which was due to products damages which occurred during the delivery of the products by us to the customer) and another warranty claim by our customer in the period up to LPD (which our supplier is processing our claim for reimbursement), all other warranty claims made by our customers in FYE 2012 up to LPD, of which the value is more than RM1,000.00 and a claim for reimbursement have been submitted have been reimbursed by our suppliers.

In FYE 2015, the number of warranty claims by our customers increased from 8 claims in FYE 2014 to 23 claims. However, the majority of those claims were due to minor damages such as leaking, bad finishing and other workmanship issues.

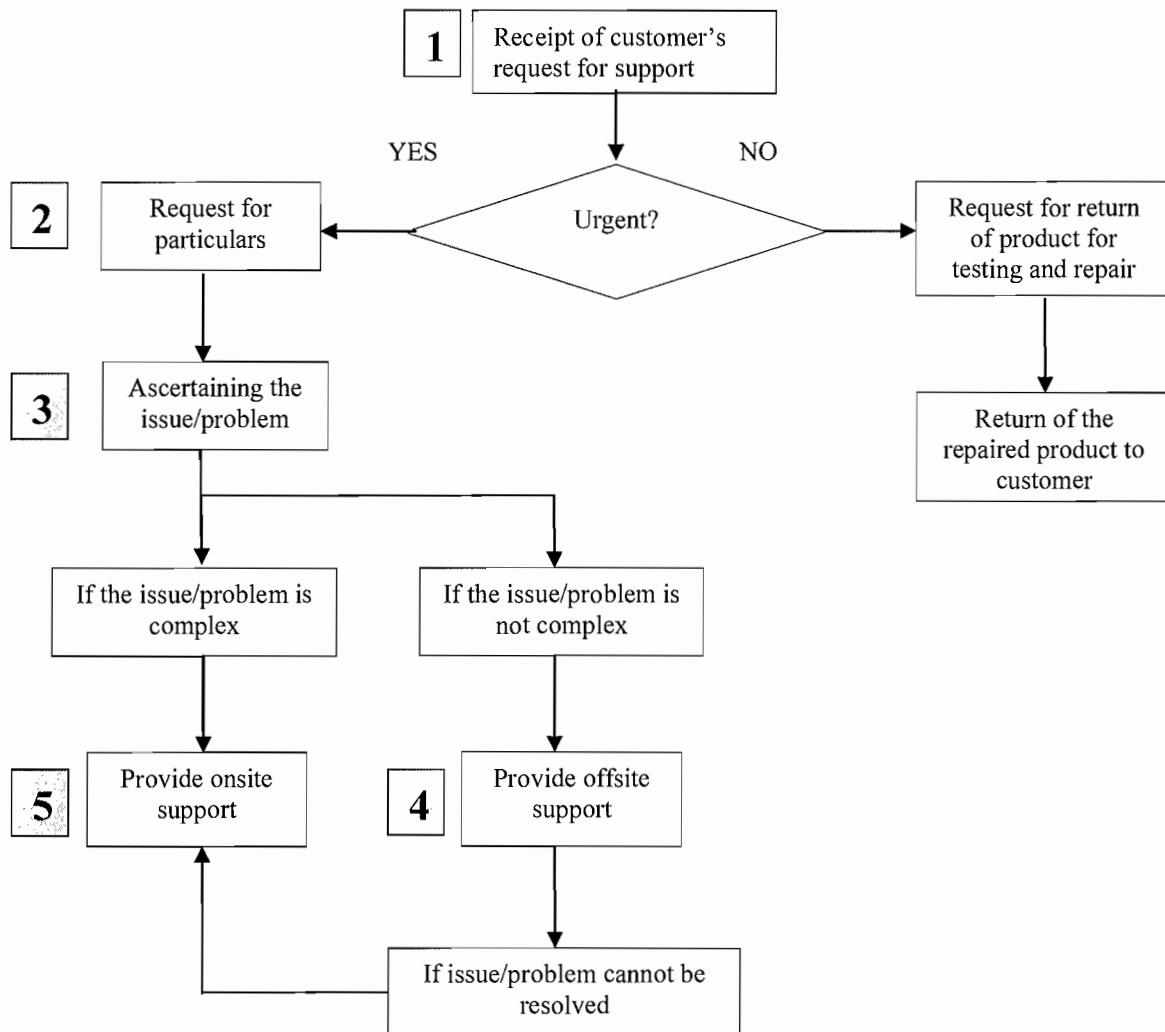
In the event our customers detect any issues or problems arising from our products, we will normally provide our support in the form of addressing related products' operational issues, or identifying as well as resolving technical issues.

We do not implement a set timeframe for the resolution of any troubleshooting we undertake with our customers. We aim to successfully resolve operational or technical issue(s) within a reasonable timeframe on a case-by-case basis, proportionate to the complexity of the issue(s).

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6. BUSINESS OVERVIEW (Cont'd)

Our after sales process is illustrated in the following flowchart:

**(1) Receipt of customer's request for support**

Our troubleshooting process begins with categorising our customers' issues or problems into urgent and non-urgent categories.

For non-urgent cases, we will request that the defective product be returned to us or our supplier for testing to identify the issue/problem. Thereafter, the defective product will be repaired and returned to the customer.

For urgent cases, we will take steps (2) to (5) below.

(2) Request for particulars

We will request for among others, a brief description of the issue/problem and photographs of the defective product for us to identify the issue/problem.

6. BUSINESS OVERVIEW (Cont'd)

(3) Ascertaining the issue/problem

If the issue/problem can be easily rectified and does not require onsite support, we will provide offsite support as detailed in paragraph 4 below.

For issues/problems which are complex in nature, we will provide onsite support as detailed in paragraph 5 below.

(4) Provision of offsite support

In order to resolve our customer's issue/problem in a timely manner, we provide an explanation of the proposed solution to our customers via telephone or email.

However, if the issue/problem remains unresolved, we will arrange for onsite support as detailed in paragraph 5 below.

(5) Provision of onsite support

For issues/problems which are complex in nature or remain unresolved after offsite support is provided, we will arrange for a member of our technical staff, or a member of the technical staff of the relevant supplier, to attend to the problem on the site.

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6. BUSINESS OVERVIEW *(Cont'd)*

6.3 RISK MANAGEMENT POLICIES

The identification and proper management of the risks applicable to our Group are an important priority of the Board. We have adopted a risk management policy appropriate for our business. This policy highlights the risks relevant to our Group's operations and our commitment to design and implement systems and methods appropriate to minimise and control such risks.

As at LPD, we have the following policies in place:

- (a) we generally hold four (4) to six (6) months of stocks to maintain a sustainable level of inventories to ensure timely delivery to our customers as well as to guard against any foreseeable increased costs (e.g. fluctuations in shipping cost), and we also adopt a cost-plus approach in our pricing policy;
- (b) in mitigating our exposure to credit risk, we will assess the credit standing of the existing and prospective customers prior to accepting their orders based on our previous experience with them. In addition, we regularly review our trade receivable ageing and monitor subsequent collection of debts. Our Group's usual follow-up procedures include sending out reminder letters, calls and field visits as well as taking legal action on a case to case basis to recover outstanding debts;
- (c) in mitigating our exposure to exchange rate fluctuations, we operate foreign currency accounts in USD and Euro, and fixed deposit accounts in USD and GBP where we receive payments in the respective currencies and utilise them when the need arises, without converting the said currencies. In addition, our Management also take the following steps to further mitigate the foreign currency risk:
 - (i) we monitor closely the movement of the foreign currencies applicable to our business and we include a buffer in our calculation of costs for our purchases. Therefore, any cost increase will be passed on to our customers in term of higher prices;
 - (ii) for orders relating to our customers' projects that require a delivery of products over a span of time, we hedge against the foreign currency required to cover our costs for the said period of time; and
 - (iii) for large purchase orders by our customers, we will propose to transact in the currency in which we will make our purchases from our suppliers to eliminate any foreign currency risk.
- (d) we seek to limit risk of fire and industrial accidents by implementing the following plans and risk management practices:
 - (i) our facilities are equipped with fire-rated doors, and basic regulatory fire-fighting equipment such as fire extinguishers and fire sprinklers complete with alarm system. Our employees are trained to use such equipment with proper fire-fighting techniques and procedures, and are subject to evacuation drills; and
 - (ii) we ensure that our facilities, warehouses and workshops comply with safety requirements stipulated in various licences issued by the relevant authorities. We also conduct in-house training and briefing on safety requirements and the proper use of equipment and machinery.
- (e) in the absence of long term contract with our customers, we seek to maintain a large customer base and established business relationships with our customers to ensure consistency in sales. As at FYE 2015, we have a diverse customer base of 1,459 customers from various industries, whereby more than five (5) of our top ten (10) customers for FYE 2015 have been dealing with us for at least five (5) years.

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6. BUSINESS OVERVIEW *(Cont'd)*

Further, the absence of long term contract with our customers has not led to any sales disruption in our dealings with our customers as their orders will only be accepted if:

- (i) we have available stocks in our warehouse; or
- (ii) the customer agrees that the product will only be delivered to him upon receipt of the same from our suppliers.

6.4 QUALITY CONTROL PROCEDURES

Our Group's quality control philosophy and procedures have ensured our continued growth and success. In our distribution business, we identify quality products through our third party suppliers who in turn, implement a general two-step quality control process in the manufacture of their products.

Firstly, our third party suppliers would have to manufacture products in accordance with the standards set by the respective associations or professional bodies:

- American Petroleum Institute (API), a national trade association in the United States of America that represents all aspects of the country's oil and natural gas industry;
- American Society of Mechanical Engineers (ASME), the leading international developer of codes and standards associated with the art, science, and practice of mechanical engineering;
- Deutsches Institut für Normung (DIN), the German Institute for Standardization which is acknowledged by the federal government of Germany as the national standards body that represents German interests in European and international standards organisations;
- Japanese Industrial Standards (JIS) by the Japanese Industrial Standards Committee, which consists of many national committees in Japan and plays central role in standardisation activities in the country;
- British Standards (BS) by the BSI Group, a global independent, private, non-profit distributing company which helps organisations improve their quality and performance which has produced standards such as the ISO 9001 Quality Management System;
- European Standards (EN), being standards developed by the European Committee for Standardization (CEN), European Telecommunications Standards Institute (ETSI) and the European Committee for Electrotechnical Standardization (CENELEC), together the European Standards Organisations (ESOs) which are recognised by the European Commission, the executive body of the European Union;
- American National Standards Institute (ANSI), a private non-profit organisation that oversees the development of voluntary consensus standards for products, services, processes, systems and personnel in the United States of America.

This is followed by third-party certification obtained by our third party suppliers that the applicable standards have been complied with, from the relevant associations as follows:

- American Bureau of Shipping (ABS), a provider of marine and offshore classification services;
- TÜV Rheinland (TÜV), a leading provider of technical services worldwide;
- SCS S.A. (formerly known as Société Générale de Surveillance) (SGS), a provider of industry leading inspection, verification, testing and certification services; or
- SIRIM, a global research and standards development organisation.

6. BUSINESS OVERVIEW (Cont'd)

As to our own brands, WAGI, VMX and Omaival which are manufactured by our OEM based in the People's Republic of China and Taiwan, we ensure that they are produced in strict adherence with the same standards. We source for these OEM online and request from them proof of certification awarded by the relevant bodies governing the required international standard(s), to ascertain if they are able to manufacture Valves in accordance with the said standards. This is followed by a request for samples of their products. Once the sample products are tested, we conduct site visits to their factories and inspect the original certificates and supporting documents, inspect their machinery and back-end support offices and assess their quality control procedures. If these prove to be satisfactory, they are then selected to be our OEM.

In addition to being discerning in our product selection, our Group also ensures that appropriate measures are undertaken to ensure that the products distributed and traded are of the best quality, by employing the following methods:

- (i) Visual inspection of the products prior to dispatch to our customers to ensure that the products are in good condition and are properly assembled, where our assembly service has been employed. Depending on circumstances such as the cost of replacement, products that are faulty are returned to the suppliers for replacement;
- (ii) Our products are certified and tested by the manufacturers before we dispatch to our customers. On top of that, we carry out random testing on our products. Depending on the type of customers and necessity of their projects, customers sometimes request a factory/warehouse visit for on-site full inspection of their products;
- (iii) Upon specific request from our customers, engaging third party professionals such as SGS S.A. (formerly known as Société Générale de Surveillance) and Technischer Überwachungsverein (TÜV) to witness the testing of the products and to certify that the products are compliant with the relevant standards and specifications; and
- (iv) Obtaining feedback from our customers pertaining to the quality of the products.

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6. BUSINESS OVERVIEW (Cont'd)

6.5 OUR PRINCIPAL MARKETS

Our Group's revenue segmented by types of products, brands and geographical markets are as follows:

6.5.1 Revenue Segmentation by Products

The breakdown of Dancomech Engineering, Optimis and Dancomech JB's revenue by products for the past four (4) years (FYE 2012 to 2015) is as follows:

	<-----Audited----->							
	FYE 2012		FYE 2013		FYE 2014		FYE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
PCE								
- Valves	49,412	75.36	64,833	77.93	58,916	74.58	50,015	73.28
- Others ⁽¹⁾	9,775	14.91	11,302	13.59	13,684	17.32	11,899	17.43
Measurement Instruments	6,379	9.73	7,055	8.48	6,401	8.10	6,339	9.29
Total	65,566	100.00	83,190	100.00	79,001	100.00	68,253	100.00

Note:

⁽¹⁾ Others include switches, actuators, bursting discs, explosion protection devices, expansion joints, float/steam traps, orifice plates, venturi tubes, positioners, strainers, tank protection venting devices, tank ball floats, floating roof & seals systems and MPTE products in particular Pumps.

The majority type of products contributing to our revenue is attributed to PCE. During the FYE 2012, PCE contributed to a total of 90.27% of the Dancomech Engineering's total revenue. This increased to 91.52% in FYE 2013 and further to 91.90% in FYE 2014. However, revenue contribution from PCE slightly dropped to 90.71% in FYE 2015.

6.5.2 Revenue Segmentation by Brands

The breakdown of our Group's revenue by brands for the past four (4) years (FYE 2012 to 2015) is as follows:

	<-----Audited----->							
	FYE 2012		FYE 2013		FYE 2014		FYE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Third Party Brands	41,998	64.05	58,244	70.01	53,903	68.23	41,618	60.98
Own Brands (OEM) ⁽¹⁾	23,568	35.95	24,946	29.99	25,098	31.77	26,635	39.02
Total	65,566	100.00	83,190	100.00	79,001	100.00	68,253	100.00

Note:

⁽¹⁾ These are our own brands which are outsourced to our OEM based in the People's Republic of China and Taiwan.

6. BUSINESS OVERVIEW (Cont'd)

The majority type of product brands contributing to our revenue are those attributed to third party brands, which are supplied by our third party suppliers. During the FYE 2012, third party brands contributed to a total of 64.05% of the Group's total revenue. This increased to 70.01% in FYE 2013 and further to 68.23% in FYE 2014. However, revenue contribution from third party brands have decreased to 60.98% in FYE 2015.

6.5.3 Revenue Segmentation by Geographical Markets

The breakdown of Dancomech Engineering, Optimis and Dancomech JB's revenue by geographical markets for the past four (4) years (FYE 2012 to 2015) is as follows:

	<----- Audited----->							
	FYE 2012		FYE 2013		FYE 2014		FYE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Domestic⁽¹⁾								
Sabah and Sarawak	2,973	4.53	3,867	4.65	3,518	4.45	2,592	3.80
Peninsular Malaysia	44,025	67.15	62,836	75.53	58,274	73.76	51,232	75.06
	46,998	71.68	66,703	80.18	61,792	78.21	53,824	78.86
International⁽¹⁾								
Italy ⁽²⁾	2,822	4.31	3,947	4.75	5,445	6.89	(7) ⁽³⁾	(0.01)
Indonesia	14,525	22.15	11,730	14.10	10,581	13.39	13,452	19.71
Others ⁽⁴⁾	1,221	1.86	810	0.97	1,183	1.51	984	1.44
	18,568	28.32	16,487	19.82	17,209	21.79	14,429	21.14
Total	65,566	100.00	83,190	100.00	79,001	100.00	68,253	100.00

Notes:

- ⁽¹⁾ Classification of the domestic and international markets is based on the locality of the registration of the customers' business.
- ⁽²⁾ Revenue from Italy is mainly generated from sales made to one of our major customers, namely Desmet Ballestra S.p.A. It is an Italian company whose end-markets are unknown, and hence the Italian market is not included in the IMR Report. Desmet Ballestra S.p.A did not account for more than 10% of our total revenue over the last four (4) financial years. However, it has been classified as one of our major customers because it has common shareholders with Desmet Ballestra (Malaysia) Sdn Bhd and Desmet Ballestra Oleo SRL as set out in Section 6.10. The increase in revenue contributed by Desmet Ballestra S.p.A from FYE 2012 to FYE 2014 was mainly due to Desmet Ballestra S.p.A's involvement in oleochemicals and BioDiesel projects that spread over the past four (4) financial years.
- ⁽³⁾ In FYE 2015, the total revenue generated from Italy was approximately RM19,000. However, this amount was set off against a credit note issued to Desmet Ballestra S.p.A in the amount of RM25,620, which was related to an amount overcharged for invoices issued in FYE 2014.
- ⁽⁴⁾ Sales generated from other countries, including Australia, Belgium, Brunei, People's Republic of China, Germany, Ghana, Hong Kong, Netherland, Norway, Philippines, South Africa, Sri Lanka, Singapore, Thailand, Uganda and United Kingdom.

Our Group has predominantly served the Malaysian market, in particular the Peninsular Malaysia market. The overall Malaysian market contributed approximately 78.86% to the Group's total revenue in FYE 2015, of which 75.06% of the Group's total revenue was attributed to the Peninsular Malaysia market. The remaining 21.14% of the Group's total revenue in FYE 2015 came from our international market.

The largest international market served by our group was Indonesia, accounting for 19.71% of the Group's total revenue in FYE 2015.

6. BUSINESS OVERVIEW (Cont'd)

6.6 SEASONALITY

Generally, there are no sharp contrasts in seasonality as our products are for general applications that are not tied to any seasonality factors.

6.7 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

The breakdown of our major product types purchased by our Group for our trading and distribution activities for the FYE 2015 is as follows:

FYE 2015	Total Group Purchases		Sources of Supply			
	RM'000	%	Local		Import	
			RM'000	%	RM'000 ⁽¹⁾	%
Third Party Suppliers						
PCE and others ⁽²⁾	22,781	52.26	3,825	8.78	18,956	43.48
Measurement Instruments	5,000	11.47	236	0.54	4,764	10.93
Own Brands (OEM)⁽³⁾	15,812	36.27	-	-	15,812	36.27
Total	43,593	100.00	4,061	9.32	39,532	90.68

Notes:

- ⁽¹⁾ Imported goods are in respective foreign currencies of USD, Euro, GBP, RMB and SGD, which are converted into the respective functional currencies on initial recognition using the exchange rates approximating to those ruling at the transaction date.
- ⁽²⁾ Include Valves, switches, actuators, bursting discs, explosion protection devices, expansion joints, float/steam traps, orifice plates, venturi tubes, positioners, strainers, tank protection venting devices, tank ball floats, floating roof & seals systems and MPTE products in particular Pumps.
- ⁽³⁾ These are our own brands which are outsourced to our OEM based in the People's Republic of China and Taiwan.

We obtain our supply of products from third party suppliers. We distribute our own products, being WAGI, VMX and Omaval brands which are outsourced to our OEM. The majority of our products are sourced from overseas third party suppliers and OEM as we only source for products locally to cater for urgent orders from customers. In general, the purchase price of our products remains relatively stable as there was no significant increase in the product prices from our suppliers over the past four (4) years (FYE 2012 to 2015). In any event when there is a significant increase in raw materials prices, all market players will be similarly affected. To ensure business sustainability, we generally pass on the increased cost to our customers.

We are constantly sourcing for more third party suppliers who are able to provide us with competitive pricing, timely delivery and quality products. As at LPD, we have not experience any difficulties in sourcing from our suppliers and we have not encountered any shipping disruptions or major fluctuations in the past that have affected our operations.

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6. BUSINESS OVERVIEW *(Cont'd)*

6.8 MARKETING AND DISTRIBUTION

Marketing Strategies

Our marketing strategies are as follows:

- Positioning ourselves as an established PCE and Measurement Instruments distributor in Malaysia by acquiring the distribution rights for more internationally recognised brands;
- Encouraging repeat sales by providing after-sales services such as product testing or performing repairs on our products;
- Continuing to improve on our product range by cultivating long-term strategic partnerships with our foreign suppliers;
- Continuing to expand our distribution network and ensure wider market coverage through the use of direct and indirect distribution networks and at the same time cultivate long-term strategic partnerships with EPCC Contractors, engineering consultants, OEM, hardware retailers, equipment manufacturers and end users;
- Marketing and promoting our products directly to EPCC Contractors, engineering consultants, OEM, hardware retailers, equipment manufacturers and end users or via referrals, trade exhibitions or business directories;
- Making regular marketing visits to customers in local and overseas markets; and
- Participating in international exhibitions, such as the Malaysian Palm Oil Board International Palm Oil Congress and Exhibition and Oil and Gas Asia Exhibition, to establish business contacts and obtain sales leads internationally in the palm oil and oil and gas industries. Our Group intends to continue participating in these exhibitions.

To implement our marketing strategies, we have our own sales and business development team and support team comprising twelve (12) personnel as at LPD, including our Managing Director, Aik Swee Tong, and our Executive Director, Aik Cwo Shing. Our Group's international marketing is led by our Managing Director, Aik Swee Tong, and our Executive Director, Aik Cwo Shing.

6.9 TECHNOLOGY AND RESEARCH AND DEVELOPMENT

As we are primarily involved in the provision of PCE and Measurement Instruments, technology and research and development is not relevant in our business. As such, for the past four (4) years (FYE 2012 to 2015), we have not incurred any expenditure for research and development activity.

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6. BUSINESS OVERVIEW (Cont'd)

6.10 MAJOR CUSTOMERS

Our major customers (being those who contributed 10% or more of our total revenue) for the past four (4) years (FYE 2012 to 2015) and up to LPD are as follows:

Customers	Countries of Origin	Customer Type	Product Segmentation	Approximate Length of Relationship (years)	Audited				Unaudited					
					FYE 2012	FYE 2013	FYE 2014	FYE 2015	Up to LPD					
					RM'000	%	RM'000	%	RM'000	%				
Total Revenue of Dancomech Engineering, Optimis and Dancomech JB					65,566	100.00	83,190	100.00	79,001	100.00	68,253	100.00	23,032	100.00
KNM Process Systems Sdn Bhd ("KNM")	Malaysia	EPCC	PCE and Measurement Instruments	11	1	(2)	12,579	15.12	6,810	8.62	3,910	5.73	474	2.06
Desmet Ballestra (Malaysia) Sdn Bhd ⁽¹⁾ ("Desmet")	Malaysia	EPCC	PCE and Measurement Instruments	15	4,012	6.12	8,061	9.69	2,681	3.39	6,475	9.49	1,017	4.42
Desmet Ballestra S.p.A. ⁽¹⁾ ("Desmet S.p.A.")	Italy	EPCC	PCE and Measurement Instruments	9	2,822	4.30	3,947	4.75	5,445	6.89	(3)	(3)	-	-
Desmet Ballestra Oleo SRL ("Desmet Oleo") ⁽¹⁾	Italy	EPCC	PCE and Measurement Instruments	1	-	-	-	-	-	-	15	0.02	7	0.03
<i>Subtotal</i>					6,834	10.42	12,008	14.44	8,126	10.28	6,490	9.51	1,024	4.45
TOTAL					6,835	10.42	24,587	29.56	14,936	18.90	10,400	15.24	1,498	6.51

6. BUSINESS OVERVIEW (Cont'd)

Notes:

- (1) *Although the companies do not account for 10% or more of the total revenue of Dancomech Engineering, Optimis and Dancomech JB over the past four (4) financial years, they have common shareholders and cessation or impairment of our business dealings with any of them may have a material adverse impact on our revenue and earnings.*
- (2) *Indicates percentage of revenue less than 0.05%.*
- (3) *Total revenue generated from Desmet S.p.A was RM3,790 during FYE 2015. However, this amount was set off against a credit note issued to Desmet S.p.A in the amount of RM25,620, which was related to an amount overcharged for invoices issued in FYE 2014.*

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6. BUSINESS OVERVIEW *(Cont'd)*

As at FYE 2015, we have a diverse customer base of 1,459 customers from various industries, comprising traders and distributors, EPCC Contractors, engineering consultants, OEM, hardware retailers, equipment manufacturers and end users from Main User Industries. As illustrated in the table above, our major customers for the past four (4) years (FYE 2012 to 2015) are as follows:

(i) **KNM**

KNM is a wholly-owned subsidiary of KNM Group Berhad, a public listed corporation in Malaysia. The principal activity of KNM is in the provision of design, manufacture, assembly and commissioning of process equipment, pressure vessels, heat exchangers, skid mounted assemblies, process pipe systems, storage tanks, specialised structural assemblies and module assemblies for the oil, gas and petrochemical industries.

(Source: KNM Group Berhad, Annual Report 2015)

The business relationship with KNM started more than 10 years ago when Dancomech Engineering supplied PCE and Measurement Instruments to their small scale projects. Dancomech Engineering has maintained long-standing business relationship with them over the years. In FYE 2012, Dancomech Engineering secured a large purchase order from KNM, who was involved in a project related to the oil and gas industry. Delivery for the said purchase order was completed over FYE 2013 and FYE 2014. The purchase order led to an increase in revenue contributed by KNM in FYE 2013, and the subsequent decline in revenue in FYE 2014 and FYE 2015 was due to completion of the said project by KNM.

(ii) **Desmet, Desmet S.p.A and Desmet Oleo**

Desmet, Desmet S.p.A and Desmet Oleo are part of Desmet Ballestra Group which is involved in the fields of engineering and supply of plants and equipment for the following industries:

- (i) Oil and fats and animal feed industries;
- (ii) Detergents, surfactants and related chemical industries; and
- (iii) Oleochemicals and biodiesel industries.

(Source: Website of Desmet Ballestra, <http://www.desmetballestra.com/>)

In 2001, Dancomech Engineering had approached Desmet and sought to establish a business relationship with them. After its initial approach, Dancomech Engineering began to serve Desmet and later in 2007, Desmet S.p.A in their need for PCE and Measurement Instruments, as part of their business. Our Group is proud of Dancomech Engineering's long-standing and continuing business relationship with Desmet and Desmet S.p.A.

With reference to the major customers table, the increase in revenue contributed by Desmet from FYE 2012 to FYE 2013 was mainly due to Desmet's success in securing of a few palm oil refinery projects as well as biodiesel projects in Indonesia which were supported by Indonesian Government since year 2012. Revenue contributed by Desmet fell from RM8.1 million to RM2.7 million in FYE 2014 following the completion of the said projects by Desmet.

The increase in revenue contributed by Desmet S.p.A from FYE 2012 to FYE 2014 was mainly due to Desmet S.p.A's involvement in oleochemicals and BioDiesel projects that spread over the past three (3) financial years. There were no project secured by Desmet S.p.A in FYE 2015.

In FYE 2015, Dancomech Engineering secured a purchase order valued at RM15,000 from Desmet Oleo.

6. BUSINESS OVERVIEW (Cont'd)

Our customers could, if they intended to, source for the products directly from our major third party suppliers. However, our customers prefer to purchase from us as it would be time-consuming and is less cost-effective if our customers buy and import the products themselves taking into consideration longer delivery time and higher priced product in low volume. We generally hold four (4) to six (6) months of stocks to maintain a sustainable level of inventories to ensure timely delivery to our customers as well as to guard against any foreseeable increased costs. The diversity in our product range is also important for our customers who generally prefer to source their supplies from a single supplier for ease and familiarity of dealings. Moreover, by sourcing products through us, our customers benefit from our pre-sales and after sales services such as consultation, customisation, and troubleshooting. Please refer to Section 6.1.1(g)(iv) for further details regarding our value-added services.

Given the abovementioned factors, our Group stays relevant in the distribution of major third party suppliers' products. We have a large customer base from a diverse range of industries and there is a steady increase in our list of long standing customers. This mitigates our reliance on our major customers. Even for FYE 2013 during which our revenue increased as we managed to secure a large purchase order valued at RM14.70 million from one of our major customers namely KNM, the contribution from KNM to our total revenue for FYE 2013 was only 15.12%, and the total revenue contribution from our major customers only formed 29.56% of our total revenue.

In addition, we are not heavily reliant on large purchase orders placed by our customers for their projects. Although we have secured several large purchase orders exceeding RM1.00 million per order from our customers over the past four (4) financial years, majority of our sales are not based on large purchase orders, i.e. not more than RM1.00 million per order. We have not previously experienced any material adverse impact on our business and financial performance due to the dependency on our customers.

Fluctuations in revenue observed are both a function of our nature of business as well as the market we are operating in, of which certain factors are beyond our control including but not limited to, the macroeconomic environment, market conditions, and competition.

As aforementioned, for FYE 2013, our revenue increased as we managed to secure a large purchase order valued at RM14.70 million from KNM, out of which an amount of RM2.59 million was revenue for FYE 2014. However, as with any bulk purchases, we have also recorded a lower gross profit margin due to the bulk discounts given to customers. As for FYE 2014, we experienced a decline in revenue due to the completion of delivery for a large purchase order relating to the supply of Valves. Despite that, we recorded an overall growth in our revenue between the FYE 2012 and the FYE 2014 from RM65.57 million to RM79.00 million. This demonstrates our ability in sustaining the business despite the absence of large purchase orders. We have a large customer base due to the diversity in our product range and the efforts we put in establishing long term relationships with our customers. Further, our Group also intends to mitigate the risk related to the absence of long term contract with customers through our continuous effort in providing quality value-added services through the technical know-how of our experienced sales team. As at LPD, we have not experienced any material impact due to the absence of long term contracts.

After the Listing, we will continue to leverage and build upon our competitive advantages (as set out in Section 6.1.1(g) of the Prospectus) in order to ensure business sustainability. In addition, we will also continue to be prudent in the management of our operations. This includes, but is not limited to, efforts to maintain strong cash flows, keep low overhead costs as well as on-going review of and sourcing for new vendors with more competitive pricing. In addition, in order to diversify and further support our revenue growth, we intend to expand to overseas markets and increase our range of product offerings.

None of our Directors or substantial shareholders or their respective associates has any interest, direct or indirectly, in any of the major customers.

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6. BUSINESS OVERVIEW (Cont'd)

6.11 MAJOR SUPPLIERS

Our major suppliers (being those who contributed 10% or more of our total purchases) for the past four (4) years from FYE 2012 to 2015 and up to LPD are as follows:

Suppliers	Countries of Origin	Supplier Type	Product Segmentation	Approximate Length of Relationship (years)	← FYE 2012		FYE 2013		Audited		→ Unaudited			
					RM'000	%	RM'000	%	FYE 2014	FYE 2015	Up to LPD			
Total Purchases of Dancomech Engineering, Optimis and Dancomech JB					44,831	100.00	53,347	100.00	53,881	100.00	43,593	100.00	10,104	100.00
Neway Valve (Suzhou) Co., Ltd ⁽ⁱ⁾	People's Republic of China	Third party	Ball Valves, Gate Valves, Check Valves, Globe Valves, Butterfly Valves and Strainer	14	6,294	14.04	12,951	24.28	12,487	23.18	5,662	12.99	1,176	11.64
Leser GmbH & Co. KG. / Leser LLP	Germany	Third party	Safety / Pressure Relief Valves	17	7,020	15.66	6,313	11.83	6,875	12.76	4,547	10.43	1,544	15.28
Valveline Industrial Co., Ltd	Taiwan	OEM	Ball Valves, Gate Valves, Check Valves	16	6,373	14.21	5,118	9.59	4,996	9.27	4,315	9.90	1,154	11.42
British Rotherm Co. Ltd	United Kingdom	Third party	Recorders, Pressure Transmitters and Gauges	20	3,106	6.93	2,906	5.45	4,016	7.45	4,507	10.34	366	3.62
TOTAL					22,793	50.84	27,288	51.15	28,374	52.66	19,031	43.66	4,240	41.96

6. BUSINESS OVERVIEW (Cont'd)

Note:

- (1) *In 2001, Dancomech Engineering was appointed as an authorised distributor for Malaysia by Newway Valve (Suzhou) Co. Ltd. from the People's Republic of China to supply butterfly valves, gate valves, check valves, globe valves and ball valves under the Newway brand. Since the setting up of Newway Valve (Suzhou) Co. Ltd.'s regional sales office, Newway Valve (Singapore) Pte. Ltd. in 2013 which is based in Singapore and covers the region of South-East Asia (including Australia, New Zealand and India), Dancomech's latest renewed appointment as an authorised distributor of the said valves is granted by Newway Valve (Singapore) Pte. Ltd.*

Since July 2014, all orders for Newway products by Dancomech are placed with Newway Valve (Singapore) Pte. Ltd. Prior to July 2014, its orders were placed with Newway Valve (Suzhou) Co. Ltd.

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6. BUSINESS OVERVIEW (Cont'd)

Third party supplier

Details of our distributorship agreements with our suppliers (including our major third party suppliers) are set out in Section 6.12.

For FYE 2013, purchases from Neway Valve (Suzhou) Co., Ltd. ("Neway") increased mainly due to an increase in sales to Desmet S.p.A and KNM Process Systems Sdn Bhd. Neway is able to supply an extensive range of products as compared to other generic manufacturers. Based on the specifications and requirements from Desmet S.p.A and KNM Process Systems Sdn Bhd, Dancomech sourced the products from Neway.

For FYE 2014, purchases from Neway by Dancomech declined slightly by RM464,000 due to the completion of delivery for a large purchase order.

For FYE 2015, purchases from Neway by Dancomech declined by RM6.83 million due to lower sales volume from the customers involved in the oil and gas industry and the palm oil and oleochemicals industry.

Higher purchases from Leser LLP for the FYE 2012 were mainly due to new purchase orders secured from four (4) EPCC Contractors. However, the demand for Leser reduced for the FYE 2013, mainly due to the completion of delivery for four (4) purchase orders. For the FYE 2014, purchases from Leser LLP increased slightly by RM562,000 due to the demand from an Indonesian customer to build its own utility piping and storage tank farm. However, the purchases from Leser LLP declined by RM2.33 million in FYE 2015 mainly due to end of construction of the utility piping and storage tank farm.

The purchases from British Rototherm Co. Ltd was on the increasing trend for FYE 2012 to FYE 2015 save for FYE 2013. The purchases for FYE 2015 increased by RM491,000 due to widening of Measurement Instruments product range by Dancomech.

We have not previously experienced any material adverse impact on our business and financial performance due to the dependency on these major third party suppliers. While there can be no assurance that any of the major third party suppliers will continue the business relationship indefinitely, we have no reason to believe that they will not do so in the foreseeable future as we have established long standing relationships with Neway and Leser GmbH & Co. KG /Leser LLP for 14 years and 17 years, respectively.

In addition, the Valves supplied by our major third party suppliers are generally generic in nature. There are instances where Valves that conform to certain specifications may be required by customers who are involved in certain projects in the oil and gas industry. Only for those instances where the specifications and requirements of the customers could not be met by other suppliers who supply generic products, Dancomech would have dependency towards certain third party suppliers. Where our customers do not require specific Valves from certain suppliers, the Valves can be sourced from other local or overseas suppliers should the need arise. As at LPD, we also source Valves from other suppliers as disclosed in Section 6.1.1(c).

OEM

We also sell our own products through our own brands, being WAGI, VMX and Omaval brands which are outsourced to our OEM. Valveline Industrial Co., Ltd ("**Valveline**") is one of our OEM for our proprietary brands. Purchases from Valveline decreased in FYE 2012 to FYE 2014 due to continuous sourcing of new OEM, which provide competitive pricing without compromising quality. Our Group gradually reduced the purchases from Valveline to another new OEM who offered more competitive pricing. For FYE 2014 and FYE 2015, purchases from Valveline declined slightly by RM122,000 and RM681,000 due to the Group continued purchases from other OEM who were offering more competitive pricing.

6. BUSINESS OVERVIEW (Cont'd)

Apart from Valveline who is our major OEM, we also have a pool of twenty four (24) OEM based in the People's Republic of China and Taiwan who we have identified as reliable and have met the requirements from the governing bodies for standards as described in Section 6.4. The pool of twenty four (24) OEM are divided into different groups by categories of products. Within each category, the OEM possess capabilities to produce the said category of product and we place an order with the OEM within the group who provides the most favourable quote at that time.

Accordingly, any disruption to our business relationship with Valveline would not affect our business and financial performance.

In addition, the products manufactured by our OEM are generic in nature and can be sourced from other OEM should the need arises.

None of our Directors or substantial shareholders or their respective associates has any interest, direct or indirectly, in any of the major suppliers.

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6. BUSINESS OVERVIEW (Cont'd)

6.12 DISTRIBUTORSHIP AGREEMENTS

Dancomech Engineering has been granted exclusive or sole distributorship rights by our suppliers as detailed below:

No.	Brand Owner/Principal	Our Status/Rights	Territory	Effective Date/ Expiry	Date of Salient Terms
1.	Korea Steel Power Corporation (representative of Tanktech Co. Ltd.) ("Tanktech")	Exclusive Representative	Malaysia and Indonesia	3 January 2007 This period shall be extended automatically every two (2) years	(a) Dancomech Engineering shall not make any sales outside Malaysia without the prior written consent of the Brand Owner/Principal. (b) Dancomech Engineering shall not represent or promote products or services that are in competition with or having the same or similar function of any equipment manufactured by the Brand Owner/Principal. (c) This Agreement can be terminated: (i) immediately by written notice by either party should the other become insolvent, bankrupt or receiver appointed; or (ii) by written notice if Dancomech Engineering fails to remedy a substantial breach of this Agreement within 60 days of receipt of a written notice specifying details of that breach.
2.	Ayvaz A.S.	Sole Distributor	Malaysia	3 June 2014 The agreement is valid until 2 June 2016 and thereafter shall be automatically renewed for a period of one (1) year unless there is a written notice from either party of not less than sixty (60) days prior to the expiration date	Nil

6. BUSINESS OVERVIEW (Cont'd)

No.	Brand Owner/Principal	Our Status/Rights	Territory	Effective Date/ Expiry	Date of	Salient Terms
3.	REMBE GmbH	Sole Agent	Malaysia	1 January 2015	Nil	
						The agreement is valid until 31 December 2015 and shall be automatically extended for an additional one (1) year unless there is a written notice from either party of not less than sixty (60) days prior to the expiration date
4.	Korea Float Co Ltd	Exclusive Agent	Malaysia	1 August 2014	Nil	
5.	DHC Co Ltd	Sole distributor	Malaysia and Indonesia	16 August 2012	Nil	
						The agreement is valid until 31 July 2016 ⁽ⁱ⁾
						The agreement valid until 15 August 2014 and thereafter shall be automatically renewed for a period of two (2) years unless there is a written notice from either party of not less than sixty (60) days prior to expiration date
6.	Huaian Hardware Co Ltd	Sole Agent	Malaysia	22 April 2016	Nil	
						The agreement is valid until 21 April 2018

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6. BUSINESS OVERVIEW (Cont'd)

No.	Brand Owner/Principal	Our Status/Rights	Territory	Effective Date/ Expiry	Date of Salient Terms
7.	KSB Malaysia Pumps & Valves Sdn Bhd	Exclusive Agent/Distributor	Peninsular Malaysia	21 October 2015 The agreement is valid until 20 October 2017 and thereafter shall be automatically renewed for further periods of one (1) year each unless terminated by either party by giving at least six (6) months' prior written notice before the expiration date.	<p>(a) The Brand Owner/Principal confers upon Danomech Engineering an exclusive right to distribute their products set out in the Agreement ("Products") in the applications in palm oil mill ("Segment") in Peninsular Malaysia ("Territory").</p> <p>(b) Danomech Engineering shall refrain from:</p> <p>(i) active sales of the Products outside the Segment as well as outside the Territory; or</p> <p>(ii) seeking customers for the Products, establishing any branch and from maintaining any distribution depot outside the Territory. This shall also apply to customers in the Territory which as far as Danomech Engineering knows or can be expected to know would export the Products to countries outside the Territory.</p> <p>(c) During the term of this Agreement and for a period of two (2) years after its termination, Danomech Engineering undertakes to neither directly or indirectly market or to promote the distribution and/or marketing of the Products and any products that are similar to the Products from any other supplier than the Brand Owner/Principal or KSB Aktiengesellschaft or any affiliate that might directly or indirectly compete with the Products without the written consent of the Brand Owner/Principal.</p>

6. BUSINESS OVERVIEW (Cont'd)

No.	Brand Owner/Principal	Our Status/Rights	Territory	Effective Date/ Expiry	Date of Salient Terms
					<p>(d) Either party may terminate this Agreement at any time prior to its expiration:</p> <p>(i) if the other party is in material breach of this Agreement, and such breach is not remedied within sixty (60) days of written notice to the breaching party;</p> <p>(ii) if the other party becomes bankrupt, or is subject of proceeding for liquidation or dissolution, or ceases to carry on business or become unable to pay its debts as they become due;</p> <p>(iii) if any government authority having authority over either party requires any provision of this Agreement to be revised in such a way as to cause significant adverse consequences to such party; or</p> <p>(iv) in the case of changes in the group of shareholders of Dancomech Engineering and/or its organisation structure, or in the senior management of Dancomech Engineering without prior consent by the Brand Owner/Principal.</p> <p>(e) The Brand Owner/Principal may terminate this Agreement if Dancomech Engineering does not meet the agreed sales target for any specific year.</p>

Note:

(1) This Distributorship Agreement is pending renewal as at LPD.

6. BUSINESS OVERVIEW (Cont'd)

Dancomech Engineering has been granted distributorship rights by our suppliers as detailed below:

No.	Brand Owner/Principal	Our Status/Rights	Territory	Effective Date/ Date of Expiry	Salient Terms
1.	Neway Valve (Singapore) Pte Ltd	Authorised Distributor for oil & gas save for Petroliam Nasional Berhad ("Petronas"), for whom Neway Valve (Singapore) Pte Ltd has its own distributors. Dancomech Engineering is not an authorised distributor for Petronas as it does not possess the necessary Bumiputera equity requirements.	West Malaysia	1 January 2016 The agreement is valid until 31 December 2017	Nil
2.	Neway Valve (Singapore) Pte Ltd	Authorised Reseller	Sumatera, ⁽¹⁾ Indonesia.	1 January 2016 The agreement is valid until 31 December 2017	Nil
3.	British Rototherm Co. Ltd	Authorised Distributor	Malaysia and Indonesia	1 March 2011 The expiry date is not specified ⁽²⁾	Nil

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6. BUSINESS OVERVIEW (Cont'd)

No.	Brand Owner/Principal	Our Status/Rights	Territory	Effective Date/ Date of Expiry	Salient Terms
4.	RITAG Ritterhuder Armaturen GmbH & Co	Distributor	Malaysia	29 August 2014 The agreement is valid until 28 August 2016 and thereafter shall be automatically renewed for a period of one (1) year unless there is a written notice from either party of not less than ninety (90) days prior to expiration date	Nil
5.	LESER GmbH & Co. KG	Distributor	Malaysia	14 December 2010 The expiry date is not specified ⁽²⁾	Nil
6.	Power-Genex Ltd	Sales & Service Distributor	Malaysia	21 August 2014 The agreement is valid until 21 August 2016 ⁽³⁾	Nil
7.	Festo Sdn Bhd	Agent	-	17 September 2014 The agreement is valid until 18 August 2016 ⁽³⁾	Nil
8.	Crane Australia Pty Ltd	Authorisec Distributor	Malaysia	22 April 2013 The expiry date is not specified ⁽²⁾	Nil
9.	Eurotec Antriebstechnik GmbH	Authorised Seller	Malaysia	21 November 2005 The expiry date is not specified ⁽²⁾	Nil
10.	Kevin Steel Corporation Distributorship	Authorised Agent	-	1 September 2015 This agreement is valid until 1 September 2017	Nil

Notes:

⁽¹⁾ Dancomech Engineering is only authorised to sell to a specific entity in Sumatera, Indonesia.

⁽²⁾ Where the Date of Expiry of the period of the distribution rights is not specified, Section 159 of the Contracts Act, 1950 provides that a party may terminate a contract where a reasonable notice period has been given by the terminating party.

⁽³⁾ This Distributorship Agreement is pending renewal as at LPD.

6. BUSINESS OVERVIEW (Cont'd)

Optimis has been granted distributorship rights by a supplier as detailed below:

No.	Brand Owner/Principal	Our Status/Rights	Territory	Effective Date/ Date of Expiry	Salient Terms
1.	Norgren Sdn Bhd	Authorised Distributor	-	2 January 2009	Nil
				Valid until terminated by either party	

The Group has not encountered any issues with its brand owners/principals in the past.

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6. BUSINESS OVERVIEW (Cont'd)

6.13 OPERATING FACILITIES, MATERIAL EQUIPMENT AND STORAGE CAPACITY

Our Group is principally involved in the trading and distribution of PCE and Measurement Instruments. As such, we do not have any operating facilities that relate to manufacturing. Our only operating facility is the testing lab which has the capacity to conduct safety valves testing and repair services of various types of safety valves.

As at LPD, we possess no material equipment.

We possess a warehouse which is located in our current headquarters at Jalan Pelukis, the details of which may be found in Section 6.17.

Our warehouse has an available floor area of 40,632 sq. ft. for storage capacity. As at LPD, an estimated area of 30,000 sq. ft is utilised as storage for our stocks.

We have taken all reasonable steps to ensure that all our key assets are adequately covered by insurance. As at LPD, our operations have not been affected by any event of fire, flood, loss, damage, burglary or accident.

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6. BUSINESS OVERVIEW (Cont'd)**6.14 MAJOR LICENCES, PERMITS AND REGISTRATIONS**

The major licences issued to our Group as at LPD are summarised as below:


Company	Issuing Authority	Type of Licences	Issue Date / Expiry Date	Salient Conditions	Status of Compliance
Dancomech Engineering	Majlis Bandaraya Shah Alam	Trading, office, warehouse licence for sales or service and storage and signboard licence	2 June 2016 / 30 June 2017	Nil	Not Applicable
Dancomech JB	Majlis Bandaraya Shah Alam	Trading, office	28 October 2015 / 31 October 2016	Nil	Not Applicable
Optimis	Majlis Bandaraya Shah Alam	Trading, office	13 October 2015 / 31 October 2016	Nil	Not Applicable

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6. BUSINESS OVERVIEW (Cont'd)

6.15 INTELLECTUAL PROPERTY RIGHTS

All of our trademarks have been duly registered with the Intellectual Property Corporation of Malaysia, details as follows:

Trade Mark Logo/Words	Registrant	Class No.	Description of Class Heading of Trade Mark	Trademark No.	Status of Application	Validity Period
Dancomech (Logo) 	Dancomech Engineering	6	Unwrought and partly wrought common metals and their alloys; anchors, ancils, bells, rolled and cast building materials; rails and other metallic materials for railway tracks; chains (except driving chains for vehicles); cables and wires (non-electric); locksmiths' work; metallic pipes and tubes; steel balls; bars of metals; chrome iron; linkages of metal (non-electric); roofing of metal; tanks of metal; valves; valves of metal (other than parts of machine); butterfly valves of metal (other than parts of machine); nails and screws; other goods in non-precious metal not included in other classes; ores; all included in Class 6.	2014005433	Registered	16 May 2014 to 16 May 2024
VMX (Word)	Dancomech Engineering	6	Metal valves, metal valves made of cast iron, carbon steel, stainless steel; all included in Class 6	08011618	Registered	16 June 2008 to 16 June 2018
OMAVAL (Word)	Dancomech Engineering	6	Valves and ball valves all made of metal, cast iron or stainless steel, not being parts of machines; all included in Class 6	09008912	Registered	1 June 2009 to 1 June 2019
WAGI (Word)	Dancomech Engineering	6	Carbon steel, stainless steel, cast iron, metal valves; all included in Class 6	07009654	Registered	25 May 2007 to 25 May 2017

6. BUSINESS OVERVIEW (Cont'd)

As at LPD, we are not aware of:

- (a) any complaints or infringements in relation to our registered trademarks; or
- (b) any known issues that may impact the renewal of our registered trademarks.

6.16 DEPENDENCY ON PATENTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES, INDUSTRIAL, COMMERCIAL OR FINANCIAL CONTRACTS

6.16.1 Dependency on Intellectual Property Rights

Save as disclosed in Section 6.15, our Group is not dependent on any patents or intellectual property rights for our business operations.

6.16.2 Dependency on Major Licences

Save as disclosed in Section 6.14, our Group is not dependent on any major licences, permits or registrations for our business operations.

6.16.3 Dependency on Industrial, Commercial and Financial Contracts

Save as disclosed in Section 6.12, our Group is not dependent on any material contracts or agreements including industrial, commercial and financial contracts, which are material to our business or profitability.

Save and except for the distributorship agreements with Neway and Leser (dependency on the aforesaid suppliers has been disclosed as a risk factor in Section 4.1.2), the dependency on the other distributorship agreements set out in Section 6.12 does not constitute a risk factor for the Listing as the Group would be able to source for a new supplier in the event there is any termination of, withdrawal of or disruption to our business relationships with any of the suppliers.

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6. BUSINESS OVERVIEW (Cont'd)

6.17 PROPERTY, REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUE AND INTERRUPTIONS TO BUSINESS AND OPERATIONS

6.17.1 Own Properties

As at LPD, our Group owns the following property:

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Encumbrances	Tenure	Land / Built -up Areas sq. ft.	Audited NBV as at 31 December 2015 RM'000	Issuance Date of Certificate of Completion and Compliance
Dancomech Engineering	Title: HS(D) No. 102177 PT 15990 Mukim Damansara Daerah Petaling Negeri Selangor	Description: Industrial land, upon which a dual access, three-storey office cum warehouse is erected. Existing Use:	Charged Public Bank Berhad (Company No. 6463-H) of B1- B4 Jalan SS 15/4D Subang Jaya, Petaling Jaya, 47500 Selangor	Freehold	Land Area: 79,523.80 sq. ft. Built-up Area: 97,679.17 sq. ft. <i>Ground Floor:</i> 42,883.00 sq. ft. <i>First Floor:</i> 11,691.17 sq. ft. <i>Second Floor:</i> 43,105.00 sq. ft.	Land: 11,915 Building: 12,393 Total NBV for Land and Building: 24,308	14 February 2014
	Address: Lot 19 Jalan Pelukis U1/46 Seksyen U1 40150 Shah Alam Selangor Darul Ehsan	The office of Optimis and the warehouse. There is also a reception area and a small office for future expansion. The office and the warehouse of Dancomech Group is accessible vide the Ground Floor ("Dancomech's Access"). <i>First Floor:</i> The office of Dancomech Engineering, Dancomech JB and Dancomech Holdings Berhad.					

6. BUSINESS OVERVIEW (Cont'd)

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Encumbrances	Tenure	Land / Built -up Areas sq. ft.	Audited NBV as at 31 December 2015 RM'000	Issuance Date of Certificate of Completion and Compliance
		<p><i>Second Floor:</i> 37,929.00 sq. ft. of the space is rented to Airzan Motor Sdn Bhd by Dancomech Engineering as a car showroom and sales and service centre from 1 October 2014 to 30 September 2017. There is a tenant's access whereby the rented area is accessible separately at the posterior of the building, vide a main road which is located on higher ground.</p> <p>The remainder 5,176.00 sq. ft. is vacant for future expansion and is accessible vide Dancomech's Access.</p>					

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6. BUSINESS OVERVIEW *(Cont'd)*

6.17.2 Rented Properties

As at LPD, a summary of the properties rented by our Group is as follows:

No.	Tenant	Landlord	Postal Address	Description	Rental Floor Area	Tenure of Tenancy
1.	Optimis	Dancomech Engineering	No. 19, Jalan Pelukis U1/46, Temasya Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan	A three-storey office cum warehouse. Optimis is renting an office on the ground floor.	721.182 sq. ft.	1 August 2014 to 31 July 2016 ⁽¹⁾

Note:

⁽¹⁾ Further details on the tenancy agreement are set out in Section 10.1.1.

The total rental paid by our Group during the FYE 2015 is approximately RM17,500, which was for Dancomech JB's previous office in Johor. The tenancy agreement was terminated on 30 June 2015 and hence no rental has been paid by our Group since the termination of the tenancy agreement. Further details regarding the termination of the tenancy agreement of Dancomech JB's previous office are set out in Section 3.6(ii)(a).

6.17.3 Regulatory Requirements and Environmental Issue

6.17.3.1 Regulatory Requirements

Save as disclosed in Section 6.14 and below, there is no other regulatory requirement (including land rules and building regulations) which may materially affect our Group's operations and/or utilisation of assets:

(a) Import/Export

Although we are not required to obtain import/export licences for the importation/exportation of our products, we are required to comply with the Customs Act 1967 and Customs Regulations 1977 on matters such as filing of the necessary forms for the declaration of dutiable goods and payment of duties.

(b) Occupational Safety and Health

Pursuant to the Occupational Safety and Health Act 1994, we are required to ensure, so far as practicable, the safety and welfare at work of our employees. Our duty includes among others, the following:

- (i) provision and maintenance of plant and systems of work that are, so far as is practicable, safe and without risks to health;
- (ii) making of arrangements for ensuring, so far as is practicable, safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;

6. BUSINESS OVERVIEW (Cont'd)

- (iii) provision of such information, instruction, training and supervision as is necessary to ensure, so far as is practicable, the safety and health at work of our employees;
- (iv) so far as is practicable, maintenance of the place of work in a condition that is safe and without risks to health and the provision and maintenance of the means of access to and egress from it that are safe and without such risks; and
- (v) provision and maintenance of a working environment for our employees that is, so far as is practicable, safe, without risks to health, and adequate as regards facilities for their welfare at work.

As at LPD, we are in compliance in respect of all regulatory requirements set out above.

6.17.3.2 Environmental Issue

There is no environmental issue which may materially affect our Group's operations and/or utilisation of assets.

6.17.4 Interruptions to Business and Operations

We have not experienced any material interruption in business which had a significant effect on our operations during the past twelve (12) months preceding the LPD.

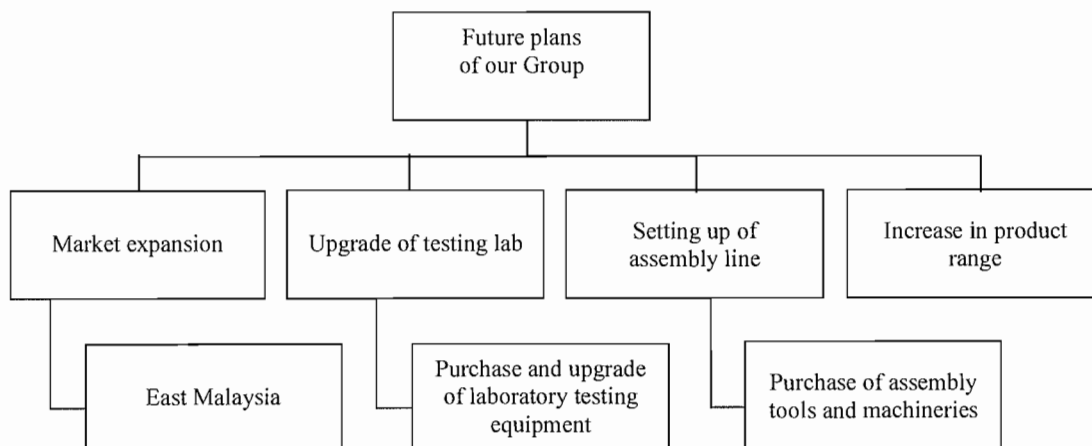
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6. BUSINESS OVERVIEW *(Cont'd)*

6.18 FUTURE PLANS, STRATEGIES AND PROSPECTS

6.18.1 Future Plans and Strategies

The future plans of our Group are focused in the following key areas as depicted below:



(i) Market Expansion

Sabah and Sarawak

We have managed to build a network of distributors in Sabah and Sarawak who contributed steadily to our sales. Sales contribution from Sabah and Sarawak clients in FYE 2015 amounts to approximately RM2.59 million. Our distribution network is described in Section 6.1.1(d).

We intend to set up offices cum stores in Lahad Datu, Sabah and Bintulu, Sarawak within twenty four (24) months after our Listing, to expand into the palm oil and oleochemicals and oil and gas and petrochemical industries in Sabah and Sarawak.

Bintulu

For Bintulu, it is the fourth largest town in Sarawak, Malaysia and is located strategically in between the towns of Miri and Sibiu. It is easily accessible via air and sea from Kuala Lumpur.

Bintulu is an industrial centre. Its port is located at the east of the main town which hosts the Petronas Liquefied Natural Gas (LNG) complex together with other strategic economic establishments as follows:

(a) Malaysia Liquefied Natural Gas Plant (MLNG Plant)

Malaysia LNG Sdn Bhd was incorporated on 4 June 1978 to construct and operate the first liquefied natural gas (LNG) plant. The principal activities of the MLNG Plant is to acquire natural gas from gas suppliers such as Petroliaam Nasional Berhad, Petronas Carigali Sdn Bhd and Sarawak Shell Berhad, process natural gas into LNG, and secure buyers for MLNG, MLNG Dua and MLNG Tiga. The MLNG project has contributed significantly to the socio-economic growth and industrial development of Sarawak.

(Source: www.bda.gov.my)

6. BUSINESS OVERVIEW (Cont'd)

(b) Asean Bintulu Fertilizer (ABF) Plant

The ABF plant is a joint venture between five (5) ASEAN countries, namely Malaysia, Thailand, Indonesia, Philippines and Singapore. The anhydrous ammonia and granular urea plant is operated by Asean Bintulu Fertilizer Sdn Bhd. The company commenced its commercial operations in 1985.

(Source: www.bda.gov.my)

(c) Shell Middle Distillate Synthesis Plant

Shell MDS (Malaysia) Sdn Bhd owns and operates the SMDS plant, a commercial gas to liquids plant in Bintulu. The plant converts natural gas into high quality synthetic oil products and specialty chemicals which are paraffinic and colourless. The plant started operations in 1993.

(Source: www.bda.gov.my)

(d) Sarawak Corridor of Renewable Energy (SCORE)

SCORE is a new development corridor in central of Sarawak. SCORE was established in 2008 and covers the areas of Tanjung Manis, Samalaju, Mukah, Baram and Tunoh. The 2008 to 2030 development plan for SCORE focuses on developing the energy sector and targets ten (10) high impact priority industries, being the aluminium, glass, steel, oil-based, palm oil, fishing and aquaculture, livestock, timber-based, marine and tourism industries.

(Source: www.recoda.com.my)

The bulk of the investments in SCORE are in the aluminium, steel and oil and gas sectors. In November 2014, Sarawak State Planning Unit Director Datuk Ismawi Ismuni announced that SCORE has secured nineteen (19) approved projects with a total estimated investment of RM30.4 billion, mainly in energy-intensive operations in Bintulu's Samalaju Industrial Park, one of SCORE's growth areas.

(Source: www.mida.gov.my)

Lahad Datu

As for Lahad Datu, it is located strategically between the towns of Tawau and Sandakan. Sabah has two (2) Palm Oil Industrial Clusters (POIC) which are located in Lahad Datu and Sandakan as part of the Sabah Development Corridor. POIC Lahad Datu is the first dedicated palm oil industrial cluster in Malaysia and has received encouraging response from investors since its inception and has two biodiesel plants in operation. POIC Lahad Datu has attracted RM4.5 billion in investments. POIC investors include those in the industries of biodiesel, palm oil and palm kernel milling, logistics and godowns, property development, manufacturing fertilisers and its supporting services.

(Source: www.mycorridor.malaysia.gov.my)

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6. BUSINESS OVERVIEW (Cont'd)

Sipitang Oil & Gas Industrial Park (SOGIP) is managed by the Sipitang Oil and Gas Development Corporation. It serves as a new focus point for oil and gas investment within the Sabah, Brunei and Labuan economic centres. The availability of oil and natural gas found off the shores of Sabah allows for development of industries that utilise oil and natural gas, especially the petrochemical industry. Petronas Chemicals Group Berhad will be developing the Sabah Ammonia Urea plant (SAMUR) in SOGIP, estimated to cost USD1.5 billion.

(Source: www.mycorridor.malaysia.gov.my)

As at LPD, we have yet to identify a suitable location within Lahad Datu, Sabah and within Bintulu, Sarawak for our Sabah and Sarawak offices cum stores. We estimate the cost of market expansion to be RM2.00 million for each location, which will be funded through our IPO proceeds.

Upon completion, our Group will be located closer to our customers, which will enable us to better understand our customers' needs. Our Group will also be able to improve our distribution channels as well as serve our customers better.

(ii) Upgrade of testing lab

Currently, there is a testing lab facility in Dancomech. At this juncture, our Group only uses the testing lab facility for Leser brand safety valves testing purposes. Our testing lab facility complements our trading operations. In the absence of a testing lab facility, we will need to return products (which are not defective) for further checking and testing if our customers require that the safety valves be set at a different pressure.

By conducting testing and checking in our testing lab facility, cost and time is minimised in the following manner:

- (a) reduces the time required given the testing and checking can be done in Malaysia rather than in our supplier's testing labs which are situated in Germany and Singapore; and
- (b) reduces the need for keeping safety valves of various pressure settings and therefore reducing our inventory cost. With the testing lab facility, the pressure setting of the safety valve may be adjusted subject to the pressure limits of the safety valve in question.

As part of our future plans, we intend to upgrade our testing lab facility which is expected to be completed within twelve (12) months after our Listing. The purpose of this testing lab facility is to enable our Group to conduct safety valves testing and perform repair services on our products upon request by our customers.

With the upgrading of our existing testing lab facility, we intend to become a Leser Authorised Repair Center ("LARC") subject to Leser pre-qualification criteria. Moving forward, our Group also aspires to utilise our testing lab facility to test and service Valves of various brands. This competitive advantage would complement our trading operations as it would enhance our after sales service and support to the customers.

To perform these upgrades, we need to upgrade and purchase new additional fittings, tools and machineries. Should the upgrades require installation of an unfired pressure vessel, the vessel would require a Certificate of Fitness under section 19 of the Factories and Machinery Act 1967 from the Department of Health and Safety in the Ministry of Human Resource of the government of Malaysia. The cost of the upgrades is estimated to be approximately RM0.50 million, which will be funded entirely via our IPO proceeds.

6. BUSINESS OVERVIEW *(Cont'd)*

(iii) Setting up of assembly line

In line with our future business plans, we also plan to expand the business by setting up a stainless steel flexible hose assembly line within twelve (12) months after our Listing.

The assembly line will be located at our premises, and will have a floor area of approximately 970 sq. ft. of our existing factory floor. The assembly line will be equipped with several tools and machineries, including hose cutter machine, welding machine, threading machine, heavy duty drill machine and welding rod. The welding machine does not require employment of a certified welder, although we intend to employ a certified welder to operate the same.

The cost of setting up and getting the assembly line into operation is estimated to be approximately RM0.50 million, which will be funded through our IPO proceeds. Upon completion, this will enable us to customise our stainless steel flexible hose to meet the requirements of our customers mainly in palm oil refineries.

(iv) Increase in product range

As at LPD, we carry a total of twelve (12) product categories as part of our PCE inventory and five (5) product categories as part of our Measurement Instruments inventory. We believe there is a good opportunity for growth through expanding the range of products we offer to our customer base. We intend to increase in product range within 12 months from the Listing date. We can do this either by:

- (a) acquiring distribution rights for additional products from our existing suppliers;
- (b) acquiring distribution rights from new suppliers; and
- (c) developing and selling new products under our own brands.

We believe that we are well-placed to increase the range of products we sell by acquiring distribution rights for additional products from our existing suppliers based on our established relationship and our established track record.

On the plan to expand the range of our products through the acquisition of distribution rights from new suppliers, we believe there is a good opportunity for such business strategy with our established track record in the business of trading and distributing PCE and Measurement Instruments over the last twenty six (26) years. Our diverse customer base of 1,459 customers from various industries, comprising traders and distributors, EPCC Contractors, engineering consultants, OEM, hardware retailers, equipment manufacturers and end users as at FYE 2015 together with the infrastructure in place including warehousing facilities provides assurance to potential suppliers in terms of reliability of orders, supply and distribution of various types of PCE and Measurement Instruments.

As at the LPD, we have expanded our product range with the supply of MPTE products in particular Pumps to the palm oil and oleochemicals industry subsequent to the acquisition of distribution right from KSB Malaysia Pumps & Valves Sdn Bhd on 21 October 2015. Pump is a device used to move fluids by mechanical action. Together with the said distribution right, we have been granted seven (7) exclusive or sole distributorship rights and eleven (11) distributorship rights by our suppliers in respect of certain products as at the LPD.

We see the opportunity to offer our customer base a wider range of products by developing and selling new products under our own brands as the revenue contributed by the sales of products under our own brands have been increasing steadily for the past four (4) FYEs from approximately RM23.57 million in FYE 2012 to RM26.64 million in FYE 2015. The manufacturing of our own brand products are outsourced to our OEM, which are based in the People's Republic of China and Taiwan.