

6. BUSINESS OVERVIEW *(Cont'd)*

6.18.2 Prospects

Our Group operates within the PCE and Measurement Instruments market in Malaysia, with much of its prospect hinging upon the investment decision of market players within the end user markets, among others, the oil and gas industry, the palm oil industry and the water services industry. As the investment decisions are often determined by business profitability, any prolonged unfavourable pricing trend of hydrocarbon and crude palm oil would result in cuts or deferrals of investment within the oil and gas and palm oil industries thus adversely affect the demand for our products.

The oil and gas industry has witnessed a declining trend of crude oil prices since June 2014. The downward pricing trend persisted in 2015 where crude oil prices dropped to an average of USD50.8 per barrel in 2015. 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. Moreover, PETRONAS 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. Accordingly, our Group anticipates a softened demand from the oil and gas industry in the medium term. Notwithstanding the current bearish scenario, crude oil prices could rebound and move higher if any of demand and supply factors begin to reverse. As such, we believe that the demand for our products would increase should oil prices rebound and move higher.

(Source: IMR Report)

Likewise in the palm oil industry, crude palm oil prices generally trended downward in 2015. As the declining pricing trend would exert pressure on business profitability of palm oil industry, we anticipate a lower demand for our products from the said industry in the short term as the palm oil players cut or defer their investment decisions for capacity expansion and equipment maintenance and upgrade. Nonetheless, 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. We expect the demand for PCE and Measurement Instruments to improve in tandem with improving crude palm oil prices. In addition, we also believe the performance of palm oil industry would improve in the medium to long term as the underlying demand for palm oil in the global market remains strong in relation to population growth. The United Nations Food and Agricultural Organisation has projected the world population to grow to 9.73 billion by 2050 from 7.35 billion in 2015. In addition, the targeted introduction of biodiesel B10 involving the blending of 10% of palm oil with 90% of petroleum diesel is set to further increase the domestic demand for palm oil in the long term. Given the prospect of palm oil industry, we expect the demand for our products remain supported in the short term, stemming from the replacement of faulty equipment; and favourable in the medium to long term, attributed to the underlying demand for palm oil that would encourage more investment in the palm oil industry.

(Source: IMR Report)

On top of that, our Group believes that demand from the water services industry remains strong amid growing demand in relation to the population growth to reach 38.6 million by 2040 from an estimated size of 30.5 million in 2013. More importantly, the lower reserve margin of water treatment plants at 15.7% in 2014 as compared to 16.1% in 2012 highlighted the need for expansion in plant capacities to meet growing demand. Furthermore, the water services industry continued to receive attention from the government. As outlined in the 11MP, the Malaysian government is committed to continue investing in the expansion of water and sewerage networks and treatment capacity. Accordingly, demand for PCE and Measurement Instruments would increase.

(Source: IMR Report)

6. BUSINESS OVERVIEW (Cont'd)

Correspondingly, growing trend for industrial automation and the reinforcement of environmental protection legislations in Malaysia is also expected to provide the impetus to growth in demand for the PCE and Measurement Instruments.

(Source: IMR Report)

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. Consequentially, our PAT, after excluding the extraordinary gain of RM8.44 million from disposal of property, plant and equipment, has also increased by 15.02% 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. Hence, our PAT also declined in FYE 2014 by 18.69% after excluding the one-off gain of RM8.44 million on disposal of property, plant and equipment in FYE 2013.

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. Consequentially, our PAT also decreased by 20.92% or RM2.97 million. As explained in the IMR Report in Section 7, the decline in sales volume was due to the unfavourable price trend of crude oil and crude palm oil in 2015. As noted earlier, crude oil prices dropped to an average of USD50.8 per barrel in 2015, representing a decline of 47.2% as compared to 2014. As for the crude palm oil, the average price dropped by 9.7%. Due to the price trend of crude oil and crude palm oil, 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 from these two industries is detailed in Section 4.2.2.

As compared to FYE 2012, the net cash generated from our operating activities in FYE 2015 has registered a positive growth from RM7.23 million to RM12.03 million. In FYE 2015, our current ratio remains at a healthy level of 4.59 times and our gearing ratio is relatively low at 0.11 times. Our Management's discussion and analysis of our financial condition, results of operations and prospects are as set out in Section 12.

Dancomech is principally involved in trading and distribution activities and as such we do not incur large capital expenditure. Over the last four (4) FYEs, our Group's largest capital expenditure was incurred for the acquisition and construction of our new headquarters cum warehouse in FYE 2014. Moving forward, we plan to expand our business by setting up a stainless steel flexible hose assembly line which will be funded through our IPO proceeds. Such assembly line also does not involve material capital expenditure, with the cost of setting up and getting the assembly line into operation estimated to be approximately RM0.50 million.

Overall, our business is affected by the downward pricing trend of crude oil and crude palm oil. However, the impact is mitigated by the fact that 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. Over the last four (4) financial years, our customer base has increased from 1,131 customers in FYE 2012 to 1,459 customers in FYE 2015, with more than 5 of our top 10 customers for FYE 2015 have been dealing with us for at least 5 years. We put in efforts to establish long term relationships with our customers but we are not heavily reliant on any one of these customers. The majority of our sales are not based on large purchase orders and hence we are able to sustain our business even in the absence of large purchase orders from our customers who are involved in large projects usually related to the oil and gas industry.

6. BUSINESS OVERVIEW (Cont'd)

In addition, our business involve supplying components for the industrial pipeline system. Despite market conditions, the end users will still need to incur operating expenditure in order to maintain their existing industrial pipeline system for their business operations. Hence, our business is partly supported from the need for replacement of Valves by new or existing customers.

To mitigate the impact of the downward pricing trend of crude oil and crude palm oil, we are also gradually increasing our exposure to the water treatment and sewerage industry which has a positive outlook moving forward. The Malaysian population is projected to grow steadily to reach 38.6 million by 2040, and this is expected to spur the continued demand for water services moving forward. A higher demand for water services will translate to greater expansion in water treatment and sewerage facilities. The increased revenue from this industry is expected to compensate for the short term volatility of the crude oil and crude palm oil prices.

Further, according to the IMR Report, the PCE and Measurement Instruments market for industrial pipeline systems in Malaysia is projected to grow at a CAGR of 3.2 per cent from 2016 to 2020 to reach RM2.52 billion in 2020.

Based on the positive outlook for the PCE and Measurement Instruments market in the long term, our future plans and strategies, and our competitive advantages as outlined in Section 6.1.1(g), our Board is of the view that we are well positioned to enjoy positive growth in the foreseeable future. Whilst we recognise the existence of market challenges in the industry and the various risk factors as outlined in Section 4, we are committed to our business and our growth strategies which have been put in place to propel us to be a stronger player in the PCE and Measurement Instruments market.

Nevertheless, in the short term, our profit margin may be affected due to additional costs to be incurred in connection with compliance with the Listing Requirements and corporate governance, and also due to the unfavourable pricing trend of crude oil. One of our strategies to maintain our profitability is to price competitively in order to attract new customers and maintain existing customers. We will also source for new suppliers who can provide competitive pricing without compromising quality and increase in product range that are increasingly in demand in the market and hence more profitable to Dancomech.

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7. INDUSTRY OVERVIEW

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Protégé
ASSOCIATES

BRAND | FINANCE | MARKET

27 MAY 2016

The Board of Directors
Dancomech Holdings Berhad
No.19, Jalan Pelukis U1/46,
Temasya Industrial Park,
40150 Shah Alam,
Selangor

Dear Sirs,

**Executive Summary of the Strategic Analysis of the Process Control Equipment
and Measurement Instruments Market in Malaysia and an Overview of the
Indonesian Market**

This Executive Summary of the 'Strategic Analysis of the Process Control Equipment and Measurement Instruments Market in Malaysia and an Overview of the Indonesian Market' is prepared by Protégé Associates Sdn. Bhd. ("Protégé Associates") dated May 2016 for inclusion in the Prospectus of Dancomech Holdings Berhad ("Dancomech" or "the Company") in relation to the proposed listing of and quotation for the entire issued and paid-up share capital of Dancomech on the Main Market of Bursa Malaysia Securities Berhad.

1 MALAYSIAN ECONOMIC OVERVIEW

The Malaysian economy registered a strong finish in 2014. It expanded at a faster pace of 6.0 percent in 2014 on the back of continued expansion in domestic demand and an improvement in external trade performance. In 2015, the Malaysian economy remained resilient despite a challenging external environment, including slowing world trade, declining commodity prices and volatility in financial markets. The Malaysian economy expanded by 5.0 percent in 2015.

The Malaysian economy is expected to grow by between 4.0 to 4.5 percent in 2016. The services sector and manufacturing sector are expected to remain the largest contributor to the economy by accounting for more than half of Malaysia's real Gross Domestic Product ("GDP") in 2016.

2 STRATEGIC ANALYSIS OF THE PROCESS CONTROL EQUIPMENT AND MEASUREMENT INSTRUMENTS MARKET IN MALAYSIA

2.1 INTRODUCTION AND BACKGROUND

The market for process control equipment and measurement instruments is a branch of the larger industrial automation market. Industrial automation, as opposed to manual labour, revolves around the use of information technologies and control systems to automate the production of goods in the industrial sector. The different segments of industrial automation include process control equipment and measurement instruments, laser and robotic equipment, system products and solutions, mechanical power transmission equipment, and machineries.

- The **laser and robotic equipment** segment includes 2 types of technologies namely laser technology and robotic technology. Laser technologies pertain to the

7. INDUSTRY OVERVIEW (Cont'd)



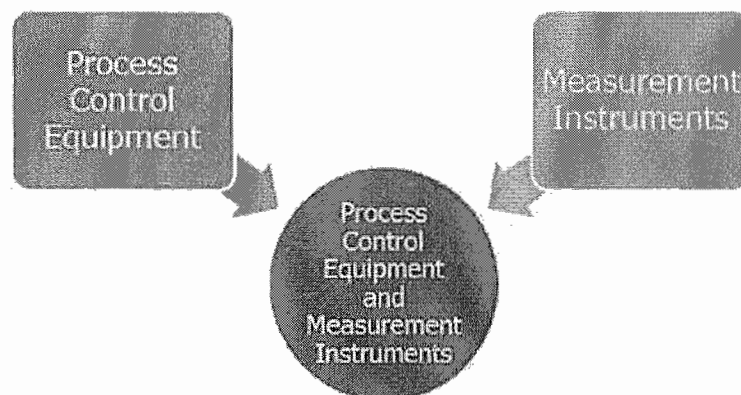
use of laser during the manufacturing process, while robotic technologies involve the application of robots as well as robotic automation.

- The **system products and solutions** segment refers to the application of technological products and solutions that integrate hardware and software to automate a process.
- The **mechanical power transmission equipment** segment entails the use of mechanical elements such as chains, belts, gears, screws, pneumatics, hydraulics, pumps, motor and related products to harness power transmission.
- The **machineries** segment includes devices utilised to facilitate the conversion of input energy into certain automated processes.
- The **process control equipment and measurement instruments** segment includes the equipment and instruments used to provide appropriate signal transformation and variable measurement, and to direct a process according to signals.

In Malaysia, process control equipment and measurement instruments are widely used in sectors such as oil and gas, palm oil, water services and manufacturing industries as a component of the industrial pipeline systems.

The process control equipment and measurement instruments market comprises 2 categories i.e. process control equipment and measurement instruments as depicted in Figure 1 below.

Figure 1: Process Control Equipment and Measurement Instruments Segmentation



Source: IMR report

7. INDUSTRY OVERVIEW (Cont'd)



Process Control Equipment

Process control equipment refers to equipment used to provide appropriate signal transformation and direct a process according to signals. Process control equipment includes but is not limited to, actuators, bursting discs, expansion joints, float traps, flow products, positioners, sensors, strainers, switches, tank protection devices, tank ball floats and valves.

Measurement Instruments

Measurement instruments are equipment and instruments that are used in variable measurement. Measurement instruments include but are not limited to gauges, pressure transmitters, recorders and sight glasses.

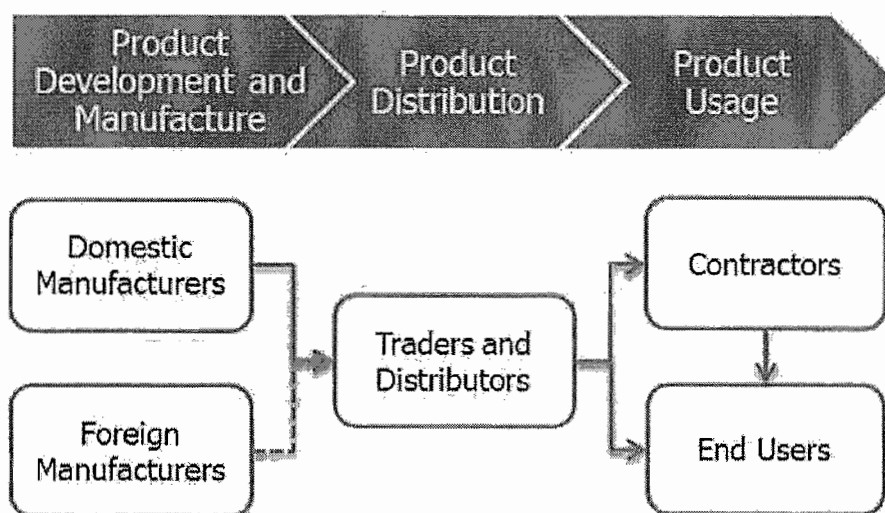
Dancomech Holdings Berhad and its subsidiaries ("Dancomech Group") is principally involved in the process control equipment and measurement instruments market by supplying process control equipment and measurement instruments for industrial piping systems in Malaysia. Therefore, this report will focus on process control equipment and measurement instruments market for industrial piping systems in Malaysia. An overview of the process control equipment and measurement instruments market will also be provided for Indonesia.

2.2 PRODUCT FLOW OF THE PROCESS CONTROL EQUIPMENT AND MEASUREMENT INSTRUMENTS MARKET

The product flow of process control equipment and measurement instruments in Malaysia typically involve 4 groups of market participants namely (i) manufacturers, (ii) traders and distributors, (iii) contractors and (iv) end users. These market participants contribute towards the development and manufacture, distribution and purchase and use of the products respectively.

7. INDUSTRY OVERVIEW (Cont'd)

Figure 2: Product Flow of the Process Control Equipment and Measurement Instruments Market



Note: ---> denotes import of products

Source: IMR report

Manufacturers are the producers of process control equipment and measurement instruments in Malaysia. These manufacturers, whether domestic or foreign, typically market their products under their brand names. There are also manufacturers offering original equipment manufacturer ("OEM") services to their clients.

Traders and distributors are the distribution channel for both locally-manufactured and imported process control equipment and measurement instruments. They conduct the marketing, sales and distribution of the various categories of products.

Contractors typically undertake facilities development projects for the end-users on a turnkey basis. Facilities development projects may range from the construction of new production/ processing facilities to the refurbishment or maintenance of existing facilities. These projects require the use of numerous products, including those from the process control equipment and measurement instruments market.

End users of process control equipment and measurement instruments are industrial sectors deploying automation systems, such as the palm oil industry, oil and gas industry, water services industry, manufacturing industry and others.

7. INDUSTRY OVERVIEW (Cont'd)



2.3 END-USER MARKETS FOR THE PROCESS CONTROL EQUIPMENT AND MEASUREMENT INSTRUMENTS

The following sub-sections provide an overview of selected key end-user segments for process control equipment and measurement instruments.

2.3.1 The Oil and Gas Industry

The oil and gas industry revolves around the exploration, extraction and processing of fossil fuels, namely crude oil and natural gas.

Malaysia's total average production increased by 2.3 percent from 1,621,000 barrels of oil equivalent ("boe") per day in 2013 to 1,658,000 boe per day in 2014, attributed to sound reservoir management which include intensified production enhancement, as well as improved oil recovery activities at maturing fields. The year 2014 saw the new production from 13 fields, thus increasing the total number of producing oil and gas fields in Malaysia to 145 fields as compared to 132 fields in 2013.

On a closer look, the average crude oil and condensate production in Malaysia increased by 4.9 percent to 603,000 boe per day in 2014 as compared to 575,000 boe per day in 2013 while gas production averaged at 1,055,000 boe per day in 2014 as compared to 1,046,000 boe per day in 2013. Figure 3 depicts Malaysia's average oil and gas production from 2011 to 2014.

Figure 3: Malaysia's Average Oil and Gas Production, 2011-2014

Year	'000 boe per day			
	Crude Oil	Condensate	Gas	Total
2011	460	109	989	1,558
2012	472	114	1,001	1,587
2013	462	113	1,046	1,621
2014	494	109	1,055	1,658

Source: IMR report

The overall production level of crude oil in Malaysia is shaped by the National Depletion Policy, which was implemented to safeguard the exploitation of the national oil reserves and therefore ensuring the sustainability of its development. Malaysia's total discovered

7. INDUSTRY OVERVIEW (Cont'd)



resources as at 1 January 2015 stood at 23.2 billion boe as compared to 22.6 billion boe as at 1 January 2014.

In 2014, close to 12.6 million metric tonnes of crude petroleum and close to 25.1 million metric tonnes of liquefied natural gas ("LNG") were exported – higher than the 11.8 million metric tonnes of crude petroleum and 24.9 million metric tonnes of LNG exported in 2013. During the same year, total imports volume for crude petroleum increased to 10.4 million metric tonnes as compared to 8.9 million metric tonnes in 2013.

Moving to 2015, crude petroleum exports increased to 15.6 million metric tonnes while LNG exports were higher at slightly over 25.1 million metric tonne. During the same year, total imports volume for crude petroleum dropped to 8.9 million metric tonnes.

At the downstream side, the production volume of selected main refined petroleum products in Malaysia from 2011 to 2015 is depicted in Figure 4. In 2014, the production of diesel oil, gasoline, liquefied petroleum gas and naphtha dropped as compared to the previous. However, production of fuel oil, kerosene and blended lubrication oil improved in 2014.

In 2015, the production of blended lubricating oil, fuel oil, gasoline, liquefied petroleum gas declined as compared to 2014. However, production of diesel oil, kerosene and naphtha increased compared from the previous year.

Figure 4: Production Volume of Selected Main Refined Petroleum Products in Malaysia, 2011-2015

Selected Main Refined Petroleum Products	'000 metric tonnes				
	2011	2012	2013	2014	2015
Blended lubricating oil	148	148	154	156	88
Diesel Oil	10,000	11,755	11,234	11,070	11,395
Fuel Oil	2,790	3,226	2,399	2,915	2,642
Gasoline	5,510	5,543	5,331	5,289	5,284
Kerosene	3,560	3,504	3,270	3,487	3,706
Liquefied Petroleum Gas	3,036	2,804	2,534	2,377	2,293
Naphtha	3,397	4,163	3,969	3,486	3,787

Source: IMR report

7. INDUSTRY OVERVIEW (Cont'd)



In 2014, the export volume of petroleum products decreased to 22.4 million metric tonnes as compared to 22.9 million metric tonnes in 2013. During the same year, total import volume for petroleum products increased to 26.6 million metric tonnes as compared to 25.4 million metric tonnes in 2013. In 2015, the export volume of petroleum products further dropped to around 20.9 million metric tonnes while import volume expanded to around 29.4 million metric tonnes.

More recently, the oil and gas industry was affected by unfavourable prices. 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, 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 4 years.

Nonetheless, growth in the local oil and gas industry is expected to be supported by the inclusion of oil, gas and energy as one of the National Key Economic Areas ("NKEAs") that are given priority in terms of investments and policy support under the Economic Transformation Programme ("ETP"). A 5.0 percent annual growth in the decade from 2010 to 2020 is being targeted by the oil, gas and energy NKEA.

The Petrochemicals Industry

Petrochemicals refer to chemicals derived from hydrocarbons that are produced from petroleum refining activities. Major finished products of crude oil refining include fuels, petrochemical feedstock, solvents, process oils, lubricants and special products such as wax, asphalt and coke. Together with the availability of natural gas, growth in the petrochemical industry is supported by a stable supply of petrochemical feedstock.

There are 6 operating refineries in Malaysia with a total refining capacity of over 500,000 barrels per day. 3 of the refineries, namely PETRONAS Penapisan (Melaka) Sdn Bhd, Malaysian Refining Company Sdn Bhd and PETRONAS Penapisan (Terengganu) Sdn Bhd, are PETRONAS-owned while remaining 3 refineries are operated by foreign operators.

The production of feedstock in Malaysia provides a stable raw material supply to the participants of the petrochemical industry. To date, The Malaysian Petrochemicals Association, an industry association representing the petrochemical industry of Malaysia,

7. INDUSTRY OVERVIEW (Cont'd)



has 27 members involved in the production and trading of petrochemicals and plastic resins.

To sustain the competitiveness of the Malaysian petrochemical industry, value integration through inter-plant synergies is promoted by the local government. The development of petrochemical zones where petrochemical plants are clustered together has created a value chain, which ensures the progressive development of downstream petrochemicals activities. To date, 3 major petrochemical zones have been established in Kertih, Terengganu; Gebang, Pahang; and Pasir Gudang/ Tanjung Langsat, Johor. Other petrochemical plants in Malaysia include the ammonia and urea plants in Bintulu, Sarawak and Gurun, Kedah; acrylonitrile butadiene styrene plant in Penang; methanol plant in Labuan and the nitrile-butadiene rubber plant in Kluang, Johor.

2.3.2 The Palm Oil Industry

The palm oil 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.

The year 2014 recorded a mixed performance for the palm oil industry in Malaysia. Crude palm oil ("CPO") production saw improved performance against the prior year, while export was moderated in the said year. The CPO prices were generally increasing in January and February and peaked at RM2,855 per tonne in March before decreasing from April to September. The declining pricing trend was attributed to a stronger global edible oil supplies and a weaker demand from China that caused an oversupply in the market. Nonetheless, CPO prices rebounded in October to RM2,172 per tonne from September's RM2,056 per tonne. Despite the slight decline of CPO prices to RM2,144 per tonne in December, average CPO prices in 2014 increased to RM2,408 per tonnes compared to RM2,371 per tonne in 2013.

In 2014, the total oil palm planted area stood at 5.4 million hectare ("ha"), an increase of 3.1 percent of the 5.2 million ha from the previous year. This was mainly due to an increase of 5.0 percent of planted area in Sabah and Sarawak from 2.6 million ha in 2013 to 2.8 million ha in 2014.

7. INDUSTRY OVERVIEW (Cont'd)



In addition, CPO production increased by 2.3 percent to reach 19.7 million tonnes in 2014 against 19.2 million tonnes in 2013, driven by the higher oil extraction rate that increased to 20.6 percent as opposed to 20.3 percent in 2013.

In 2015, CPO production improved against the prior year, while prices declined during the year. CPO was traded at an average of RM2,219 per tonne in the first half of 2015 and trended downwards during the second half of 2015. The declining trend was attributed to weaker prices of soybean and rapeseed oil (which can be used as a substitute of palm oil), a weaker demand from China, and the continued weak crude oil prices that affected the demand for biofuel. The average CPO price in 2015 stood at RM2,153 per tonne.

In 2015, the total oil palm planted area stood at 5.6 million ha, an increase of 4.6 percent from 5.4 million ha in 2014. This is mainly due to the increase in planted areas in Sarawak, which expanded by 13.9 percent from close to 1.3 million ha in 2014 to around 1.4 million ha in 2015.

In addition, CPO production increased by 2.3 percent to close to 20.0 million tonnes in 2015 against 19.7 million tonnes in 2014, driven by the higher amount of fresh fruit bunches ("FFB") processed by mills that increased to 97.6 million tonnes as opposed to 95.4 million tonnes in 2014.

Figure 5: Summary of the Palm Oil Industry Performance, 2012-2015

Year	2012	2013	2014	2015
Average price of CPO (RM per tonne)	2,764	2,371	2,408	2,153
CPO production (million tonnes)	18.8	19.2	19.7	20.0
FFB yield (tonnes per ha)	18.89	19.02	18.63	18.48
Oil palm planted area (million ha)	5.1	5.2	5.4	5.6
Palm oil export (million tonnes)	17.6	18.1	17.3	17.4

Source: IMR report

7. INDUSTRY OVERVIEW (Cont'd)



Exports of palm oil also decreased by 4.8 percent to 17.3 million tonnes in 2014 compared to 18.1 million tonnes in 2013. The decrease in Malaysian palm oil export in 2014 was mainly due to lower demand from China, Pakistan, USA, Ukraine and Iran in addition to the impact of new CPO export duty structure.

India overtook China's position as Malaysia's largest palm oil export market for 2014, importing 3.2 million tonnes or 18.5 percent of total palm oil exports. This was followed by China with 2.8 million tonnes (16.4 percent), the European Union ("EU") with 2.4 million tonnes (14.0 percent), Pakistan with 0.8 million tonnes (4.7 percent), USA with 0.8 million tonnes (4.5 percent), Vietnam with 0.6 million tonnes (3.5 percent) and Japan with 0.5 million tonnes (3.0 percent). These 7 markets combined accounted for around 11.19 million tonnes or about 64.8 percent of Malaysian total palm oil exports in 2014.

Exports of palm oil increased marginally by 0.8 percent to 17.4 million tonnes in 2015 compared to 17.3 million tonnes in 2014. The increase in Malaysian palm oil exports in 2015 was mainly due to higher demand from India, Turkey, Philippines and South Africa.

India continued to be the largest Malaysian palm oil export market in 2015 by importing 3.7 million tonnes or 21.2 percent of total palm oil exports. This was followed by the EU with 2.4 million tonnes (13.9 percent), China with 2.4 million tonnes (13.6 percent), Pakistan with 0.7 million tonnes (4.1 percent), USA with 0.7 million tonnes (4.0 percent), Philippines with close to 0.7 million tonnes (3.7 percent) and Vietnam with close to 0.6 million tonnes (3.3 percent). These 7 markets combined accounted for 11.15 million tonnes or 63.9 percent of total Malaysian palm oil exports in 2015.

In 2014, exports of oleochemical products increased by 3.7 percent to 2.83 million tonnes. The major export destinations for locally produced oleochemicals were the EU with 0.6 million tonnes (22.6 percent of total oleochemical exports), China with 0.4 million tonnes (15.2 percent), USA with 0.3 million tonnes (9.2 percent), Japan with 0.2 million tonnes (7.8 percent). The major oleochemical products exported were fatty acids (32.2 percent of total oleochemical exports), followed by methyl ester (20.1 percent), fatty alcohol (18.7 percent), soap noodles (15.2 percent) and glycerine (12.4 percent). Meanwhile, exports of palm oil biodiesel decreased by 61.5 percent from 175,032 tonnes in 2013 to 67,354 tonnes in 2014 due to a slumping crude oil prices that caused a slowdown in the demand for biodiesel.

7. INDUSTRY OVERVIEW *(Cont'd)*



In 2015, exports of oleochemical products increased by 0.7 percent to 2.85 million tonnes. The major export destinations for locally produced oleochemicals were the EU with close to 0.6 million tonnes (19.8 percent of total oleochemical exports), China with 0.4 million tonnes (14.4 percent), USA with 0.3 million tonnes (8.9 percent), Japan with 0.2 million tonnes (8.2 percent), and India with close to 0.2 million tonnes (5.4 percent). The major oleochemical products exported were fatty acids (32.6 percent of total oleochemical export), followed by fatty alcohol (19.3 percent), methyl ester (17.2 percent), soap noodle (16.1 percent) and glycerine (13.3 percent). On the other hand, exports of palm oil biodiesel increased by 104.8 percent from 87,356 tonnes in 2014 to 178,942 tonnes in 2015, mainly attributed from increased exports to key importing countries such as China, South Korea and Singapore.

2.3.3 The Water Services Industry

The water services industry in Malaysia comprises 2 main elements i.e. the supply of clean water through water treatment, and wastewater management through sewage systems.

Water treatment involves the process of removing undesirable chemicals, physical and biological contaminants from raw or contaminated water to produce water that is suitable for specific applications, such as human consumption, medical and pharmacology, chemical and industrial applications.

The year 2013 saw an increase in total number of operational water treatment plants to 486 from 475 in 2012, thus raising the water treatment capacity from 17,901 million litres per day ("MLD") to 18,322 MLD. However, the additional capacity is yet to cope with the demand for water treatment services in Malaysia as the reserve margin in water treatment plants fell from 16.1 percent to 15.2 percent due to increased production from 15,012 MLD to 15,531 MLD. This issue is particularly severe in Kedah where its production of 1,322 MLD exceeded its capacity of 1,300 MLD in 2013. Other than that, Selangor is also facing shortages in treated water supply with 4,563 MLD of production versus 4,606 MLD of capacity, leaving only 0.9 percent of reserve margin in 2013.

Demand for clean water continued to rise in 2014 to 10,176 MLD. During the year, total number of operational water treatment plants improved to 505 plants, thus increasing the water treatment capacity to 18,730 MLD. Reserve margin in water treatment plants expanded to 15.7 percent but Kedah and Selangor continued to exhibit low reserve

7. INDUSTRY OVERVIEW (Cont'd)



margin of less than 1 percent. In Kedah, production of treated water stood at 1,299 MLD with its capacity of 1,300 MLD while Selangor's production stood at 4,594 MLD with its capacity of 4,606 MLD.

Aside from the water treatment, wastewater treatment is the other essential component in water services. Wastewater treatment involves removal of physical, chemical and biological contaminants to produce an environmentally-safe treated effluent system.

The sewage systems in Malaysia consist of public sewage treatment plants, private sewage treatment plants, septic tanks and pour flushes. Public sewage treatment plants have the largest share of 60.7 percent, or around 22.5 million of population equivalent in the sewage treatment services industry. The wastewater treatment industry is primarily led by Indah Water Konsortium Sdn Bhd, Taliworks Corporation Berhad and Veolia Water Malaysia, together with 200 to 300 small and medium enterprises.

2.4 MARKET DYNAMICS ANALYSIS

2.4.1 Market Dynamics Scorecard

Figure 6: Market Dynamics Scorecard for the Process Control Equipment and Measurement Instruments Market in Malaysia

Market Dynamics Indicators	Measurement	Trends
2015 Market Size (RM billion)*	2.17	-
2020 Forecast Market Size (RM billion)*	2.52	-
Forecast Period Market Compound Annual Growth Rate ("CAGR") * (2016 – 2020) (%)	3.2	-
Types of Market Players	Around 1,800 to 2,000 market players with varying sizes. Market players include manufacturers, traders and distributors, and local subsidiaries of international market players	Stable
2015 to 2020 Demand Conditions	Favourable over the long term and underpinned by growing demand for the water services industry, continued growth in the manufacturing industry, expansion in the palm oil industry, continuous investment in the oil and gas industry, growing trend for industrial automation, and enforcement of environmental protection legislations	Increasing
2015 to 2020 Supply Conditions	Favourable with government support for machinery and equipment industry	Increasing

7. INDUSTRY OVERVIEW (Cont'd)



Note:

* Market size and CAGR forecast on process control equipment and measurement instruments market for industrial pipeline systems in Malaysia

Source: IMR report

2.4.2 Historical Market Performance and Growth

The process control equipment and measurement instruments market for industrial pipeline systems in Malaysia is set to see sustained growth from 2014 to 2020. The growth trend is in contrast to the decline seen in 2013. During that year, the process control equipment and measurement instruments market for industrial pipeline systems was valued at RM2.04 billion, a 6.9 percent decline from the RM2.19 billion achieved in 2012. This was due to sluggish oil and gas project implementation domestically, particularly the delay in the Refinery and Petrochemical Integrated Development ("RAPID") project as PETRONAS conducted a project review in light of cost escalations. In 2014, the process control equipment and measurement instruments market for industrial pipeline systems rebounded from its negative growth as PETRONAS announced its final investment decision to approve the development of the RAPID project.

In 2015, the process control equipment and measurement instruments market for industrial pipeline systems in Malaysia grew at a slower pace in tandem with the downward pricing trends of crude oil and CPO. During the year, average crude oil prices declined by 47.2 percent to USD50.8 per barrel from USD96.2 per barrel in 2014 while average CPO prices dropped 9.7 percent to RM2,153 per tonne from RM2,384 per tonne recorded in the previous year. Consequently, market players within the oil and gas and palm oil industries were pressured on the business profitability and have shied away from new investment or reduce or defer their investment decisions. Despite the unfavourable conditions in the oil and gas and palm oil industries, the process control equipment and measurement instrument market for industrial pipeline systems in Malaysia registered a positive growth of 1.3 percent, 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 industries

7. INDUSTRY OVERVIEW (Cont'd)



Figure 7: Market Size and Growth Forecast for the Process Control Equipment and Measurement Instrument Market for Industrial Pipeline Systems in Malaysia, 2012-2020

Year	Market Size (RM billion)	Growth Rate (%)
2012	2.19	-
2013	2.04	-6.9
2014	2.14	5.0
2015	2.17	1.3
2016	2.22	2.0
2017	2.29	3.1
2018	2.36	3.4
2019	2.44	3.3
2020	2.52	3.0

CAGR (2016-2020): 3.2 percent

Note: All figures are rounded; the base year is 2015.

Source: IMR report

Moving forward, the market is forecasted to exhibit irregular growth in relation to the performance of end-user markets. Growth is expected to remain modest in 2016 amid unfavourable crude oil prices which may hinder investment in the oil and gas industry.

In the oil and gas industry, 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, 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 4 years.

Nonetheless, the market is expected to be supported by sustained demand stemming from the water services and manufacturing industries. The process control equipment and measurement instrument market for industrial pipeline systems is also expected to grow on the back of expansion in the palm oil industry

Despite the unfavourable pricing trend in 2015, CPO prices began to exhibit signs of recovery as prices increased from RM2,251 per tonne in January to RM2,647 per tonne in April 2016. CPO prices are also expected to continue to gain growth momentum amid

7. INDUSTRY OVERVIEW (Cont'd)



anticipated lower CPO supply due to prolonged El Nino drought that affect the fresh fruit bunches yield thus resulting in lower feedstock for CPO production. CPO supply is expected to decline in tandem with lower production, thus augurs well for the growth of CPO prices.

The palm oil industry in Malaysia is also likely to see a growth in demand over the long term considering that its products cater for the global marketplace. The Food and Agricultural Organisation ("FAO") has projected that the world population will grow to 9.73 billion by 2050 (from 7.35 billion as at 2015) with the majority of growth occurring in Asia.

The process control equipment and measurement instruments market for industrial pipeline systems in Malaysia is expected to register slower growth in 2016 and improve over the medium to long term, stemming from the growing demand for the water services industry, continued growth in the manufacturing industry, expansion in the palm oil industry, continuous investment in oil and gas industry, growing trend for industrial automation, and the enforcement of environmental protection legislations.

On the supply side, government support to position the country as the main distribution centre in the region for all types of machinery and equipment is likely to spur the growth in the process control equipment and measurement instruments market particularly in the trading/ distribution segment.

The process control equipment and measurement instruments market for industrial pipeline systems is projected to register a CAGR of 3.2 percent from 2016 to 2020 and valued at RM2.52 billion in 2020.

7. INDUSTRY OVERVIEW (Cont'd)



The process control equipment and measurement instruments market is highly competitive and comprises around 1,800 to 2,000 market participants. There are 5 known manufacturers in the process control equipment and measurement instrument market, with the rest involved in the market as traders/ distributors, or as subsidiaries of international market players.

Manufacturers consist of local market players who manufacture and distribute process control equipment and measurement instruments under their own brand names. Some manufacturers also distribute products of other brand names – usually those of global manufacturers – in the local market as a means to comprehensively cater to the broad needs of end-users.

Traders and distributors consist of market players involved in the distribution of process control equipment and measurement instruments. Larger and more established market players are able to procure distributorship of renowned global equipment producers, and act as the agency of these brands in the country. Some traders and distributors are also involved in the provision of products other than process control equipment and measurement instruments. Larger distributors are distinguishable from smaller players by the size of their product portfolio and past experience.

Subsidiaries of international market players consist of local subsidiaries of multinational companies manufacturing or distributing process control equipment and measurement instruments. Subsidiaries of international manufacturers usually have sole distributorship of their parent brands in the local market, and usually only distribute their parent brands. On the other hand, subsidiaries of international distributors distribute process control equipment and measurement instruments of more than 1 brand. Examples of subsidiaries of international market players include Alfa Laval Malaysia Sdn Bhd, AVK Valves Manufacturing Malaysia Sdn Bhd, Cameron (Malaysia) Sdn Bhd, Emerson Process Management (Malaysia) Sdn Bhd, Mikuni (M) Sdn Bhd, Mokveld Malaysia Sdn Bhd, Penaga Dresser Sdn Bhd and Pentair Valves & Controls Malaysia Sdn Bhd (formerly known as Tyco Valves & Controls (M) Sdn Bhd).



2.5.1 Key Market Players

Dancomech Group is principally involved in the trading and distribution segment of the process control equipment and measurement instruments market for industrial pipeline systems in Malaysia. Therefore, Protégé Associates has further listed below key market players within the trading and distribution segment of the Malaysia's process control equipment and measurement instruments market for industrial pipeline systems that are comparable to Dancomech Group, their key activities and latest financial results. These market players are selected based on primary and secondary research conducted. The list of key players is not exhaustive and each player's product offerings may not exactly coincide with others. These key market players are selected based on their product offerings as well their size as represented by their respective financial performance.

- **Dancomech Group**

Dancomech Group is principally involved in the trading and distribution of process control equipment and measurement instruments. Dancomech Group is a distributor for products of various foreign brand names, such as Ayvaz, Crane Flowseal, DHC, Diaval, DSC, Eurotec, Festo, Fival, Korea Float, Korea Steel Power Corporation, Leser, Max Mueller, Neway, Power-Genex, Rembe, Ritag, Rototherm, Sun Yeh, and Uni-D. In addition, Dancomech Group also engages OEM services from manufacturers to produce process control equipment and measurement instruments and sell the products under its own brand names, namely Omaval, VMX and Wagj. Dancomech Group's products are supplied to both domestic and export markets, including Indonesia. For the financial year ended ("FYE") 31 December 2015, Dancomech Group recorded revenue of RM68.3 million.

Process control equipment and measurement instruments for industrial piping systems are supplied mainly to the oil and gas, palm oil, water services and manufacturing industries that are also the end-users of the other product segments of the industrial automation sector namely laser and robotic equipment, system products and solutions, mechanical power transmission equipment and machineries. Therefore, market players within the process control equipment and measurement instruments market, like Dancomech Group, is well positioned to expand into other segments within the industrial automation sector. Accordingly, in 2015, Dancomech Group has expanded their products offerings with the supply of pumps to the palm oil industry.

7. **INDUSTRY OVERVIEW (Cont'd)**

- **Encord Sdn Bhd (“Encord”)**

Encord is principally involved in the provision of control valves equipment in Malaysia, and to China and Singapore for various industries, such as oil and gas sector, petrochemical plants, shipyards, processing industry and other general sectors. Encord distributes control valves equipment of various foreign brand names, such as Ebro Armaturen, Ritag, ifm-electronic, Ari-Armaturen, Diaval, Schneider, HK Contromatic Co Ltd, YTC, Unicom, Liangjiang Group, Taiwan Valve Company Ltd, C-Max, CO, etc. For the FYE 31 December 2014, Encord recorded revenue of RM20.2 million.

- **Mikuni (M) Sdn Bhd (“Mikuni”)**

Mikuni was incorporated in 1983 when MEC Corporation, a subsidiary of Mikuni Kikai Kogyo Co Ltd and also an export agent for KITZ Japan for Singapore and Malaysia, decided to set up a company in Malaysia to tap into the country's industrial development. Mikuni is involved in the process control equipment and measurement instruments market as a distributor of valves and actuator for several international manufacturers, such as KITZ, OMB, Tomoe, Tomoe Tritec, Goodwin, Mogas, Friulco, Convol, Lazaro Ituarte, etc, in Malaysia. In addition, Mikuni is also involved in the provision of repair and maintenance services, such as on-line services on leak repair, off-line services on controlled bolt tightening, fabrication, retro-fitting and modification of valve, actuator and rotating equipment, equipment troubleshooting and other testing services. For the FYE 31 December 2014, Mikuni recorded revenue of RM40.9 million.

- **Sakti Suria (M) Sdn Bhd (“Sakti Suria”)**

Sakti Suria was incorporated in Malaysia in 1986. It is principally involved in the supply of valves, gear motors, water meters, penstocks, water and wastewater treatment systems, biogas capturing systems and a wide range of industrial products in Malaysia. For the FYE 31 December 2014, Sakti Suria recorded revenue of RM43.3 million.

- **Unimech Group Berhad (“Unimech”)**

Unimech is currently listed on the Main Board of Bursa Malaysia Securities Berhad. Unimech is involved the process control equipment and measurement control market with distribution of valves, fittings, meters, pumps and actuators, pipes etc of own brand names and foreign branded products in Malaysia, Singapore, Indonesia,

7. INDUSTRY OVERVIEW (Cont'd)



Thailand, China, Australia, Korea and Philippines. Its self-manufacturing brands include Arita, Q-Flex, Unijin, SVR, Sanitariom I-Contronic; whereas foreign brand names include Riello and Rotatool brand. For the FYE 31 December 2015, Unimech recorded revenue of RM239.5 million.

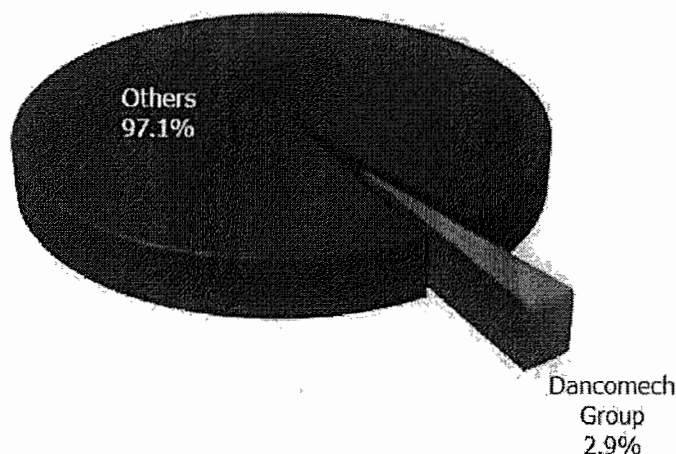
- **Valmatic Engineering Sdn Bhd (“Valmatic”)**

Valmatic is principally involved in the provision of valves and pipes under its own brand, Valmatic, and other foreign brand names such as Ari-Armaturen, Cephas, Dong Yang, Frese, Hattersley, I-Tork, Jord Bellow, KJS, Matco Norca, Miyawaki, Sirca, SWI, Tecofi, Watts Acv and Yoneki. Valmatic supplies its products in Malaysia and to Indonesia, China and Vietnam. For the FYE 31 December 2014, Valmatic recorded revenue of RM47.1 million.

2.5.2 Market Share Analysis

For FYE 31 December 2014, Dancomech Group garnered revenues of RM61.8 million from the Malaysian market, equivalent to 2.9 percent share of the process control equipment and measurement instruments market for pipeline systems in Malaysia during the year. This is based on Dancomech Group’s revenue of RM61.8 million attributable to sales within Malaysia against the total Malaysian market revenue of RM2.14 billion in 2014.

Figure 8: Dancomech Group’s Market Share in the Process Control Equipment and Measurement Instruments Market for Industrial Pipeline Systems in Malaysia, 2014



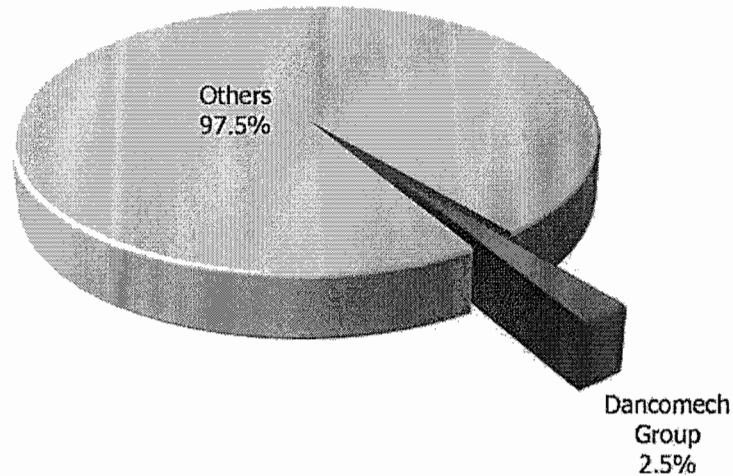
Source: IMR report

7. INDUSTRY OVERVIEW (Cont'd)



For FYE 31 December 2015, Dancomech Group garnered revenues of RM53.8 million from the Malaysian market, equivalent to 2.5 percent share of the process control equipment and measurement instruments market for pipeline systems in Malaysia during the year, as illustrated in Figure 9. This is based on Dancomech Group's revenue of RM53.8 million attributable to sales within Malaysia, against the total Malaysian market revenue of RM2.17 billion in 2015.

Figure 9: Dancomech Group's Market Share in the Process Control Equipment and Measurement Instruments Market for Industrial Pipeline Systems in Malaysia, 2015



Source: IMR report

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7. INDUSTRY OVERVIEW (Cont'd)



and sewerage facilities. More importantly, the lower reserve margin of water treatment plants at 15.7 percent in 2014 as compared to 16.1 percent in 2012 indicates the need for an expansion in plant capacities to address the increasing demand for clean water supply.

The Eleventh Malaysia Plan ("11MP") reiterated the government's commitment for the continued expansion and investment in new water and sewerage networks and treatment capacity. Under the same plan, continued emphasis will be placed towards extending provision of rural basic infrastructure including expanding coverage of access to clean and treated water. Focus will also be given to a holistic non-revenue water reduction programme and improving the performance of the sewerage system. By 2020, the government aims to provide 99 percent of the population with clean and treated water, 80 percent with connected sewerage services and reduce non-revenue water to 25 percent.

This market demand driver is expected to have a high impact on the process control equipment and measurement instruments market throughout the forecast period.

Continued Growth in the Manufacturing Industry

The continued growth in Malaysia's manufacturing industry brings a direct impact to the process control equipment and measurement instruments market. As end users of products from the process control equipment and measurement instruments market, growth in the manufacturing industry will lead to a higher demand for the construction, refurbishment and maintenance of production facilities.

The Malaysian manufacturing industry has been growing throughout the 2011 to 2014 period. In 2014, the manufacturing industry expanded by 6.9 percent. In 2015, the manufacturing industry expanded by 4.9 percent.

Expansion in the Palm Oil Industry

In 2014, the total oil palm planted area stood at 5.4 million ha, an increase of 3.1 percent of the 5.2 million ha from the previous year. And in 2015, the total oil palm planted area further increased to 5.6 million ha. Increasing oil palm plantation calls for an increase in palm oil processing facilities that process the FFBs into CPO and other palm oil derivatives such as oleochemicals. As a result, the palm oil industry will need to boost its processing capacities to support the growth of the plantations. This is usually carried out by either establishing new facilities and/or upgrading the capacity of existing facilities. Therefore, it

7. INDUSTRY OVERVIEW (Cont'd)



is expected that an expansion in palm oil processing facilities will have a positive spill over effect on the process control equipment and measurement instruments market.

In 2014, number of refineries was lower from 55 refineries to 54 refineries, but capacity in operation increased from 25.3 million tonnes per year in 2013 to 26.1 million tonnes per year. In 2015, there were 52 refineries with 25.3 million tonnes of capacity in operation.

The FFB mills sector has been increasing in terms of number of mills and capacity in operation from 2012 to 2014 in line with the growth in oil palm planted area. In 2015, number of mills and capacity further increased to 445 mills with total capacity in operation of 108.4 million tonnes per year.

In 2015, the process control equipment and measurement instruments market witnessed lower demand from the palm oil industry amid lower CPO prices in the year that exert pressure on business profitability, resulting in cuts or deferments of investment decision within the palm oil industry for capacity expansion and equipment maintenance and upgrade.

Despite the downward pricing trend in 2015, CPO prices began to exhibit signs of recovery as prices increased from RM2,251 per tonne in January to RM 2,647 per tonne in April 2016. CPO prices are also expected to continue to gain growth momentum amid anticipated lower CPO supply due to the prolonged El Nino drought that may affect the fresh fruit bunches yield thus resulting in lower feedstock for CPO production. CPO supply is expected to decline in tandem with lower production, thus augurs well for the growth of CPO prices.

The palm oil industry in Malaysia is also likely to see a growth in demand over the long term considering that its products cater for the global marketplace. The United Nations FAO has projected that the world population will grow to 9.73 billion by 2050 (from 7.35 billion as at 2015) with the majority of growth occurring in Asia.

Another important factor driving the growth of Malaysia's palm oil industry is income. A strong economic growth will lead to a rise in income through such factors as greater economic activities and better employment opportunities taking place and ultimately drive higher consumption and demand.

7. INDUSTRY OVERVIEW (Cont'd)



The growth in the palm oil industry in Malaysia is anticipated to have direct impact on the process control equipment and measurement instruments market with the development of new processing facilities, and refurbishment and maintenance of existing facilities. This market driver is expected to have medium impact on the process control equipment and measurement instruments market in the short term, and improve over medium to long term.

Continuous Investment in the Oil and Gas Industry

The Malaysian oil and gas industry continues to invest and develop its upstream and downstream sector, bringing derived demand for the process control equipment and measurement instruments.

In terms of PETRONAS' expenditure in the upstream sector in particular for exploration, development and production activities, a total of RM52.32 billion was spent in 2014, up by approximately 44.5 percent compared to the previous year's expenditure of approximately RM36.22 billion. Out of the expenditure of RM52.32 billion, 54.0 percent or RM28.25 billion was invested in Malaysia.

In the downstream sector, the petrochemical industry is likely to see an increase in production capacity in the long term under various government-led initiatives, including the RAPID project in Johor. Located within the PIPC in Johor, 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. The RAPID project is targeted to increase volume of the Malaysian petrochemical outputs and cater to the Asia-Pacific region's demand for petrochemicals.

Despite anticipation of continuous investment, the process control equipment and measurement instruments market may see reduced demand from the oil and gas industry going forward as the industry shies away or defers from making new investments due to unfavourable oil prices. Crude oil prices dropped to an average of USD50.8 per barrel in 2015. Already, PETRONAS 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 4 years. Therefore, demand for products and services from the process control equipment and measurement instruments market could be adversely affected in the medium term (2015 to 2018).

7. INDUSTRY OVERVIEW (Cont'd)

**Growing Trend for Industrial Automation**

Continuous improvement to production facilities is an on-going trend for any progressing industry. Throughout history, the palm oil and manufacturing industries have evolved from being a labour intensive process to one that is machinery-dependent. Therefore, on-going improvements of production facilities are mainly applied to industrial automation. It gives the manufacturers the ability to increase their output at a faster speed and/or lower operating costs.

Despite needing high capital expenditure budgets for replacement and maintenance costs in production facilities, there are still a growing number of manufacturers and palm oil millers who recognise the value of improved production practices and are willing to upgrade their machineries and systems to maintain its competitiveness within the industry. In view of this, greater demand pressure is being placed on the industrial automation industry to introduce and supply enhanced machineries and equipment, including process control equipment and measurement instruments.

Enforcement of Environmental Protection Legislations

The legislations related to waste management in Malaysia are very stringent in order to minimise the environmental impact of waste generation. Regulations have increased the need for effective waste management. The implementation of the Environmental Quality Act ("EQA") in 1974 has helped defined the pollutant discharge standards and penalties, and thus ensure greater compliance among industries in Malaysia. Additional amendments made to the EQA in 1996 further enhanced the requirements and helped in correcting certain policing inefficiencies.

With the enforcement of stringent legislation on environment protection such as EQA, the relevant industry players will need to upgrade their industrial facilities accordingly to comply with these stringent regulations. Thus, higher demand for process control equipment and measurement instruments is likely to be derived from the facilities upgrade. This market driver is expected to remain low throughout the forecast period.

7. INDUSTRY OVERVIEW (Cont'd)



2.6.2 Supply Conditions

Government Support for Machinery and Equipment Industry

The machinery and equipment industry in Malaysia is poised to grow in tandem with the government's initiatives. As outlined in the Third Industrial Master Plan ("IMP3"), the Malaysian government targets to position the country as the main distribution centre in the region for all types of machinery and equipment. This is likely to spur the growth in the process control equipment and measurement instruments market particularly the trading/ distribution segment. Also outlined in the IMP3 is the government's target of positioning Malaysia as the regional production hub for high technology and specialised machinery and equipment. The initiative is anticipated to contribute to a greater variety of supply in terms of process control equipment and measurement instruments. The supply of process control equipment and measurement instruments in Malaysia is likely to grow in line with investment in machinery and equipment industry. According to the Malaysian Investment Development Authority ("MIDA"), a total of 98 machinery and equipment projects with investments amounting to RM2.5 billion were approved in 2014. Over 70.0 percent of the approved investment was domestic investment. And in 2015, a total of 97 machinery and equipment projects with investments amounting to RM1.8 billion were approved, of which 53.5 percent of the approved investment was domestic investment.

2.7 MARKET CHALLENGES

Figure 11: Key Market Challenges for the Process Control Equipment and Measurement Instruments Market in Malaysia, 2015-2020

Market Challenges	Short-Term	Medium-Term	Long-Term
	2015-2016	2017-2018	2019-2020
Dependency on the Oil and Gas Industry	High	High	Medium
Dependency on the Palm Oil Industry	Medium	Low	Low
Fluctuations in Raw Materials Prices	Low	Low	Low

Source: IMR report

7. INDUSTRY OVERVIEW (Cont'd)**2.7.1 Dependency on the Oil and Gas Industry**

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 declining price trend can be attributed to the increasing shale oil output from the US that contributed to the increased global output along with weakening demand globally.

For the period of 2010 to 2013, the US was the third largest crude oil producer, commanding 7.8 percent and 8.0 percent of the world crude oil production in 2010 and 2011 respectively. In 2012, the US registered an encouraging 15.1 percent in its production growth, and accordingly expanded its production share to 8.9 percent in the said year. In 2013, the US continued to achieve double-digit growth in its production, thus increasing its production share in world crude oil production to 10.2 percent. The expansion in US crude oil production was attributed to the development of new technology that allows the drilling of hydrocarbons deep beneath the Earth's surface and accordingly increased its shale oil production.

The expansion in crude oil production from 2010 to 2013 was supported by rising global oil demand. Oil demand was mainly stem from US, Western Europe, China, Organisation of the Petroleum Exporting Countries ("OPEC") and Japan. On another note, Japan's oil demand expanded by 5.9 percent in 2012 subsequent to the loss of its nuclear capacity in Fukushima disaster which increased its dependency on fossil fuel thereafter. (In 2011, a 9.0 magnitude earthquake struck off the coast of Sendai, Japan, triggering a tsunami that damaged its nuclear reactor)

Moving into 2014, global crude oil production grew to 73.4 million barrels per day in line with the expansion in US production. In 2014, crude oil production from the US increased to 8.7 million barrels per day. While the production expansion from the US has raised the global crude oil inventories, demand has underperformed with weakening demand from Europe and Japan. These have resulted in oversupply within the oil and gas industry and accordingly, weighing on the commodity pricing.

7. INDUSTRY OVERVIEW (Cont'd)



The downward pricing trend persisted in 2015 amid high production during the year. Protégé Associates estimates that the world crude oil production increased to 75.4 million barrels per day, mainly attributed to higher production from the US and OPEC. US crude oil production is estimated to improve to 9.4 million barrels per day (2014: 8.7 million barrels per day) while OPEC crude oil production is estimated to increase to 31.8 million barrels per day (2014: 30.7 million barrels per day). Nonetheless, demand has continued to underperform amid weaker demand mainly from China and Europe. Consequently, crude oil price dropped to an average of USD50.8 per barrel in 2015 due to supply glut.

The situation surrounding oil prices remains volatile and its outlook remains uncertain in relation to unstable demand and supply conditions. A combination of external factors that will impact the demand and supply conditions, amongst other, are geopolitical and economic instability, inventory builds, production levels and catastrophic risk.

On the global front, the supply situation shows no sign of supply tightening in the near term. In addition to the rise in shale oil in the US, the return of an Iranian supply of crude into the international oil and gas market further increase the global oil supply. In addition, other OPEC countries continue with a consistent production level thus far.

The pressure on oil price recovery came amid continued oversupply in the market as incremental global demand has not followed suit. At the macro level, the current bearish scenario is largely attributed to the economic slowdown in China that is expected to soften their demand for energy products.

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, 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 4 years. Therefore, demand for products and services from the process control equipment 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.

7. INDUSTRY OVERVIEW (Cont'd)



Correspondingly, a combination of unstable supply and demand conditions may prevent any significant rally from gaining traction and lead to persistently weak prices in the coming year. However, prices could also rebound and move higher if any of the factors previously noted begin to reverse.

On a positive note, demand for oil and gas is projected to be sustainable in long run. OPEC has projected the oil demand to increase by over 21 million barrels per day during the period of 2013 to 2040, reaching 111.1 million barrels per day by 2040. This indicates the underlying demand for oil and gas as an energy source in the global market. In addition, the long term prospect of oil and gas industry is supported by an increasing global population and urbanisation that indicate an expansion in energy demand. The United Nations ("UN") has projected the global population to grow from 7.35 billion in 2015 to reach 9.73 billion by 2050, of which urban population would increase from 54.0 percent to 66.4 percent during the same period. Continuous demand for energy sources would contribute to a sustainable oil and gas industry, and process control equipment and measurement instruments may benefit from the need of equipment replacement within the oil and gas industry in long run.

2.7.2 Dependency on the Palm Oil Industry

The demand for process control equipment and measurement instruments is dependent on the performance of palm oil industry as one of the end consumers. Similar to the oil and gas industry, higher investment is anticipated when palm oil prices are favourable. While it is an industrial norm that palm oil prices fluctuate according to market demand and supply, any prolonged downward pricing trend on palm oil may influence the demand of process control equipment and measurement instruments as market players reduce or defer their investment decisions.

In 2014, CPO was traded at a higher price during the first half of 2014 at an average of RM2,605 per tonne locally. Moving into the second half of 2014, CPO prices trended downwards and closed at an average of RM2,183 per tonne. This was attributed to a weaker price of soybean oil (which can be used as a substitute of palm oil) and slumping crude oil prices, which affected the demand for biofuel. However, the average price of CPO was higher by a marginal 0.5 percent to RM2,384 per tonne in 2014.

In 2015, CPO was traded at an average of RM2,219 per tonne in the first half of 2015 and trended downwards during the second half of 2015. The declining trend was

7. **INDUSTRY OVERVIEW (Cont'd)**

attributed to weaker prices of soybean and rapeseed oil (which can be used as a substitute of palm oil), a weaker demand from China, and the continued weak crude oil prices that affected the demand for biofuel. The average CPO price in 2015 stood at RM2,153 per tonne.

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 process control equipment and measurement instruments from palm oil industry may be affected if the downward pricing trend prolongs.

Nonetheless, CPO prices began to exhibit signs of recovery as the prices increased from RM2,251 per tonne in January to RM2,647 per tonne in April 2016. Moving forward, CPO prices is expected to continue to gain growth momentum amid anticipated lower CPO supply due to prolonged El Nino drought that may affect the fresh fruit bunches yield thus resulting in lower feedstock for CPO production. CPO supply is expected to decline in tandem with lower production, thus augurs well for the growth of CPO prices.

2.7.3 Fluctuations in Raw Materials Prices

The process control equipment and measurement instruments market is subjected to constant price fluctuations on iron ore, natural gas and crude oil, the 3 being the raw materials to steel and plastic resins for the manufacture of process control equipment 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 prices volatility. Fluctuation in raw materials price could adversely affect the market players' results of operations and profit margins. While the market players generally attempt to pass along increased raw materials prices to its customers in the form of price increases, there may be a time delay between the increased prices to the market players and the market players' ability to increase the prices of its products. Consequently, its results of operations and financial condition may be adversely affected.

The pricing trend of iron ore continued on descending trail from January to April 2015 before going up to USD60.2 per metric tonne in May and USD62.3 per metric tonne in June, attributing to weaker iron ore exports from Australia. Prices of iron ore fluctuated between USD50 to USD60 per metric tonne from July to October before dropping to USD46.2 per metric tonne and USD39.6 per metric tonne in November and December

7. **INDUSTRY OVERVIEW (Cont'd)**

2015. And from January to April 2016, prices of iron ore increased from USD41.3 per metric tonne to USD59.6 per metric tonne due to higher demand from China.

On the other hand, natural gas prices generally trended downward since the second half of 2014 corresponding to the unfavourable crude oil prices. Nonetheless, prices of natural gas increased to USD10.0 per million metric British thermal unit and USD10.4 per million metric British thermal unit in September and October 2015. Natural gas prices stood at USD9.4 per million metric British thermal unit and USD10.2 per million metric British thermal unit in November and December 2015 respectively. Moving to 2016, prices of natural gas moderated from USD8.5 per million metric British thermal unit in January to USD7.0 per million metric British thermal unit in April 2016. This market challenge will have a low impact on the process control equipment and measurement instruments market throughout the forecast period.

2.8 KEY ISSUES AND TRENDS

2.8.1 Barriers to Entry

Barriers to entry are factors that affect the entry of new players into the said industry. Industries with high barriers to entry are more difficult for new market players to penetrate; these barriers to entry prevent or discourage new market players from establishing themselves as strong competitors, and often limit their growth potential. Low barriers to entry allow easy entrance of new market players and are conducive for facilitating a greater number of new market players.

The process control equipment and measurement instruments market has moderate entry barriers. Potential entrants may enter the trading and distribution segment with the provision of process control equipment and measurement instrument targeting for replacement of existing equipment in end-users segment. The entry level into replacement segment is lower as potential entrants only need to provide their products that match the specification of the original parts. Nevertheless, there are few notable barriers to entry present in the process control equipment and measurement instruments market. These factors are:

- **Established track record of incumbent market players** – The process control equipment and measurement instruments market is competitive, comprising local

7. INDUSTRY OVERVIEW (Cont'd)



manufacturers, as well as internationally renowned brands distributed by local traders/ distributors. New entrants in the trading and distribution segment will have to compete against established market players who are well-experienced, and already have a wide range of products with secured suppliers. Potential entrants may therefore find it difficult to enter the process control equipment and measurement instruments market due to the strength of its incumbents.

- **Product and technical knowledge** – Product and technical knowledge is crucial in the process control equipment and measurement instruments market as the requirement varies across different industrial sectors, such as oil and gas, palm oil, water services industry, etc. Having extensive product and technical competencies knowledge allows a market participant to understand the requirement for respective industrial sector thus supplying their products accordingly. This product and technical knowledge typically comes along with industrial experience. Therefore, potential entrants may find it difficult to compete against established market players.

2.8.2 Substitute Products or Services

There are no direct substitutes to process control equipment and measurement instruments as the term refers to any equipment and instruments used specifically to signal direction and transformation, as well as variable measurement. There is however a considerable degree of substitutability in terms of the differing business models and strategies that market participants can select as their own. Market participants depending on their business models and strategies, generally differentiate and compete on various key attributes including product range, price, customer service, track record and relationship, etc.

2.8.3 Vulnerability and Reliance on Imports

The trading and distribution segment of the process control equipment and measurement instruments market revolves around supply and distribution of locally manufactured and imported products. Due to the import portion of its business, the trading and distribution segment of the process control equipment and measurements instruments market does rely on imports, mainly from US, Japan, Singapore and Germany. In 2014, Malaysia imported approximately RM7.4 billion worth of process control equipment and measurement instruments. In 2015, Malaysia imported approximately RM8.7 billion worth of process control equipment and measurement instruments.

7. INDUSTRY OVERVIEW (Cont'd)



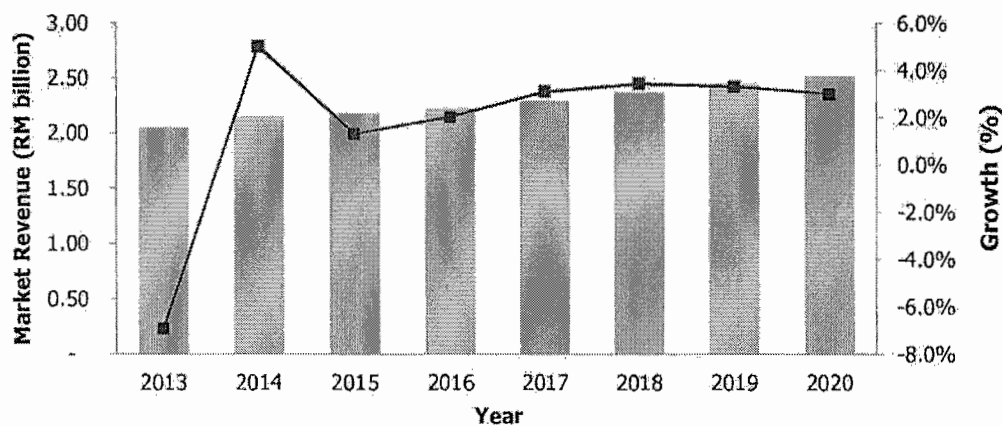
2.8.4 Relevant Laws and Regulation

Other than those laws that are pertinent to the manufacturing aspect of the market, there are currently no specific regulations or law governing the process control equipment and measurement instruments market in Malaysia. However, trading and distribution activities in process control equipment and measurement instruments market is subjected to the Malaysian Customs Act 1967 and Custom Regulation 1977 that stipulates the legal provision in importation and exportation.

2.9 MARKET PROSPECTS AND OUTLOOK

The process control equipment and measurement instruments market for industrial pipeline systems in Malaysia is expected to register slower growth in the short term and improve over the medium to long term. The market is expected to grow at a CAGR of 3.2 percent from 2016 to 2020 to reach RM2.52 billion in 2020.

Figure 12: Market Size and Growth Forecast for the Process Control Equipment and Measurement Instruments Market for Industrial Pipeline Systems in Malaysia, 2013-2020



Source: IMR report

The outlook of the process control equipment and measurement instruments market for industrial pipeline systems is supported by the outlook of key applications as detailed below:

7. INDUSTRY OVERVIEW (Cont'd)

**The Oil and Gas Industry**

Moving forward, the growth in the local oil and gas industry is expected to be supported by the inclusion of oil, gas and energy as one of the NKEAs that are given priority in terms of investments and policy support under the ETP. A 5.0 percent annual growth in the decade from 2010 to 2020 is being targeted by the oil, gas and energy NKEA.

A higher demand for plastic products is anticipated to continue to spur the demand for petrochemicals in Malaysia. The demand and usage of plastic products increases along with the population growth of the country. The size of the population in Malaysia for 2015 is estimated to stand at 30.5 million people, and is forecast to be 38.6 million by 2040. This represents a steady demand for various plastic products to be used in day-to-day activities.

The petrochemical industry is also likely to see higher demand from foreign markets with the presence of free trade agreements coming into play – such as the ASEAN Free Trade Agreement (“AFTA”) and Malaysia’s FTA with China. In the former, AFTA was created to strengthen and deepen intra-ASEAN industrial linkages by leveraging the huge potential and complementary economic activities in the region. As for Malaysia’s FTA with China, the petrochemical industry is also expected to benefit as China, being a net importer of petrochemicals, would yield new business opportunities for petrochemicals manufacturers in Malaysia.

In terms of supply, the petrochemical industry is likely to see an increase in production capacity in the long term under various government-led initiatives, including the RAPID project in Johor.

As for the declining prices of oil, 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, 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 4 years. Therefore, demand for products and services from the process control equipment and measurement instruments market could be adversely affected in the medium term (2015 to 2018) – particularly for market

7. INDUSTRY OVERVIEW (Cont'd)



participants supplying to oil and gas customers who are focused on activities related to exploration and production expansions.

The situation surrounding oil prices remains volatile and its outlook remains uncertain in relation to unstable demand and supply conditions. A combination of external factors that will impact the demand and supply conditions, amongst other, are geopolitical and economic instability, inventory builds, production levels and catastrophic risk.

Correspondingly, a combination of unstable supply and demand conditions may prevent any significant rally from gaining traction and lead to persistently weak prices in the coming year. However, prices could also rebound and move higher if any of the factors previously noted begin to reverse.

The Palm Oil Industry

The growth in the palm oil industry in Malaysia is anticipated to have a direct impact on the process control equipment and measurement instruments market with the development of new processing facilities, and refurbishment and maintenance of existing facilities. Demand for process control equipment and measurement instruments from the palm oil industry is likely to be affected in relation to a declining CPO pricing trend. The average CPO prices dropped from RM2,384 per tonne in 2014 to RM2,153 per tonne 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 process control equipment and measurement instruments from palm oil industry may be affected if the downward pricing trend prolongs.

Nonetheless, CPO prices began to exhibit signs of recovery as the prices increased from RM2,251 per tonne in January to RM2,647 per tonne in April 2016. Moving forward, CPO prices is expected to continue to gain growth momentum amid anticipated lower CPO supply due to prolonged El Nino drought that may affect the fresh fruit bunches yield thus resulting in lower feedstock for CPO production. CPO supply is expected to decline in tandem with lower production, thus augurs well for the growth of CPO prices.

The outlook for Malaysia's palm oil industry in the long term remains favourable, underpinned by an increasing global population, rise in incomes and per capita consumption. The FAO projected that the world population will grow to 9.73 billion by

7. **INDUSTRY OVERVIEW (Cont'd)**

2050 (from 7.35 billion as at 2015) with the majority of growth occurring in Asia. Another important factor is income. A strong economic growth will lead to a rise in income through such factors as greater economic activities and better employment opportunities taking place and ultimately drive higher consumption and demand.

The palm oil industry has been identified as one of the 12 NKEAs. To enhance the development of the palm oil industry, various initiatives under the ETP are means to boost the industry's activities. The ETP has identified 8 entry point projects ("EPPs") and several business opportunities worth a total of RM74.6 billion to achieve this target. Among the 8 EPPs that have been identified to achieve this target, the improving FFB yield and improving oil extraction rate EPPs will increase the supply of palm oil in the long term.

The Water Services Industry

The Malaysian population is projected to grow steadily to reach 38.6 million by 2040, and this is expected to spur the continued demand for water services moving forward. A higher demand for water services will translate to greater expansion in water treatment and sewerage facilities. More importantly, the lower reserve margin of water treatment plants at 15.7 percent in 2014 as compared to 16.1 percent in 2012 indicates the need for an expansion in plant capacities to address the increasing demand for clean water supply.

The 11MP reiterated the government's commitment for the continued expansion and investment in new water and sewerage networks and treatment capacity. Under the same plan, continued emphasis will be placed towards extending provision of rural basic infrastructure including expanding coverage of access to clean and treated water. Focus will also be given to a holistic non-revenue water reduction programme and improving the performance of the sewerage system. By 2020, the government aims to provide 99 percent of the population with clean and treated water, 80 percent with connected sewerage services and reduce non-revenue water to 25 percent.

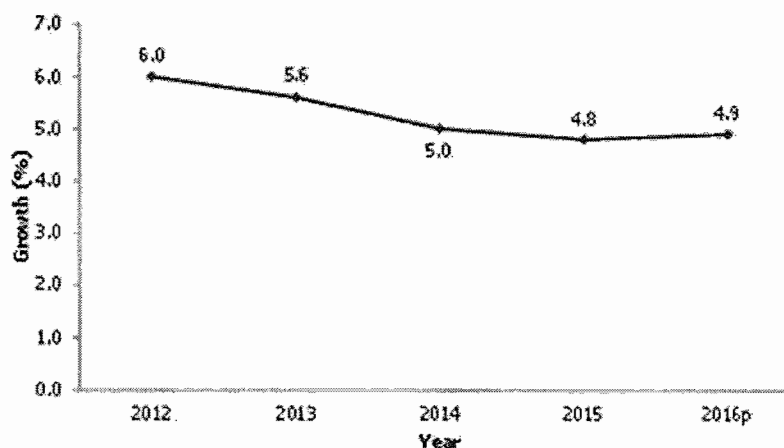
3 OVERVIEW OF PROCESS CONTROL EQUIPMENT AND MEASUREMENT INSTRUMENTS MARKET IN INDONESIA

3.1 INDONESIAN ECONOMIC OVERVIEW

The Indonesian economy experienced a slight contraction in terms of growth rate in its election year 2014, as the country received lower investments during the year. The softened growth was also attributed to a weaker export demand from its international partners, notably from China. Nonetheless, the country continued on an upward expansion by registering a 5.0 percent growth during the said year.

In 2015, the Indonesian economy exhibited a slower growth amid deceleration in fixed investment, moderated household consumption in response to higher inflation and tighter consumer credit, coupled with a weaker external sector. As a result, the Indonesian economy grew at a slower pace of 4.8 percent.

Figure 13: Indonesia's Real GDP Growth, 2012-2016



Note: p denotes projection

Sources: IMR report

Moving forward, downside risks to the outlook such as further declines in commodity prices as well as slowing demand from the main trading partner, namely China, remains a concern to the Indonesian economic growth. Nonetheless the economy is projected to

7. INDUSTRY OVERVIEW (Cont'd)



grow at 4.9 percent in 2016, attributed to an anticipated increase in household consumption in response to an expected lower inflation rate and pay rises for the civil service, coupled with anticipated recovery in its external trade sector.

3.2 OVERVIEW OF THE INDONESIAN PROCESS CONTROL EQUIPMENT AND MEASUREMENT INSTRUMENTS MARKET

The process control equipment and measurement instruments market in Indonesia grew in line with derived demand from its end-users segments, particularly its palm oil industry. The CPO production in Indonesia was above 26.0 million tonnes in 2012 and 2013. In 2014, Indonesia's production of CPO amounted to a total of 31.5 million tonnes and further improved to 32.5 million tonnes in 2015. Favourable conditions in the end-user segments attract capital investment for development of new production facilities and expansion of existing production capacities, leading to a higher demand for industrial automation, including the process control equipment and measurement instruments.

Similar to the Malaysian market, the Indonesian process control equipment and measurement instruments market is likely to be affected by the downward trend in global CPO prices which dropped from USD821 per tonne in 2014 to USD623 per tonne in 2015. As the investment decision is often determined by business profitability, any prolonged unfavourable pricing trend of commodity would adversely affect the investment decisions thus impacting the demand for the process control equipment and measurement instruments. Accordingly, the declining pricing trend may exert pressure on business profitability of palm oil industry thus leading to cuts or deferrals in investment decisions to expand production capacities and the maintenance and upgrade of equipment.

Despite the short term prices fluctuations, the prospect of the Indonesian process control equipment and measurement instruments market remains favourable throughout 2016 to 2020, stemming from the associated growth of the palm oil industry in relation to the growing biofuel sector and government's long term support towards the palm oil industry, as well as its developing oil and gas industry.

Domestic demand of palm oil expands in relation to an upward consumption of biofuel. Historically, biofuel consumption expanded over 7 fold from 220 million litres in 2010 to

7. INDUSTRY OVERVIEW (Cont'd)



1,600 million litres in 2014, and this augurs well for the demand growth of palm oil. As for long term outlook, demand for palm oil is set to grow amid the government's biofuel target of 30 percent in its transportation, industry and electricity sectors by 2025.

Furthermore, the government has increased the mandated bio content in diesel fuel from 10 percent to 15 percent in 2015, and is targeting to further increase to 20 percent in 2016 and 30 percent 2020. Biodiesel producers are planning to ramp up their capacity in order to meet the higher mandates. According to the Indonesian Biofuel Producers Association, the country's biofuel capacity is expected to expand from 6.8 million kilolitres in 2015 to 8.0 million kilolitres in 2016. Strong government support toward the biofuel sector in long term is expected to encourage further investment in palm oil and biofuel production infrastructure thus driving the demand for process control equipment and measurement instruments.

Growth within the palm oil industry is also anticipated in relation to the government's long-term scheme (2015-2025) for the development of its CPO processing industry. In addition, the Indonesian palm oil industry aims to achieve 40 million tonnes of CPO production per year by 2020 – it further highlights the need for capacity expansion within the downstream segment particularly the refining sector in order to accommodate the increase in production.

Likewise, the process control equipment and measurement instruments market is set to benefit from the strong government support towards its oil and gas industry in order to meet the increasing energy demand as a result of economic expansion, rapid urbanisation, rising living standards and population growth. Oil has been the dominant energy source since 1999 and accounted for 48.0 percent of the total primary energy supply in 2014, followed by coal (31.0 percent) and gas (17.1 percent). As the economy progresses, meeting the energy demand growth by addressing challenges of inadequate infrastructure becomes a key pillar of the country's economic and investment policies and strategies.

In tandem with the long term prospect of the palm oil and oil and gas industries in Indonesia, the process control equipment and measurement instruments market in Indonesia is forecasted to register a CAGR of 10.8 percent from 2016 to 2020, to reach RM10.18 billion in 2020.

The following sub-section provides an overview of the palm oil industry in Indonesia.

7. INDUSTRY OVERVIEW (Cont'd)



3.2.1 The Palm Oil Industry in Indonesia

The Indonesian palm oil industry has recorded growth in production from 2011 to 2012. In 2013, Indonesia's palm oil industry remained strong, with CPO production stood at 30.0 million tonnes, increase from the CPO production of 26.5 million tonnes in 2012. Moving into 2014, Indonesia's palm oil industry was strengthened by a 5.0 percent growth in CPO production to 31.5 million tonnes. And in 2015, CPO production in Indonesia further improved to 32.5 million tonnes.

Indonesia's focus has mainly been on the upstream activities involving oil palm planting and CPO milling; downstream activities account for no more than 5.0 percent of the palm oil industry's annually generated value. As compared to Malaysia, the world's leader in oleochemical sector, Indonesia's oleochemical industry lags behind in size and production capacity. Malaysia produces approximately 120 varieties of derivatives while Indonesia produces less than 20. As a result, the Indonesian government is shifting its attention to the development of domestic downstream clusters primarily for oleochemical production – a strategic industry that could potentially provide more than 40.0 percent added value to CPO and crude palm kernel oil ("CPKO").

The Indonesian government has issued a policy development of CPO processing industry through long-term scheme (2015-2025). The scheme targets to provide support by means of industry clusters, raw materials, infrastructure and various projects that would boost the downstream activities. In addition, the Indonesian palm oil industry aims to achieve 40 million tonnes of CPO production per year by 2020 – and this further highlights the need for capacity expansion within the downstream segment particularly the refining sector in order to accommodate the increase in production.

Domestic demand for palm oil also improved amid an upward consumption of biofuel which expanded over 7 fold from 220 million litres in 2010 to 1,600 million litres in 2014. As for the long term prospects, demand for palm oil is set to grow in tandem with the government's biofuel target of 30 percent in its transportation, industry and electricity sectors by 2025. Furthermore, the government has increased the mandated bio content in diesel fuel from 10 percent to 15 percent in 2015, and is targeting to further increase to 20 percent in 2016 and 30 percent 2020.

7. **INDUSTRY OVERVIEW** *(Cont'd)*



The long term prospect of the Indonesian palm oil industry is likely to spur growth for the process control equipment and measurement instruments market as well, due to the derived demand for industry automation as the palm oil industry grows.

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7. INDUSTRY OVERVIEW (Cont'd)

Protégé
ASSOCIATES

RESEARCH | FINANCE | MARKETING

Protégé Associates has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours Sincerely,



TAN CHIN HOW

Director

Protégé Associates Sdn Bhd

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

8.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

8.1.1 Shareholdings

The shareholdings of our Promoters and/or substantial shareholders in our Company before and after our IPO are as follows:

Name	Before IPO ⁽¹⁾			After IPO		
	Direct No. of Shares held	Indirect No. of Shares held	% held	Direct No. of Shares held	Indirect No. of Shares held	% held
Promoters and substantial shareholders						
ABC Equity	71,022,780	-	56.82	61,931,865	-	41.57
Aik Swee Tong ⁽²⁾⁽³⁾	11,335,216	71,022,780 ⁽⁵⁾	9.07	9,884,308	61,931,865 ⁽⁵⁾	41.57
Aik Cwo Shing ⁽²⁾⁽³⁾	11,335,216	71,022,780 ⁽⁵⁾	9.07	9,884,308	61,931,865 ⁽⁵⁾	41.57
Aik Kwo Liang ⁽²⁾⁽³⁾⁽⁴⁾	7,017,038	-	5.61	6,118,857	-	4.11
Wong Chiau Siew ⁽³⁾⁽⁴⁾⁽⁶⁾	6,477,266	-	5.18	5,648,176	-	3.79
Promoters and shareholders						
Aik Hui Luan ⁽²⁾⁽³⁾⁽⁶⁾	5,397,722	-	4.32	4,706,814	-	3.16
Aik Ai Kok ⁽²⁾⁽³⁾	4,318,178	-	3.45	3,765,451	-	2.53
Aik Seng Kah ⁽²⁾⁽³⁾	3,778,406	-	3.02	3,294,770	-	2.21
Aik Hui Chyn ⁽²⁾⁽³⁾	2,698,861	-	2.16	2,353,407	-	1.58
Chan Chop Tong @ Aik Chop Tong ⁽²⁾⁽³⁾	1,619,317	-	1.30	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) 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.
- (3) A shareholder of ABC Equity. Details of their shareholdings in ABC Equity are set out in Section 8.1.2.
- (4) 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.
- (5) Deemed interest by virtue of his interest in ABC Equity pursuant to Section 6A of the Act.
- (6) Aik Hui Luan is the spouse of Wong Chiau Siew.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.1.2 Profile of Promoters, Substantial Shareholders and Shareholders

The profiles of Aik Swee Tong, Aik Cwo Shing, are set out in Section 8.2.1. The profiles of Aik Hui Luan, Aik Kwo Liang and Wong Chiau Siew are set out in Section 8.4.1.

ABC Equity

Promoter and substantial shareholder

ABC Equity was incorporated under the Act on 20 October 2010. As at LPD, its authorised share capital is RM100,000 divided into 100,000 ordinary shares of RM1.00 each, of which 100 ordinary shares of RM1.00 have been issued and fully-paid up.

The principal activity of ABC Equity is investment holding.

The directors and shareholders of ABC Equity and their respective shareholdings in ABC Equity as at LPD are as follows:

Name	< ----- Direct ----- >		< ----- Indirect ----- >	
	No. of shares held	% held	No. of shares held	% held
Directors				
Aik Swee Tong	21	21.00	-	-
Aik Cwo Shing	21	21.00	-	-
Shareholders				
Aik Swee Tong	21	21.00	-	-
Aik Cwo Shing	21	21.00	-	-
Aik Kwo Liang	13	13.00	-	-
Wong Chiau Siew	12	12.00	-	-
Aik Hui Luan	10	10.00	-	-
Aik Ai Kok	8	8.00	-	-
Aik Seng Kah	7	7.00	-	-
Aik Hui Chyn	5	5.00	-	-
Chan Chop Tong @	3	3.00	-	-
Aik Chop Tong				

Aik Ai Kok, Malaysian, age 61 (Male)
Promoter

Aik Ai Kok completed his studies in 1969. He started working for Shanhong Enterprises Sdn Bhd in the company's sawmill factory in 1988. The company is principally involved as a sawmill operator and cultivation of oil palm. Aik Ai Kok is currently a site clerk at the Shanhong Enterprise Sdn Bhd.

Aik Seng Kah, Malaysian, aged 58 (Male)
Promoter

Aik Seng Kah completed his studies in 1974 and began his career in a plywood factory of Sentosa Plywood Sdn Bhd with his father, working in the packaging department. In 1990, he began working in DET as a lorry driver, and was promoted to the position of store manager in 1994. Currently, he is an Assistant Store Manager of Dancomech Engineering and is primarily responsible to oversee the daily operations of the store.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

Aik Hui Chyn, Malaysian, age 54 (Female)
Promoter

Aik Hui Chyn completed her studies in 1976. She started working for Malaysia Textile Industry as a clerk from 1978 to 2000. Presently, she is a full-time housewife.

Chan Chop Tong @ Aik Chop Tong, Malaysian, age 51 (Male)
Promoter

Aik Chop Tong completed his studies in 1982 and began his career with an automotive spare part company, Heap Hing. In 1989 he went to Syarikat Boon Kim which is principally involved in sales of spare parts, where he worked as a sales technician. In 1997, he joined Dancomech (M) Sdn Bhd as a Quality Controller. Currently, he is a Quality Control Manager in Dancomech Engineering.

8.1.3 Changes in Promoters and/or Substantial Shareholders' Shareholdings since Incorporation

Save as disclosed below, there has been no change in the shareholdings of our Promoters and/or substantial shareholders in our Company since incorporation up to the date of the Prospectus:

Shareholdings before Share Consolidation

Name	Date of Acquisition	<----- Direct ----->		<----- Indirect ----->	
		No. of Pre-Consolidation Shares Acquired	Cumulative No. of Pre-Consolidation Shares	No. of Pre-Consolidation Shares Acquired	Cumulative No. of Pre-Consolidation Shares
<u>Promoters and substantial shareholders</u>					
ABC Equity	23.09.2014	142,045,311	142,045,311 ⁽¹⁾	-	-
	24.09.2014	250	142,045,561 ⁽¹⁾	-	-
Aik Swee Tong	23.09.2014	22,670,432	22,670,432	142,045,561 ⁽²⁾	142,045,561 ⁽²⁾
Aik Cwo Shing	23.09.2014	22,670,432	22,670,432	142,045,561 ⁽²⁾	142,045,561 ⁽²⁾
Aik Kwo Liang ⁽³⁾	23.09.2014	14,034,077	14,034,077	-	-
Wong Chiau Siew ⁽³⁾	23.09.2014	12,954,533	12,954,533	-	-
<u>Promoters and shareholders</u>					
Aik Hui Luan	23.09.2014	10,795,444	10,795,444	-	-
Aik Seng Kah	23.09.2014	7,556,811	7,556,811	-	-
Chan Chop Tong @ Aik Chop Tong	23.09.2014	3,238,633	3,238,633	-	-
Aik Hui Chyn	23.09.2014	5,397,722	5,397,722	-	-
Aik Ai Kok	23.09.2014	8,636,355	8,636,355	-	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Notes:

- (1) 142,045,311 Dancomech Shares were acquired pursuant to the Acquisition of Dancomech Engineering. Subsequently, an additional 250 Dancomech Shares were transferred to ABC Equity.
- (2) Deemed interest by virtue of his interest in ABC Equity pursuant to Section 6A of the Act.
- (3) 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.

Shareholdings after Share Consolidation

Name	Date of Consolidation	<----- Direct ----->		<----- Indirect ----->	
		No. of Consolidation Shares	Cumulative No. of Consolidation Shares	No. of Consolidation Shares	Cumulative No. of Consolidation Shares
<u>Promoters and substantial shareholders</u>					
ABC Equity	13.08.2015	71,022,655	71,022,655	-	-
	13.08.2015	125	71,022,780	-	-
Aik Swee Tong	13.08.2015	11,335,216	11,335,216	71,022,780 ⁽¹⁾	71,022,780 ⁽¹⁾
Aik Cwo Shing	13.08.2015	11,335,216	11,335,216	71,022,780 ⁽¹⁾	71,022,780 ⁽¹⁾
Aik Kwo Liang ⁽²⁾	13.08.2015	7,017,038	7,017,038	-	-
Wong Chiau Siew ⁽²⁾	13.08.2015	6,477,266	6,477,266	-	-
<u>Promoters and shareholders</u>					
Aik Hui Luan	13.08.2015	5,397,722	5,397,722	-	-
Aik Seng Kah	13.08.2015	3,778,406	3,778,406	-	-
Chan Chop Tong @ Aik Chop Tong	13.08.2015	1,619,317	1,619,317	-	-
Aik Hui Chyn	13.08.2015	2,698,861	2,698,861	-	-
Aik Ai Kok	13.08.2015	4,318,178	4,318,178	-	-

Notes:

- (1) Deemed interest by virtue of his interest in ABC Equity pursuant to Section 6A of the Act.
- (2) 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.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.2 BOARD OF DIRECTORS

8.2.1 Profile

Datuk Zainal Abidin Bin Ujud, Malaysian, aged 63 (Male)
Independent Non-Executive Chairman

Datuk Zainal Abidin Bin Ujud was appointed to our Board on 29 August 2014. He has extensive experience in the plantation sector having worked with the Federal Land Development Authority ("FELDA"), Felda Holdings Berhad ("FHB") and various subsidiaries of FHB in a career that spanned for over 37 years. He started his career in 1976 as Procurement Executive in FELDA, moving up the corporate ladder within FELDA, FHB and its various subsidiaries over the years. Datuk Zainal retired as Senior Executive Director and Chief Executive Officer of Felda Transport Service Sdn Bhd ("FTSB") in January 2013. FTSB is principally involved in the business of transportation and logistics. His work experience was mainly in the area of transportation and logistics, administration and human resource management within the plantation sector.

Upon graduating in Bachelor of Business Administration, Economics in Universiti of Kebangsaan Malaysia in 1976, Datuk Zainal joined FELDA in April 1976 as Procurement Executive where he was mainly involved in the land clearing contracts division where he was in charge of securing contractors to develop lands for plantation. He served in this position until December 1979. In January 1980, Datuk Zainal was selected and granted study leave by FELDA to pursue a post graduate programme in Business Administration at the Katholieke Universiteit Lueven, Belgium and he obtained a Master of Business Administration (MBA) Finance in March 1983.

Upon obtaining his MBA, Datuk Zainal was appointed as Senior Executive in Human Resource department in Felda Mills Corporation (formerly known as Perbadanan Kilang) in March 1983 where he organised various training programmes for the staff of FELDA Holding Group. Felda Mills Corporation is principally involved in the business of milling of palm fruit bunch. He served in this position until December 1983. In January 1984, he was transferred to Human Resource Department of Felda Mills Corporation and was promoted as a Manager where he managed all aspects of human resources, including payroll, training, recruitment, appraisals and development of scholarship programmes. He served in this position until May 1988. Datuk Zainal joined FTSB in June 1988 as Assistant General Manager in charge of logistics and transport operations in the company. He was subsequently promoted as the Deputy General Manager in January 1995 and to General Manager in August 1995 where he continued to carry out similar duties albeit with more responsibility in improving the effectiveness and efficiency of internal control systems and operational processes of FTSB. He worked in FTSB until December 1998.

Datuk Zainal was then promoted as the Senior General Manager of FHB in January 1999 where he was in charge of the administration and human resource of the company. Datuk Zainal's main job responsibilities includes payroll processing, developing training programmes and organising training courses, recruitment, and appraisals involving more than 13,000 staff (excluding plantation workers). Datuk Zainal then transferred from FHB in June 2000 to join Felda Trading Sdn Bhd ("Felda Trading"). Felda Trading is principally involved in the business of selling of sundry products. Datuk Zainal then worked in Felda Trading from July 2000 to July 2004 where he acted as Senior General Manager and was subsequently promoted to Chief Executive Officer (CEO) and Executive Director of Felda Trading in January 2001. In September 2003, Datuk Zainal was selected for Harvard Training Programme by FHB at Boston, United States and successfully completed and obtained a certificate in Advance Management Development Program (AMDP). He attended the programme from February 2003 until October 2003.

During the period from August 2004 to July 2006, Datuk Zainal served in various positions including FHB as Director of Human Resources, and various subsidiaries of FHB namely Felda Marketing Sdn Bhd as Executive Director, Felda Plantation Sdn Bhd as director in charge of Administration and Human Resource. Felda Plantation Sdn Bhd is principally involved in the business of plantation of palm oil. Datuk Zainal re-joined FTSB in May 2006 as its Executive Director and CEO.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

He was promoted as Senior Executive Director of FTSB in May 2011 and he continued to hold the CEO position until his retirement on 1 January 2013. He also served as a Transport Safety Committee Member of the Malaysian Palm Oil Board from January 2008 until December 2010.

He currently holds directorships in the companies as listed in Section 8.2.3.

Aik Swee Tong, Malaysian, aged 56 (Male)
Managing Director

Aik Swee Tong was appointed to our Board on 29 August 2014. He is the co-founder of our Group. He is currently primarily responsible for setting the business direction and overseeing the business development, finance and corporate strategies functions of our Group.

After completing his secondary education in 1979, he worked at various hardware establishments before joining Pipeline Engineering Sdn Bhd ("Pipeline Engineering"), a company involved in the sale of PCE and Measurement Instruments, in 1980 as a Sales Representative where he was responsible to sell and market PCE and Measurement Instruments in the palm oil industry in the state of Selangor. In 1981, he resigned and co-founded Crosfield (M) Sdn Bhd ("Crosfield") with former colleagues from Pipeline Engineering, a company which was involved in similar business to Pipeline Engineering and was responsible as Sales Manager of the company to promote and market Valves as well as other PCE and Measurement Instruments in the palm oil industry in Peninsula Malaysia until 1989. At Crosfield, he established business relationships with British Rototherm Co. Ltd. and LESER Germany and they supplied their products to the company on an order by order basis. In 1989, he sold his stake in Crosfield to a third party and left the company. Currently, Crosfield is no longer in operation.

In 1989, Aik Swee Tong co-founded DET together with Aik Hui Luan and Wong Chiau Siew. DET was a sole proprietorship that was mainly in the business of the trading of PCE and Measurement Instruments to end users in the Malaysian palm oil industry. During his tenure in DET as Sales Manager, he played a vital role in the growth of the company by focusing on the marketing and distribution of PCE as well as Measurement Instruments to end users in palm oil industry in Peninsula Malaysia. After 3 years at DET, he began the sourcing of products direct from foreign manufacturers where the company was previously obtaining its supply of products from local importers.

In order to facilitate the expansion of the businesses of DET, in 1993, Aik Swee Tong, Aik Hui Luan and Wong Chiau Siew established Dancomech (M) Sdn Bhd to take over the business of DET. Aik Swee Tong was a director of Dancomech (M) Sdn Bhd, responsible for the development of the company's strategies and policies. He also managed the day-to-day operations of the company and led the sales team in developing the client base in the palm oil industry in Peninsula Malaysia and hardware retailers in Malaysia including Sabah. He also played an active role in soliciting new customers and establishing networks with local and foreign manufacturers of the products carried by the company. In 1995, due to Dancomech (M) Sdn Bhd's continued track record of sales for British Rototherm Co. Ltd., the company was appointed as an approved vendor for the brand in Malaysia.

In 2000, Dancomech Engineering was established to take over the business of Dancomech (M) Sdn Bhd and Dancord Engineering Sdn Bhd to consolidate and expand both businesses, to avoid duplication of customers and suppliers. Dancomech (M) Sdn Bhd thereafter ceased to be in operation. Aik Swee Tong assumed his role as director of Dancomech Engineering and has been responsible for setting the business direction and overall strategies and policies of the company. In 2000, he sought business opportunities in Indonesia and obtained Dancomech Engineering's first overseas purchase order, where they supplied to PT Super Andalas Steel based in Indonesia in the palm oil industry. The purchase order was worth approximately RM300,000. Over the years, he has participated in numerous international exhibitions, such as PIPOC and OGA to establish business contacts and obtain sales leads internationally in the palm oil and oil and gas industry.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

During his tenure with us, he has expanded the range of brands carried by the company as well as its product types, seeking to increase the company's profitability, as set out in Section 6.1.1(c). Besides being responsible for the development of our business' strategies and policies, he has also played an active role in product development and innovation. His contributions have led to an introduction of Dancomech Engineering's own brands, being WAGI in 2007, VMX in 2008 and Omaival in 2009, which carry both PCE and Measurement Instruments to complement the existing business of trading and distribution. Further details regarding WAGI, VMX and Omaival can be found in Section 6.1.

As our co-founder and as the Managing Director of Dancomech, Aik Swee Tong has been instrumental in our development, growth and success of our Group. With his extensive experience and in-depth knowledge in the industrial automation industry of approximately thirty five (35) years amassed from his experience in among others DET, Dancomech (M) Sdn Bhd and Dancomech Engineering, he has contributed significantly to our success, particularly in driving our Group's business direction.

He also sits on Boards of several private limited companies as detailed in Section 8.2.3.

Aik Cwo Shing, Malaysian, aged 46 (Male)
Executive Director

Aik Cwo Shing was appointed to our Board on 29 August 2014. He graduated in 1991 with an International Diploma in Computer Studies from Informatics College. He is currently mainly responsible for the overall management of the day-to-day operations and sales and business development functions of our Group.

He began his career when he joined DET in 1990 as a Sales Executive where he was responsible to promote the sales of PCE as well as Measurement Instruments to end users in the palm oil industry throughout Malaysia until 1993 when Dancomech (M) Sdn Bhd was established. In 1993, he joined Dancomech (M) Sdn Bhd as a Sales Manager and was in charge to sourcing clients beyond the palm oil industry i.e. the pulp and paper mill industry, gas industry and rubber glove industry and clients who are also trade distributors in the Klang Valley, Penang and Johor. In 1995, he co-founded Amaturen Industries (M) Sdn Bhd ("Amaturen") with a third party. The company was established for the sale of PCE as well as Measurement Instruments which carried products of different brands and quality from Dancomech (M) Sdn Bhd. His role was a Director cum Sales Manager of the company. He was involved in the sales operations and marketing of the company. During his time there, he developed Amaturen to serve a different client base and demand than Dancomech (M) Sdn Bhd, as the company served the gas industry as well as EPCC contractors. In 1997, the business of Amaturen was transferred to Encord Sdn Bhd in which he had a 50% stake, and Amaturen ceased its operations thereafter.

In 1999, Aik Cwo Shing sold his stake in Encord Sdn Bhd and began a new business venture by establishing Dancord Engineering Sdn Bhd together with Dancomech (M) Sdn Bhd, in which he and Dancomech (M) Sdn Bhd held 70% and 30% equity interests respectively. Dancord Engineering Sdn Bhd supplied PCE and Measurement Instruments mainly to the oleochemicals industry as well as palm oil refineries and EPCC contractors. Aik Cwo Shing was a director where he was responsible for managing the day-to-day operations and sales function of Dancord Engineering Sdn Bhd. Dancord Engineering Sdn Bhd had developed regular customers in oleochemicals and palm oil industries. In 2000, Dancomech Engineering took over the businesses of both Dancord Engineering Sdn Bhd and Dancomech (M) Sdn Bhd, and both of these companies ceased operations thereafter. Dancord Engineering is now an investment holding company.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Aik Cwo Shing's role in Dancomech Engineering for fifteen (15) years since the company's inception has been to manage the day-to-day operations and sales function of the company. During his tenure in Dancomech Engineering, he was responsible for expanding the business of the company, resulting in a revenue growth every year since inception of the company. In order to support the revenue growth, he set up the Procurement Department and Logistics Department in 2001. The company grew in size from approximately thirteen (13) employees to forty five (45) employees as at LPD. Under his supervision and leadership, the company began to fulfill larger orders for customers' projects and the company's client base grew to serve more EPCC Contractors and companies, engineering consultants, OEM and hardware retailers as well as equipment manufacturers, in the industries relating to palm oil and oleochemicals (derived from oil palm), oil and gas and petrochemicals, and the treatment of water and sewerage. The large orders secured by Aik Cwo Shing from 2007 to 2014 amounted to approximately RM27.35 million in value.

With his extensive experience, expertise and knowledge in technical nature in the business of PCE and Measurement Instruments, he has managed to introduce new initiative for our Group by setting-up a testing lab facility which enabling our Group to conduct safety valves testing and perform repair services on safety valves upon request by our customers. Upon successful Listing of our Group, an assembly line will be setting up and funded by our IPO proceeds to customise our products to the requirements of our customers to further expand the business under his leadership.

Under his guidance, our marketing team are able to build close rapport and lasting relationship with our customers in tandem with our growth. He has introduced personal training and development programmes to help build and improve the skills and morale of the marketing team members. Consequently, our marketing team has low staff turnover and able in retaining experience sales personal for our Group's long-term business growth.

In 2008, together with Chang Soo Hong, Aik Cwo Shing established Optimis to supply PCE and Measurement Instruments in the local water supply industry. Aik Cwo Shing's role in the company is as a director of Optimis.

He also sits on Boards of several private limited companies as detailed in Section 8.2.3.

Gong Wooi Teik, Malaysian, aged 65 (Male)
Independent Non-Executive Director

Gong Wooi Teik was appointed to our Board on 29 August 2014. Gong Wooi Teik brings with him over 30 years of experience in accounting, audit and tax related matters.

He obtained his qualification as Chartered Accountant from the Institute of Chartered Accountants in England and Wales in 1976 and is a fellow member of the Institute. He is also a member of the Malaysian Institute of Accountants since July 1976 and Fellow Member of the Chartered Tax Institute of Malaysia since June 1992.

He returned to Malaysia in January 1977 and began his career with two major international accounting firms. He first worked for Ernst & Young (formerly known as Hanafiah, Raslan & Mohamad) as a Qualified Assistant in the Audit Department in February 1977 before leaving in April 1978 to join Deloitte (formerly known as Kassim Chan & Co) as an Audit Senior where he was exposed to various audit assignments. He left Kassim Chan & Co in November 1979 and started his own accounting firm, Gong & Co in January 1980. In January 1996, Gong & Co changed its name to GEP Associates. Presently, he is the Managing Partner of GEP Associates, which is currently a Member Firm of AGN International, a worldwide Association of Accounting and Consulting Firms.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Mr Gong is also currently an Independent Non-Executive Director of Supermax Corporation Berhad, Cheetah Holdings Berhad and Box-Pak (Malaysia) Berhad, and is the audit committee chairman of these companies.

In addition, he also holds several other directorships in the unlisted companies as detailed in Section 8.2.3.

Marzuki Bin Abd Rahman, Malaysian, aged 63 (Male)
Independent Non-Executive Director

Marzuki Bin Abd Rahman was appointed to our Board on 1 September 2015. He has extensive experience in the plantation sector of over 38 years, having worked with the Felda Mills Corporation (formerly known as Felda Palm Industries Perbadanan Kilang), LKPP Sawit Sdn Bhd, TDM Berhad and TH Plantations Berhad. Marzuki Bin Abd Rahman retired as Chief Engineer of TH Plantations Berhad in 2013. His exposures in the operation of palm oil mills in Malaysia and Indonesia would bring to the Group the potential business networking in the plantation sector.

In 1974, he graduated with a Diploma in Mechanical Engineering from Technical College, Kuala Lumpur (now known as Universiti Teknologi Malaysia) and subsequently in 1978, he obtained an Engineer's Certificate for Competency (steam) from the Jabatan Kilang Jentera (now known as Department of Occupational Safety and Health).

Upon graduating in 1974, he joined Felda Mills Corporation as an Assistant Manager and was subsequently promoted to Mill Manager in 1976 and Visiting Engineer in 1979. During his tenure in Felda Mills Corporation, he was responsible for the overall plantation operation including setting short term and long term planning to improve milling efficiency and mill performance. While he was the Visiting Engineer in Felda Mills Corporation, he managed nine (9) palm oil mills in Peninsular Malaysia and conducted several internal trainings to the operations team. In 1980, he left Felda Mills Corporation and joined Lembaga Kemajuan Pertanian Pahang Sawit Sdn Bhd ("LKPP Sawit"), a mill and palm oil refinery company as a Company Manager. He was responsible for the overall milling and engineering operations of existing palm oil mills as well as managed the new plantings and replantings until year 1985.

In 1986, Marzuki Bin Abd Rahman co-founded Assocom Corporation Sdn Bhd, a company involved in the manufacturing of printing ink. He was responsible for the production division of the company. In 1989, he sold his equity stake and left Assocom Corporation Sdn Bhd to join Kumpulan Ladang-Ladang Terengganu Sdn Bhd "KLLT Sdn Bhd", an palm oil plantations in all scattered area within the state of Terengganu, as a Manager. He was mainly responsible for the overall milling plantation operation to ensure the consistency of high productivity with low production cost. In 1997, TDM Berhad acquired KLLT Sdn Bhd. He was employed as Chief Engineer in TDM Plantations Sdn Bhd, which is also a subsidiary of TDM Berhad. He was mainly responsible for the overall operations of palm oil mills in Terengganu. In 2000, he was promoted as General Manager of KLLT Fibres Sdn Bhd and at the same time, still served as Chief Engineer in TDM Plantations Sdn Bhd. He served in TDM Plantations Sdn Bhd and KLLT Fibres Sdn Bhd until 2002. He was mainly responsible for the overall milling and engineering operations.

In 2002, he joined TH Plantations Berhad, the plantation arm of Lembaga Tabung Haji, as General Manager and was subsequently promoted to Senior General Manager in 2006 heading the engineering department and milling operation of the group. During his tenure in TH Plantations Berhad, his responsibilities were to manage the overall performance of thirteen (13) oil palm estates in Malaysia and Indonesia, as well as other infrastructure projects including housing, export jetty and tank farm. Marzuki Bin Abd Rahman retired in 2013 but continued to act as consultant to TH Plantations Berhad to supervise the development of a palm oil mills in Sarawak for a period of approximately six (6) months.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

During his career spanning 38 years, he was responsible for the development of a total of fourteen (14) palm oil mills, two (2) kernel crushing plants, a biomass power plant and numerous estate housing, central office complex and other infrastructure projects.

Lee Chen Yow, Malaysian, aged 39 (Male)
Independent Non-Executive Director

Lee Chen Yow was appointed to our Board on 29 August 2014. Lee Chen Yow completed an articleship with the Malaysian Institute of Certified Public Accountants (“MICPA”) and obtained his MICPA qualification in 2002. He is currently a Certified Public Accountant with the Malaysian Institute of Certified Public Accountant since 2003 and a Chartered Accountant with the Malaysian Institute of Accountants (“MIA”) since February 2012.

He began his career in 1996 when he joined an audit firm, BDO Binder as an Audit Assistant where he was exposed to assurance and special assignments for clients in various industries, such as the plantation, hospitality, property development, construction and trading. In 2003, Lee Chen Yow subsequently joined the field of commerce, holding roles in the finance function including finance manager and assistant vice president of several listed companies. He joined Ho Hup Construction Company Berhad as Finance Manager in 2003 where he was responsible for the group financial reporting to the Board of Directors of the company and to Bursa Securities. In 2004, he joined Country Heights Holding Berhad as Finance Manager where he was responsible for the group financial reporting of the listed entity and managing the finance functions of its subsidiaries. During his time in Country Heights Holdings Berhad, he assisted in the group’s internal reorganisation and fund raising schemes such as proposed divestment of its property division to seek listing, bonds revision and loan restructuring. In 2006, he then joined Astro All Asia Networks Plc (Astro) as an Assistant Vice President and was responsible for regional accounting work for the company’s investments in overseas, ensuring compliance of International Financial Reporting Standards (IFRS) and adherence to group’s financial reporting across the regional subsidiaries before leaving in 2010. Subsequently in 2010, he joined Uzma Engineering Sdn Bhd, which principal activities were in the provision of services for the oil and gas upstream industry. The company is the main subsidiary of Uzma Berhad and Lee Chen Yow acted as Group Finance Manager where he was responsible for finance function of the group.

As a result of Lee Chen Yow’s experience, he is experienced in accounting and compliance work and is familiar with the Listing Requirements. Lee Chen Yow founded his own consultancy company, Base Associates Management Consulting Sdn Bhd in 2011 which is involved in the provision of financial management and advisory services and is an Executive Director of the company. He was also appointed to the board of directors of Jubli Sepadu Sdn Bhd on 17 February 2012 which is involved in property investment, 3C Advisory Sdn Bhd on 16 May 2014 which is involved in consulting and the provision of corporate advisory and financial-related services, and Darul Bangsa Holdings Sdn Bhd on 9 May 2016 which is an investment holding company.

Lee Chen Yow established VC Advisory, a firm registered with the MIA, on 2 April 2014 and assumed the role of the Managing Partner of VC Advisory on the same date. The principal activity of VC Advisory is the provision of accounting and compliance services.

Sharon Lee Ching Yee, Malaysian, aged 46 (Female)
Independent Non-Executive Director

Sharon Lee Ching Yee was appointed to our Board on 26 May 2016. She graduated with a Bachelor of Laws from the University of London, England in 1996. She obtained her Certificate in Legal Practice in 1998 and was admitted as an Advocate and Solicitor of the High Court of Malaya in 1999. In the same year, she began her career as a Legal Assistant in Messrs Abraham Ooi & Partners where she was exposed to various legal related matters. Sharon has also graduated with a Master in Business Administration from the University of Western Sydney, Australia in 2005.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

In 2004, she left Messrs Abraham Ooi & Partners and founded Messrs Lee Sharon & Associates. She is the Managing Partner of the Messrs Lee Sharon & Associates and is responsible for the management of the firm with a personal focus on banking, conveyancing, land law and corporate law. Over the years, she has been in legal practice for approximately 17 years. Her area of legal expertise encompasses area in corporate, secretarial, banking and conveyancing.

She currently holds directorship in LSA Properties Sdn Bhd, details as set out in Section 8.2.3.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.2.2 Shareholdings

The shareholdings of the Directors in our Company before and after our IPO are as follows:

Name	Designation	Nationality	Before IPO ⁽¹⁾			After IPO		
			Direct No. of Shares held	Indirect No. of Shares held	% held	Direct No. of Shares held	Indirect No. of Shares held	% held
Datuk Zainal Abidin bin Ujud	Independent Non- Executive Chairman	Malaysian	-	-	-	100,000 ⁽²⁾	-	0.07
Aik Swee Tong	Managing Director	Malaysian	11,335,216	71,022,780 ⁽³⁾	56.82	9,884,308	61,931,865 ⁽³⁾	41.57
Aik Cwo Shing	Executive Director	Malaysian	11,335,216	71,022,780 ⁽³⁾	56.82	9,884,308	61,931,865 ⁽³⁾	41.57
Gong Wooi Teik	Independent Non- Executive Director	Malaysian	-	-	-	100,000 ⁽²⁾	-	0.07
Marzuki bin Abd Rahman	Independent Non- Executive Director	Malaysian	-	-	-	100,000 ⁽²⁾	-	0.07
Lee Chen Yow	Independent Non- Executive Director	Malaysian	-	-	-	100,000 ⁽²⁾	-	0.07
Sharon Lee Ching Yee	Independent Non- Executive Director	Malaysian	-	-	-	-	-	-

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) Assuming full subscription of their Pink Form Tranche allocation.
- (3) Deemed interest by virtue of his interest in ABC Equity pursuant to Section 6A of the Act.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.2.3 Principal Directorships in Other Corporations for the Past Five (5) Years and Principal Business Activities Performed Outside Our Group

Save as disclosed below, none of our Directors has any other principal directorships in other corporations for the past five (5) years prior to the LPD or any principal business activities performed outside of our Group as at LPD:

Name	Companies and Principal Activities of Companies	Directorships	Designation	Shareholdings
Datuk Zainal Abidin bin Ujud	Astakonas Sdn Bhd (208409-P) Freight, Transportation and Logistics	Appointed on 18.02.2010 Resigned on 01.09.2011	None	None
	Bumijaya Idaman Sdn Bhd (1082673-D) Treller Fabrication	Subsisting Appointed on 17.03.2014	Director	Shareholder holding 49% shares
	Felda-CFA Logistics Sdn Bhd (694599-V) Transportation and Logistics	Appointed on 02.02.2007 Resigned on 15.09.2012	None	None
	Kejuruteraan Perunding Nusajaya Sdn Bhd (1059019-V) Dormant <i>(The company's previous principal activity was engineering services)</i>	Subsisting Appointed on 21.08.2013	Director	Shareholder holding 50% shares
	Nam Long Forwarding Sdn Bhd (1057337-A) Transport and Forwarding Agency	Subsisting Appointed on 23.04.2015	Director	Shareholder holding 51% shares
	Razki Plantation Venture Sdn Bhd (1138151-T) Agricultural Activities for Crops Production on a Fee Or Contract Basis Stock, Share and Bond Brokers Other Business Support Service Activities N.E.C	Subsisting Appointed on 01.04.2015	Director	None
	Sri Bumi Metro Sdn Bhd (1083352-U) Dormant <i>(The company's previous principal activity was sand and mining)</i>	Subsisting Appointed on 17.03.2014	Director	Shareholder holding 10% shares

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Name	Companies and Principal Activities of Companies	Directorships	Designation	Shareholdings
	Sutrajaya Shipping Sdn Bhd (480236-T) (In the process of winding up) Dormant <i>(The company's previous principal activity was shipping operation)</i>	Appointed on 18.10.2010 Resigned on 01.02.2013	None	None
	YonMing Group Sdn Bhd (716296-P) Heavy Vehicles Spare Parts	Subsisting Appointed on 31.10.2013	Director	Shareholder holding 10% shares
Aik Swee Tong	ABC Equity Investment Holding	Subsisting Appointed on 27.12.2010	Director	Shareholder holding 21% shares
	Dancomech (M) Sdn Bhd (280516-A)⁽¹⁾ Dormant <i>(The company's previous principal activity was trading in engineering products)</i>	Subsisting Appointed on 02.11.1993	Director	Shareholder holding 32.01% shares
	Dancord Engineering Sdn Bhd (477628-X) Investment Holding	Appointed on 23.02.1999 Resigned on 03.08.2011	None	None
	Dancovest General Trading	Subsisting Appointed on 24.02.1997	Director	Shareholder holding 21% shares
	Enhanced Performance Solutions Sdn Bhd (749579-K) Engineering, Architecture and Technical Services	Appointed on 17.10.2007 Resigned on 22.11.2011	None	None
	Meadow Spring International Ltd (BVI Company No. 1427480) (Incorporated in the British Virgin Islands) Dormant <i>(The company's previous principal activity was investment holding)</i>	Subsisting Appointed on 12.09.2007	Director	Shareholder holding 25% shares

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Name	Companies and Principal Activities of Companies	Directorships	Designation	Shareholdings
	Sinong Enterprise Sdn Bhd (157598-U) Investment Holding	Subsisting Appointed on 07.08.2007	Director	Dancovest owns 24.93% of Sinong Enterprise Sdn Bhd Aik Swee Tong owns 21% of Dancovest
	Sinong Pelita Matu Sdn Bhd (358150-P) Oil Palm Plantation	Subsisting Appointed on 11.01.2010	Director	Sinong Enterprise Sdn Bhd owns 86.20% of Sinong Pelita Matu Sdn Bhd Dancovest owns 24.93% of Sinong Enterprise Sdn Bhd Aik Swee Tong owns 21% of Dancovest
	Sunrise Profits Sdn Bhd (651732-X) (Dissolved)	Subsisting Appointed on 11.06.2004	Director	Dancovest owns 24.93% of Sunrise Profits Sdn Bhd Aik Swee Tong owns 21% of Dancovest
	Tekad Optimis Sdn Bhd (616853-W)⁽²⁾ Dormant <i>(The company's previous principal activity was general trading)</i>	Subsisting Appointed on 29.05.2003	Director	Shareholder holding 50% shares
	Turbo Bio Engineering Sdn Bhd (752890-V) Servicing, Engineering, and Trading of Power Generating Equipment (Turbine)	None	None	Dancovest (M) Sdn Bhd owns 48.12% of Turbo Bio Engineering Sdn Bhd Aik Swee Tong owns 21% of Dancovest

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Name	Companies and Principal Activities of Companies	Directorships	Designation	Shareholdings
	WAGI Valve Co. Ltd (Company No. 06928563)⁽³⁾ (Incorporated in the United Kingdom) (Dissolved)	Subsisting Appointed on 09.06.2009	Director	Meadow Spring International Ltd wholly owns WAGI Valve Co Ltd. Aik Swee Tong owns 25% of Meadow Spring International Ltd
Aik Cwo Shing	ABC Equity Investment Holding	Subsisting Appointed on 27.12.2010	Director	Shareholder holding 21% shares
	Amaturen Industries (M) Sdn Bhd (380641-X)⁽¹⁾ Dormant	Appointed on 21.03.1996 Resigned on 13.03.2003	None	Shareholder holding 50% shares
	Dancomech (M) Sdn Bhd (280516-A)⁽¹⁾ Dormant <i>(The company's previous principal activity was trading in engineering products)</i>	Subsisting Appointed on 02.05.1996	Director	Shareholder holding 9.7% shares
	Dancord Engineering Sdn Bhd (477628-X) Investment Holding	Subsisting Appointed on 23.02.1999	Director	Shareholder holding 50% shares
	Dancovest General Trading	Subsisting Appointed on 01.01.2005	Director	Shareholder holding 21% shares
	Encord (Utara) Sdn Bhd (450175-V)⁽²⁾ Dormant	Subsisting Appointed on 15.10.1997	Director	Shareholder holding 50% shares
	Meadow Spring International Ltd (BVI Company No. 1427480) (Incorporated in the British Virgin Islands) Dormant <i>(The company's previous principal activity was investment holding)</i>	Subsisting Appointed on 12.09.2007	Director	Shareholder holding 25% shares

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Name	Companies and Principal Activities of Companies	Directorships	Designation	Shareholdings
	Turbo Bio Engineering Sdn Bhd (752890-V) Servicing, Engineering, and Trading of Power Generating Equipment (Turbine)	Subsisting Appointed on 13.11.2006	Director	Dancovest owns 48.12% of Turbo Bio Engineering Sdn Bhd Aik Cwo Shing owns 21% of Dancovest
	WAGI Valve Co. Ltd (Company No. 06928563)⁽³⁾ (Incorporated in the United Kingdom) (Dissolved)	Subsisting Appointed on 09.06.2009	Director	Meadow Spring International Ltd wholly owns WAGI Valve Co Ltd. Aik Cwo Shing owns 25% of Meadow Spring International Ltd
Gong Wooi Teik	Box-Pak (Malaysia) Bhd (21338-W) Manufacturing and Distribution of Paper Boxes, Cartons, General Paper and Board Printing, and Investment Holding	Subsisting Appointed on 03.07.2013	Independent Non-Executive Director	None
	Cheetah Holdings Berhad (430404-H) Sports Apparel and Casual Wear	Subsisting Appointed on 01.11.2004	Independent Non-Executive Director	Shareholder holding 0.16% shares
	Excellent Scene Sdn Bhd (390677-M) Investment Holding	Subsisting Appointed on 28.06.1996	Director	Shareholder holding 60% shares
	GEP Consulting Sdn Bhd (483387-A) Business Consultancy	Subsisting Appointed on 12.05.1999	Director	Shareholder holding 50% shares
	GEP Tax Services Sdn Bhd (539029-K) Tax Consultancy	Subsisting Appointed on 12.02.2001	Director	Shareholder holding 50% shares
	GMJ Assets Sdn Bhd (235390-X) Investment Holding	Subsisting Appointed on 05.03.1992	Director	Shareholder holding 60% shares

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Name	Companies and Principal Activities of Companies	Directorships	Designation	Shareholdings
	Nikko Electronics Bhd (174076-U) (In Liquidation) Dormant <i>(The company's previous principal activity was manufacturing and selling of radio controlled toys)</i>	Subsisting Appointed on 02.12.1999	Independent Non-Executive Director	Shareholder holding 0.1% shares
	Supermax Corporation Berhad (420405-P) Rubber Glove Manufacturers	Subsisting Appointed on 28.12.2001	Independent Non-Executive Director	Shareholder holding 0.45% shares
	Techfast Holdings Bhd (647820-D) Manufacturing and Marketing of Self-Clinching Fasteners and Electronic Hardware	None	None	Shareholder holding 4.47% shares
	CP Outsource Solution Sdn Bhd (1120015-D) Management Consulting Activities	Subsisting Appointed on 27.11.2014	Director	None
Marzuki bin Abd Rahman	VC Capital One Sdn Bhd (793773-X)⁽¹⁾ Event Management	None	None	Shareholder holding 5.83% shares
Lee Chen Yow	3C Advisory Sdn Bhd (1093535-T) Consulting and Advisory Services	Subsisting Appointed on 15.05.2014	Director	Shareholder holding 50% shares
	Base Associates Management Consulting Sdn Bhd (952194-W) Financial Management and Advisory Services	Subsisting Appointed on 11.07.2011	Director	Shareholder holding 80% shares
	Darul Bangsa Holdings Sdn Bhd (1175698-T) Investment holding	Subsisting Appointed on 09.05.2016	Director	None
	Jubli Sepadu Sdn Bhd (972521-P) Property Investment	Subsisting Appointed on 17.02.2012	Director	Shareholder holding 0.1% shares
	VC Advisory (NF 1277)⁽⁴⁾ Accounting Services and Advisory Services on Financial Related Matters	Not applicable	Partner	Partner holding 50% equity interest

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Name	Companies and Principal Activities of Companies	Directorships	Designation	Shareholdings
Sharon Lee Ching Yee	LSA Properties Sdn. Bhd. (757516-T) Marketing and property management services	Subsisting Appointed on 26.12.2006	Director	Shareholder holding 50% shares

Notes:

- (1) *In the process of striking off pursuant to Section 308 of the Act*
- (2) *Struck off pursuant to Section 308 of the Act*
- (3) *This company was incorporated on 9 June 2009 with the intention to own and market our own brand, WAGI, in the United Kingdom. However, this was not carried out. The WAGI brand is owned by Dancomech Engineering and its products have been distributed by Dancomech Engineering since the brand's inception*
- (4) *This is a partnership registered under the Malaysian Institute of Accountants, established under the Accountant's Act 1967*

The Managing Director and Executive Director are not involved in the day-to-day activities and operations of the abovementioned businesses and accordingly, their involvement in the abovementioned companies do not affect their contribution to our Group or negatively impact their ability to act as the Managing Director and Executive Director of our Group.

Save as disclosed in Sections 10.1 and 10.3, as at LPD, none of our Directors has any interest, direct or indirect, in any other businesses and corporations carrying on a trade similar to that of our Group and/or any business or corporations which are also our customers or suppliers of our Group. The Board does not foresee any conflict of interest arising from the above.

Please refer to Sections 10.1 and 10.3 for further information on related party transactions with our Directors and interests in other similar businesses and/or businesses of our customers and suppliers.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.2.4 Directors' Remuneration and Material Benefits-in-Kind

The current remunerations and proposed remunerations for services rendered/to be rendered by the Board of Directors of Dancomech for the FYE 2015 and the FYE 2016 are as follows:

Director	Remuneration Band (RM)	
	FYE 2015	FYE 2016
Datuk Zainal Abidin Bin Ujud	Up to RM50,000	Up to RM50,000
Aik Swee Tong	RM550,000 to RM600,000	RM600,000 to RM650,000
Aik Cwo Shing	RM600,000 to RM650,000	RM650,000 to RM700,000
Gong Wooi Teik	Up to RM50,000	Up to RM50,000
Marzuki bin Abd Rahman	Up to RM50,000	Up to RM50,000
Lee Chen Yow	Up to RM50,000	Up to RM50,000
Sharon Lee Ching Yee	-	Up to RM50,000

The above remunerations, which comprise salaries, incentives, bonuses, fees, allowances and other benefits-in-kind must be considered and recommended by the Remuneration Committee and subsequently approved by our Board. Our Directors' fees must be further approved or endorsed by our shareholders at a general meeting.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.2.5 Directors' Term of Office

Our Directors were appointed to the Board and has served in their respective capacities since the dates set out in Section 8.2.1. Our Board comprises one (1) Independent Non-Executive Chairman, one (1) Managing Director, one (1) Executive Director and four (4) Independent Non-Executive Directors and their respective current terms of office are as follows:

Directors	Designation	Length of Years in Service in the Group (including each subsidiary)	Date of expiration of the current term of office	No of years in office as at LPD
Datuk Zainal Abidin Bin Ujud	Independent Non-Executive Chairman	>1 year	Shall retire at next Annual General Meeting ⁽¹⁾	>1 year
Aik Swee Tong	Managing Director	>15 years	Shall retire at next Annual General Meeting ⁽¹⁾	>1 year
Aik Cwo Shing	Executive Director	>15 years	Shall retire at next Annual General Meeting ⁽¹⁾	>1 year
Gong Wooi Teik	Independent Non-Executive Director	>1 year	Shall retire at next Annual General Meeting ⁽¹⁾	>1 year
Marzuki bin Abd Rahman	Independent Non-Executive Director	<1 year	Shall retire at next Annual General Meeting ⁽²⁾	<1 year
Lee Chen Yow	Independent Non-Executive Director	>1 year	Shall retire at next Annual General Meeting ⁽¹⁾	>1 year
Sharon Lee Ching Yee	Independent Non-Executive Director	<1 year	Shall retire at next Annual General Meeting ⁽²⁾	<1 year

Notes:

⁽¹⁾ In accordance with Article 97 of our Articles of Association on Retirement of Directors:

"At the first annual general meeting of the Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third (1/3) of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires, whether the meeting is adjourned or not. An election of directors shall take place each year."

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

⁽²⁾ *In accordance with Article 105 of our Articles of Association on Directors' power to fill casual vacancies and to appoint Directors:*

"The Directors shall have power at any time and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed in accordance with these Articles. Any Director so appointed shall hold office only until the next annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting."

8.3 AUDIT AND RISK MANAGEMENT, NOMINATION AND REMUNERATION COMMITTEES AND CORPORATE GOVERNANCE

8.3.1 Audit and Risk Management Committee

Our Audit and Risk Management Committee was established on 29 August 2014. Currently, the members of our Audit and Risk Management Committee are as follows:

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

The principal objective of the Audit and Risk Management Committee is to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group. In addition, the Committee shall:

- (i) Review with our auditors the nature and scope of their audit plans, audit reports, major findings and evaluations of our accounting system and internal controls;
- (ii) Review our quarterly and annual financial statements before submission to our Board, focusing in particular on any changes in implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, the going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (iii) Consider the appointment or reappointment of external auditors and matters relating to their resignation;
- (iv) Review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group;
- (v) Review the adequacy and effectiveness of the Risk Management process to identify key organisational risks and the systems or processes in place to monitor and manage these risks; and
- (vi) Perform such other functions as may be requested by our Board.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.3.2 Nomination Committee

Our Nomination Committee was established on 29 August 2014. Currently, the members of our Nomination Committee are as follows:

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

Our Nomination Committee's terms of reference include the following:

- (i) Identify and recommend to our Board, candidates for directorships of our Company and Directors as members of the relevant Board committees;
- (ii) Evaluate the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director including his/her time commitment to effectively discharge his/her duties, character, experience and integrity;
- (iii) Review annually the mix of skills and experience of the Board, including the core competencies which Directors should bring to the Board;
- (iv) Ensure an appropriate framework and succession planning for our Board and key management personnel; and
- (v) Review, recommends and ensure training needs/requirements for each Director.

8.3.3 Remuneration Committee

Our Remuneration Committee was established on 29 August 2014. Currently, the members of our Remuneration Committee are as follows:

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

Our Remuneration Committee's terms of reference include the following:

- (i) Assist our Board in determining the remuneration of our Directors and key management personnel;

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

- (ii) Ensure that a strong link is maintained between the level of remuneration and individual performance against agreed targets, the performance-related elements of remuneration forming a significant proportion of the total remuneration package of Managing Director, Executive Director and key management personnel; and
- (iii) Establish and recommend to the Board the remuneration structure and policy for Managing Director, Executive Director and key management personnel; the terms of employment or contract of employment/service, any benefit, pension or incentive scheme entitlement; other bonuses, fees and expenses; any compensation payable on the termination of the service contract by our Group and to review for changes to the policy, as necessary.

8.3.4 Corporate Governance

Our Board acknowledges and takes cognisance of the Malaysian Code on Corporate Governance 2012 (“MCCG”), which contains recommendations to improve upon or to enhance corporate governance as an integral part of the business activities and cultures of such companies. The MCCG is specifically targeted at listed companies on Bursa Securities, and listed companies with a financial year ended 31 December 2012 onwards will be required to report the extent of the adoption of the principles and recommendations of MCCG in their annual reports.

Our Board is committed to achieving and sustaining high standards of corporate governance and will use its best endeavours to comply with the MCCG and will provide a statement on the extent of compliance with the MCCG in our first annual report as a listed entity for the year ending 31 December 2016.

Within the limits set by our Articles, our Board is responsible for the governance and management of our Company. To ensure the effective discharge of its functions, our Board endeavours to follow the MCCG, which sets out the following responsibilities for our Board:

- (i) to review, challenge, and approve our annual corporate plan, which includes our overall corporate strategy, marketing plan, human resources plan, information technology plan, financial plan, budget, regulations plan and risk management plan;
- (ii) to oversee the conduct of our businesses and to determine whether the businesses are being properly managed;
- (iii) to identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures to effectively monitor and manage these risks;
- (iv) succession planning, including appointing, training, fixing the remuneration of, and where appropriate, replacing key management;
- (v) to oversee the development and implementation of an investor relations programme or a shareholder’s communications policy for our Company; and
- (vi) to review the adequacy and the integrity of our management information and internal controls systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines (including Listing Requirements, securities laws and the Act).

As a step towards good corporate governance, we have appointed one (1) Independent Non-Executive Chairman and four (4) Independent Non-Executive Directors to work together with our Managing Director and Executive Director. We endeavour to ensure that the majority of our Board constitutes of Independent Directors with a diverse mix of skills, knowledge, and experience required for effective stewardship of our Group and independence in decision-making.

In addition, we have also set up an Audit and Risk Management Committee to prevent conflict of interest situations and to ensure that, *inter alia*, any future transactions involving related parties will be entered into on normal commercial terms which are not detrimental to our minority shareholders.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.4 KEY MANAGEMENT PERSONNEL

8.4.1 Profile

The key management personnel of our Group are as follows:

Aik Hui Luan, Malaysian, aged 59 (Female)
Chief Operating Officer

As the Chief Operating Officer of our Group, she is primarily responsible for the finance, human resources and administration and warehouse of our Group.

After completing her secondary education in 1975, she began working with her father in a plywood factory in 1976 until 1989, where she was a supervisor overseeing the day-to-day business operations of plywood factory and primarily the packaging process of plywood to ensure that all orders and packaging were processed as per the orders from the customers.

In 1989, she co-founded DET together with Aik Swee Tong and Wong Chiau Siew. At DET, she worked as Manager and was given multiple job functions in order to make sure that the back-end office was running smoothly while Aik Swee Tong and Wong Chiau Siew were in charge of the sales and distribution of PCE and Measurement Instruments. She was primarily responsible for overseeing the human resource, administration, accounting and financial operations of DET until the establishment of Dancomech (M) Sdn Bhd in 1993.

In 1993, Aik Hui Luan together with Aik Swee Tong and Wong Chiau Siew established Dancomech (M) Sdn Bhd to take over the business of DET. Aik Hui Luan was the director of Dancomech (M) Sdn Bhd and resumed her responsibilities from DET.

In 2000, Dancomech Engineering was established to take over the business of Dancomech (M) Sdn Bhd and Aik Hui Luan continued her role as director overseeing the human resource, administration, accounting and financial operations of Dancomech Engineering. The approximately twenty five (25) years of experience she gained from the years spent in DET, Dancomech (M) Sdn Bhd and Dancomech Engineering has enabled Aik Hui Luan to play a vital role in our Group and has since managed the accounts, finance and administration as well as human resource. She was assisted by two (2) finance executives during her tenure in Dancomech Engineering and under her supervision, the workforce has been increased to six (6) currently.

She also sits on Boards of several private limited companies as detailed in Section 8.2.3.

Wong Chiau Siew, Malaysian, aged 62 (Male)
Senior Sales Manager, Dancomech Engineering

Wong Chiau Siew completed his secondary education in 1970 and obtained his General Certificate of Education (GCE) from SMK Yong Peng. He is currently the Senior Sales Manager primarily responsible for the sales functions and marketing activities of our business outside Klang Valley. He spearheaded the domestic business expansion plans of our business such as the office of Dancomech JB and the setting-up the future offices of Dancomech in Lahad Datu, Sabah and Bintulu, Sarawak. In addition, he is also responsible of Dancomech JB's overall operation on behalf of our Group, and will oversee the same for the future offices in Lahad Datu, Sabah and Bintulu, Sarawak.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

He began his career in 1971 when he joined Leong Huat Saw Mill Sdn Bhd in Seremban as a trainee where he was mainly involved in matters relating to timber grading. He left Leong Huat Saw Mill Sdn Bhd in 1973, to join Sin Lian Seng Sdn Bhd as a project coordinator. The company was involved in the planting of oil palms and he was mainly responsible for assisting the manager in liaising with FELDA for oil palm project development by compiling and preparing contract documents and monitoring the progress of the contracts. In 1978, he joined Tritraco Sdn Bhd, a hardware trading company as sales manager. Tritraco Sdn Bhd is a confirming house which purchased and arranged the export of hardware products on the behalf of overseas buyers. During his tenure in the company, his main job function was to assist the local customers to source for hardware products outside Malaysia such as Taiwan and United Kingdom.

In 1989, he co-founded DET together with Aik Swee Tong and Aik Hui Luan where he worked as Sales Manager by focusing on the sales and distribution of PCE and Measurement Instruments to end users in the Malaysian palm oil industry. In 1992, he secured the first major order worth approximately RM600,000 for supplying of PCE and compression fittings.

Together with Aik Swee Tong and Aik Hui Luan, he established Dancomech (M) Sdn Bhd in 1993 to take over the business of DET. At Dancomech (M) Sdn Bhd, he retained the same job functions as DET but he was also responsible for the sourcing of PCE and Measurement Instruments from overseas, mainly from the countries of Taiwan, People's Republic of China, United Kingdom, Germany and Turkey. Subsequently in 2000, together with Aik Swee Tong and Aik Hui Luan, he established Dancomech Engineering to take over the business of Dancomech (M) Sdn Bhd and Dancord Engineering Sdn Bhd. He assumed his position as Sales Manager in Dancomech Engineering and subsequently was promoted to Senior Sales Manager of Dancomech Engineering in 2001. Since then, he has been aggressively exposing himself to various other industries such as the oleochemicals, oil and gas and petrochemical, water treatment and sewerage industries.

Throughout the years, he possesses approximately twenty five (25) years of valuable experience and business network in the named industries mainly focusing on the sales and distribution of PCE and Measurement Instruments.

He also sits on Boards of several private limited companies as detailed in Section 8.4.3.

Aik Kwo Liang, Malaysian, aged 43 (Male)
Senior Sales Manager, Dancomech Engineering

Aik Kwo Liang graduated in 1993 with a Diploma in Computer Science from Informatics College. He is currently the Senior Sales Manager overseeing the sales functions and marketing activities of our Group within Klang Valley.

He began his career in 1991 when he joined DET as a Sales Executive where he was responsible to promote the sales of PCE and Measurement Instruments to end users in hardware shop and retailers in Klang Valley. He also assisted in daily sales coordination matters until 1993 when Dancomech (M) Sdn Bhd was established.

In 1993, when Dancomech (M) Sdn Bhd was established to take over the business of DET, Aik Kwo Liang continued his position as a Sales Executive until 2000. During his tenure in Dancomech (M) Sdn Bhd, his responsibility on the sales functions was extended outside Klang Valley to other parts of Malaysia such as Seremban, Melaka, Ipoh and Penang. He also assisted in daily sales coordination matters until 2000.

When Dancomech Engineering was established in 2000 to take over the operations of Dancomech (M) Sdn Bhd, he resumed the position of Sales Executive and was subsequently promoted to Sales Manager in 2001. During his tenure as Sales Manager in Dancomech Engineering, he expanded the customer base by securing new orders from various industries such as palm oil and oleochemicals, oil and gas and petrochemical industries, as well as EPCC companies, OEM and hardware retailers.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

He was promoted to his current position as the Senior Sales Manager in 2007 and assumed his current functions since then. Aik Kwo Liang is also actively involved in sourcing OEM from the People's Republic of China and Taiwan for different type of products and materials which could offer competitive pricing to enhance the profit margin of our own brands. With his active involvement in promoting the sales and distribution of PCE and Measurement Instruments, he has managed to maintain good business relationships with Kuala Lumpur Kepong Group since 1998 and Wilmar International since 1999. Aik Kwo Liang plays a vital role in our Group as he possesses more than twenty (20) years of sales and industry experience.

He also sits on Boards of several private limited companies as detailed in Section 8.4.3.

Lim Lung Lik, Malaysian, aged 34 (Male)
Chief Financial Officer

Lim Lung Lik obtained a Diploma in Business Studies (Accounting) from Tunku Abdul Rahman College (now known as Tunku Abdul Rahman University College) in 2002. Subsequently in 2004, he graduated with a Bachelor of Accounting and Finance (Honours) Degree from the University of East London. He holds a professional qualification from the Association of Chartered Certified Accountants ("ACCA") in 2007 and later he joins as a member of ACCA and a member of Malaysian Institute of Accountants in 2009. In 2014, he was awarded a Fellow Member of ACCA. He is currently the Chief Financial Officer of our Group and primarily responsible for overseeing the financial affairs, treasury and taxation matters of our Group. He reports directly to the Chief Operating Officer.

Lim Lung Lik began his career in December 2004 when he joined an audit firm, Folks DFK & Co as an Audit Assistant and later promoted as the Audit Senior in 2006. During his tenure in Folks DFK & Co, he was responsible for undertaking statutory audit functions of small and medium sized companies that involved in manufacturing, construction, property development and trading. In March 2006, he left Folks DFK & Co to pursue his ACCA qualification and obtained his ACCA qualification in 2007. While pursuing his ACCA, Lim Lung Lik joined an audit firm, BDO Malaysia as an Audit Associate in January 2007 and held the position as an Audit Manager prior to leaving BDO Malaysia in November 2010. In BDO Malaysia, he was involved in undertaking statutory audits of public listed and private limited companies in various industries, such as logistics, manufacturing, construction, and property development.

In November 2010, he joined Complete Logistic Services Berhad, a public listed company listed on the Main Market of Bursa Securities as Group Accountant, where he was tasked with amongst others, preparation of group financial statements and quarterly financial reporting. His role also required him to oversee other aspects of the financial operations such as tax planning, annual budget and treasury functions within the group. In March 2015, he resigned from Complete Logistics Services Berhad and joined as a Partner of LT Management Services Plt which is involved in the provision of accounting, tax and company secretarial services. He was primarily responsible for the preparation of accounts for private limited companies in the trading businesses as well as taxation and company secretarial related matters. He left LT Management Services Plt in July 2015 and thereafter he joined our Group as the Chief Financial Officer in August 2015.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Wong Seik Siang, Malaysian, aged 35 (Male)
Sales and Business Development Manager, Dancomech Engineering

Wong Seik Siang graduated in 2003 with a Bachelor of Business from the University of Technology, Sydney. In 2005, he obtained his Master of Business Administration (“MBA”) from the same university after completing his studies for his MBA in mid-2004.

He began working with Dancomech (M) Sdn. Bhd. at the age of 18 where he worked as a part time store assistant in assisting day to day job during his holidays. During his occupation as part time store assistant, he gained basic knowledge on the type of PCE and Measurement Instruments. He continued to work as part time store assistant for the next 4 years before leaving to Sydney, Australia to further his studies.

Upon completing his MBA studies in mid-2004, he joined Dancomech Engineering as a part time Project Manager at the end of 2004. His job function was to evaluate, appoint and assist in implementing the upgrade of existing 3A accounting software into the company.

In 2005, he joined New Convex Sdn Bhd, a company which is principally involved in the hospitality and food service industry as a Sales Executive. During his tenure there, he developed different sets of skills which comprised sales and marketing and business development skills in the hospitality and the food service industry. He was involved in sourcing for potential customers and suppliers during trade shows either locally or overseas and built up good business relationships with financial institutions.

In 2009, he joined Dancomech Engineering as Sales and Business Development Manager, a position he has held until now. His primary job function was to promote and develop businesses specifically in the oil and gas industries. In 2011, he was appointed as Leser Product Champion in Malaysia as the person in charge of Leser Safety Valves and as liaison with Leser LLP and Leser GmbH Co. Kg. In addition, he was also involved in sales related activities such as quotations, technical sales and sales orders in Dancomech Engineering. He is also the person in charge for all marketing activities such as participating biannual trade shows such as OGA (Oil & Gas Asia) and PIPOC (Palm Oil Congress and Exhibition), and organising technical seminars for customers.

In 2012, he managed to secure a large purchase order worth more than RM10.0 million in supplying PCE to a local EPCC Contractor. He is currently responsible for the business and market development of our Group. His responsibility includes being the liaison for oil and gas related brands such as NEWAY, Leser, REMBE, KSPC and K Float, and managing a database of historical technical queries for future reference. Wong Seik Siang is also involved in exchanging technical knowledge with manufacturers and transferring his knowledge to the sales team.

Oon Yen Tin, Malaysian, aged 42 (Female)
Operation Manager, Dancomech Engineering

Oon Yen Tin graduated in 1997 with an Advanced Diploma in Computer Studies from Informatics College. She is currently the Operation Manager overseeing the operation of our Group.

She began her career in 1997 as an Information Technology (“IT”) programmer in PPH Printing & Packaging Kulim Sdn Bhd, a public listed company listed on the main board of Bursa Malaysia Securities Berhad. In 2000, she was promoted to Senior IT Executive and relocated to PPH Printing & Packaging (Prai) Sdn Bhd. She was responsible for overseeing the IT system implementation for the operations in Kulim and Prai, Penang. During her time there, she worked closely with various department heads and stakeholders in anticipation of the needs of the system as well as the implementation of the new system. Following the implementation, the company achieved tremendous improvement to its operations efficiency.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

In April 2002, she was further promoted to Corporate IT Administrator and reassigned to PPH Management Sdn Bhd, an entity providing management information system support to the companies within the group. Her role was expanded to include overseeing system implementation for the operations locally as well as new plant setup in Thailand. During her tenure in the company, she has demonstrated strong support for the implementation of MRPII, ERP as well as HRMS implementation for all the subsidiaries. She was also involved in conducting various trainings to the new operational staff of the group and thus equipped herself with the extensive training skills and technical knowledge in the management information system.

With a broad knowledge of human resource management and having obtained leadership capabilities, she joined Dancomech Engineering as an Administrative Executive in 2005 to oversee Dancomech Engineering's administrative functions. Her role was expanded to Human Resources when she was designated as Administration cum Human Resource Manager from 2011 to January 2014. Subsequently, she has established all human resources, policies and practices in relation to all human resources function for the company. Following the formation of our Group, she has since been re-designated as Sales Administrative Manager to conduct in-house internal sales training and to manage a team handling sales inquiries, which supports to the sales team. This has positively contributed to the sales growth of the company. Her role further expanded to oversee the company operations which include procurement, billing, logistics, human resource and warehouse following the promotion to Operation Manager in January 2015.

Chang Soo Hong, Malaysian, aged 38 (Male)
Director and Chief Executive Officer, Optimis

Chang Soo Hong graduated from University of Bath in 1998, obtaining a first class honours in his Electrical and Electronic Engineering degree. He is primarily responsible for managing the overall sales and daily operations of Optimis.

After graduation in 1998, he immediately joined the Research and Development Department of Sharp Malaysia as an Engineer for a year. In a year of working in Sharp Malaysia, he was responsible for new product development and testing for the overseas market in the United States of America and Latin America.

He was subsequently employed as a Service Engineer at PMI Technologies Sdn Bhd ("PMI") in 2000 to 2004. PMI is a company involved in the design and manufacture of palm oil filtration and separation machinery for palm oil industries. Chang Soo Hong was part of the technical team of the company who successfully assisted the company in creating a Malaysia-built palm oil filtration machine which until today is still a major export product of the company. During his tenure there, Chang Soo Hong was also responsible for machine upgrading and after sales services for overseas customers in the People's Republic of China, Thailand, Indonesia and Philippines. Chang Soo Hong obtained hands-on technical knowledge on pneumatic, hydraulic and programmable logic controllers in automation design and implementation.

From 2004 to 2008, he joined Festo (Malaysia) Sdn Bhd ("Festo") as a Sales Engineer. Festo is originally from Germany and produces pneumatic automation parts and designs factory automation systems. He was assigned to new market and business segment development in the company for the municipal water, waste water and sewage industries. During his tenure there, he successfully introduced pneumatic automation to the municipal water industry and secured major projects for pneumatic automation parts and systems in Penang, Terengganu and Johor. In addition, he was also involved in conducting technical presentations to the State Water Boards, consultants and contractors regarding the application of pneumatic automation in water treatment facilities.

During his employment at Festo, Chang Soo Hong completed various internal training programs that were developed by Festo Germany. The training has equipped him with extensive training skills and technical knowledge.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

In year 2008, Chang Soo Hong left Festo and joined Schneider Malaysia Sdn Bhd as a Sales Manager. During his tenure in the company, he was responsible for the sales and marketing of automation products such as sensors, controllers and drives for the municipal water, waste water and sewage industries. During this time, he has accumulated the contacts with the relevant authorities in the water industry and is familiar with the procedural requirements imposed by the local regulators and authorities in the water and waste water industries in Penang, Terengganu and Johor. In the same year, he left Schneider Malaysia and co-founded Optimis together with Aik Cwo Shing to supply PCE and Measurement Instruments in the local water supply industry. He was the Sales Manager since the inception of Optimis and was primarily responsible for the sales functions and marketing activities of Optimis. He was designated as Chief Executive Officer of Optimis in 2014.

Over the years, Chang Soo Hong has gained extensive experience and technical knowledge in the industrial automation system for the water and waste water industries, which includes familiarity with the requirements imposed by local regulators and authorities of the water industry to drive the business of Optimis moving forward. This contributes to the value of the Group's services to customers in the water industry.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.4.2 Shareholdings

The shareholdings of the key management personnel before and after our IPO are as follows:

Name	Designation	Nationality	Before IPO ⁽¹⁾			After IPO		
			Direct No. of Shares held	Indirect ⁽²⁾ No. of Shares held	% held	Direct No. of Shares held	Indirect ⁽³⁾ No. of Shares held	% held
Aik Hui Luan ^{(2)/(3)/(4)}	Chief Operating Officer of Dancomech Group	Malaysian	5,397,722	-	4.32	4,706,814	-	3.16
Wong Chiau Siew ^{(3)/(4)/(5)}	Senior Sales Manager of Dancomech Engineering	Malaysian	6,477,266	-	5.18	5,648,176	-	3.79
Aik Kwo Liang ^{(2)/(5)}	Senior Sales Manager of Dancomech Engineering	Malaysian	7,017,038	-	5.61	6,118,857	-	4.11
Lim Lung Lik	Chief Financial Officer of Dancomech Group	Malaysian	-	-	-	3,000 ⁽⁷⁾	-	-(6)
Wong Seik Siang ⁽⁴⁾	Sales and Business Development Manager of Dancomech Engineering	Malaysian	-	-	-	84,000 ⁽⁷⁾	-	0.06
Oon Yen Tin	Operation Manager of Dancomech Engineering	Malaysian	-	-	-	172,000 ⁽⁷⁾	-	0.12
Chang Soo Hong	Director and Chief Executive Officer of Optimis	Malaysian	-	-	-	100,000 ⁽⁷⁾	-	0.07

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

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) *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.*
- (3) *Aik Hui Luan is the spouse of Wong Chiau Siew.*
- (4) *Wong Seik Siang is the son of Wong Chiau Siew and Aik Hui Luan.*
- (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) *Negligible.*
- (7) *Assuming full subscription of his/her Pink Form Tranche allocation.*

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.4.3 Involvement of Key Management Personnel in Other Businesses or Corporations

Save as disclosed below, none of the key management personnel are involved in other businesses/corporations as at LPD:

No.	Name	Companies and Principal Activities of Companies	Directorships	Designation	Shareholdings
1.	Aik Hui Luan	ABC Equity Investment Holding	None	None	Shareholder holding 10% shares
		Dancomech (M) Sdn Bhd (280516-A)⁽¹⁾ Dormant <i>(The company's previous principal activity was trading in engineering products)</i>	Subsisting Appointed on 02.11.1993	Director	Shareholder holding 18.43% shares
		Dancovest General Trading	Subsisting Appointed on 24.02.1997	Director	Shareholder holding 10% shares
		Meadow Spring International Ltd (BVI Company No. 1427480) (Incorporated in the British Virgin Islands) Dormant <i>(The company's previous principal activity was investment holding)</i>	Subsisting Appointed on 12.09.2007	Director	Shareholder holding 25% shares
		Shanhong Enterprises Sdn Bhd (136309-X) Sawmill Operators and Cultivation of Oil Palm	None	None	Shareholder holding 3.33% shares
		Turbo Bio Engineering Sdn Bhd (752890-V) Servicing, Engineering, and Trading of Power Generating Equipment (Turbine)	None	None	Dancovest owns 48.12% of Turbo Bio Engineering Sdn Bhd Aik Hui Luan owns 10% of Dancovest
2.	Aik Kwo Liang	ABC Equity Investment Holding	None	None	Shareholder holding 13% shares
		Amaturen Industries (M) Sdn Bhd (380641-X)⁽¹⁾ Dormant	Subsisting Appointed on 28.04.1999	Director	Shareholder holding 50% shares

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

No.	Name	Companies and Principal Activities of Companies	Directorships	Designation	Shareholdings
		Continuum Multimedia Solutions Sdn Bhd (679493-M)⁽¹⁾ Dormant <i>(The company's previous principal activity was information technology (IT) service provider)</i>	Appointed on 09.03.2005 Resigned on 05.08.2008	None	Shareholder holding 20% shares
		Dancomech (M) Sdn Bhd (280516-A)⁽¹⁾ Dormant <i>(The company's previous principal activity was trading in engineering products)</i>	None	None	Shareholder holding 3% shares
		Dancovest General Trading	Subsisting Appointed on 01.01.2005	Director	Shareholder holding 13% shares
		Meadow Spring International Ltd (BVI Company No. 1427480) (Incorporated in the British Virgin Islands) Dormant <i>(The company's previous principal activity was investment holding)</i>	Subsisting Appointed on 12.09.2007	Director	Shareholder holding 25% shares
		Turbo Bio Engineering Sdn Bhd (752890-V) Servicing, Engineering, and Trading of Power Generating Equipment (Turbine)	None	None	Dancovest owns 48.12% of Turbo Bio Engineering Sdn Bhd Aik Kwo Liang owns 13% of Dancovest
3.	Lim Lung Lik	Nil	None	None	None
4.	Wong Chiau Siew	ABC Equity Investment Holding	None	None	Shareholder holding 12% shares
		Cosmo Sprint Industries Sdn Bhd (1009776-H) General Trading	None	None	Shareholder holding 15.00% shares
		Dancomech (M) Sdn Bhd (280516-A)⁽¹⁾ Dormant <i>(The company's previous principal activity was trading in engineering products)</i>	Subsisting Appointed on 02.05.1996	Director	Shareholder holding 9.7% shares

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

No.	Name	Companies and Principal Activities of Companies	Directorships	Designation	Shareholdings
		Dancovest General Trading	Subsisting Appointed on 01.01.2005	Director	Shareholder holding 12% shares
		Epic Commerce Sdn Bhd (649979-W) General Trading	None	None	Shareholder holding 15%
		Turbo Bio Engineering Sdn Bhd (752890-V) Servicing, Engineering, and Trading of Power Generating Equipment (Turbine)	None	None	Dancovest owns 48.12% of Turbo Bio Engineering Sdn Bhd Wong Chiau Siew owns 12% of Dancovest
5.	Wong Seik Siang	Nil	None	None	None
6.	Oon Yen Tin	Nil	None	None	None
7.	Chang Soo Hong	Optimis Engineering Sdn Bhd (831446-A) Trading and distribution of PCE and Measurement Instruments to the water and sewerage industry	Subsisting Appointed on 03.09.2008	Director	Shareholder holding 45% shares

Note:

⁽¹⁾ In the process of striking off pursuant to Section 308 of the Act.

Save as disclosed in Sections 10.1 and 10.3, none of our key management personnel has any interest, direct or indirect, in any other businesses and corporations carrying on a trade similar to that of our Group and/or any business or corporations which are also our customers or suppliers of our Group.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.5 DECLARATIONS BY PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

Based on the declarations by our Promoters, Directors and key management personnel, none of our Promoters, Directors and key management personnel is or has been involved in any of the following events (whether in or outside Malaysia):

- (i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (ii) disqualification from acting as a director of any corporation, or from taking part directly or indirectly in the managing of a corporation;
- (iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) any judgement entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

8.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save as disclosed below, there are no family relationships (as defined under Section 122A of the Act) or associations amongst the Directors, Promoters, the substantial shareholders and the key management personnel:

- (i) 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;
- (ii) Aik Hui Luan is the spouse of Wong Chiau Siew;
- (iii) Wong Seik Siang is the son of Wong Chiau Siew and Aik Hui Luan; and
- (iv) Chua Ee Shan is the spouse of Chang Soo Hong.

8.7 BENEFITS PAID OR INTENDED TO BE PAID

Save as the Directors' remunerations as disclosed in Section 8.2.4 and the dividend payments as disclosed in Section 13 – Accountants' Report, there is no amount or benefit paid or intended to be paid or given to any of our Promoters, Directors or substantial shareholders within the two (2) years preceding the date.

8.8 AGREEMENTS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

As at LPD, there are no existing or proposed service agreements between the companies within our Group and our Directors and key management personnel, which are not terminable by notice without payment or compensation (other than statutory notice).

Further, save for the usual employment letters issued by our Group to our key management personnel Lim Lung Lik and Oon Yen Tin, there are no existing or proposed service agreements between the companies within our Group and our Directors and key management personnel.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.9 INFORMATION ON EMPLOYEES

8.9.1 Employment Structure

As at LPD, we have a total workforce of forty-four (44) personnel including our Managing Director and Executive Director, all of whom are permanent staff. The breakdown of our employees by category as at FYE 2012 to 2015 as well as at LPD is as follows:

Category	Number of Employees				
	As at FYE				As at LPD
	2012	2013	2014	2015	
Managerial ⁽¹⁾	9	12	14	12	12
Sales	4	3	5	7	6
Administration/Human Resources/Accounts	2	5	4	7	7
Quality Control, Warehousing and Delivery	10	8	9	11	11
Logistics	6	3	4	4	4
Procurement	3	2	2	4	4
Total	34	33	38	45	44

Note:

⁽¹⁾ Our Managing Director and Executive Director are included in the managerial category.

Our employees segmented by geographical areas as at FYE 2012 to 2015 as well as at LPD are as follows:

Category	Number of Employees				
	As at FYE				As at LPD
	2012	2013	2014	2015	
Kuala Lumpur	34	31	36	45	44
Johor Bahru	-	2	2	-	-
Total	34	33	38	45	44

There has been no industrial dispute actions taken against our Group and none of our employees are members of any union. In addition, our Group has not encountered any major turnover in our workforce.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.9.2 Training and Development

Our Group believes that our employees are our key assets to our company, and that they play a pivotal role in our continuous growth. We place emphasis on human resource development at the workplace.

For safety purposes, all new employees recruited by the Group in the warehousing division undergo training on heavy equipment before they are allowed to operate heavy equipment on their own. Our other employees undergo on-the-job training to equip themselves with necessary working knowledge and skills needed for them to carry out their job responsibilities efficiently. We also send our employees to external training programmes to ensure that they are able to further develop their skills to ensure the efficient running of our Group.

We strongly believe in investing in our people to create business longevity. Hence, we also encourage our employees to participate in relevant external training, which can contribute to knowledge and skills enhancement. Additionally, we conduct weekly sales training and meeting with our employees.

The following table lists out some of the training programmes as follows:

Year	Programme	Organiser and Location
2008	Leser Asia Pacific Partner Academy 2008	Leser GmbH & Co. KG, Ho Chi Minh, Vietnam
2009	Rembe Asia Pacific Conference 2009	Rembe GmbH, Bali, Indonesia
2010	Leser Asia Pacific Partner Academy 2010	Leser GmbH & Co. KG, Jakarta, Indonesia
2011	Rembe Asia Pacific Conference 2011	Rembe GmbH, Macau
2011	Leser Product Champion Conference 2011	Leser GmbH & Co. KG, Hamburg, Germany
2012	Leser Asia Pacific Partner Academy 2012	Leser GmbH & Co. KG, Chengdu, People's Republic of China
2013	Leser Product Champion Conference 2013	Leser GmbH & Co. KG, Hamburg, Germany
2013	Rembe REX 2013	Rembe GmbH, Brilon, Germany
2013	Product Training for Max Mueller	Max Mueller AG, Basel, Switzerland
2013	MFRS Right About Tax	PricewaterhouseCoopers, Kuala Lumpur, Malaysia
2013	Ultimate Budget 2014 Tax Planning & Latest Tax Update	Synergy TAS, Kuala Lumpur, Malaysia
2014	Goods & Service Tax	Malaysian Institute of Accountants, Kuala Lumpur, Malaysia
2015	Leser Asia Pacific Partner Academy 2015	Leser GmbH & Co. KG, Bali, Indonesia
2015	Rembe Asia Pacific Conference 2015	Rembe GmbH, Thailand

8.9.3 Management Succession Plan

Our Board believes that the success of our Group depends on the ability and retention of our key management personnel and upon our ability to attract and retain skilled personnel. Therefore, we have made efforts to train our staff and remunerate them accordingly.

As part of our strategy to retain our employees, we offer competitive remuneration packages. In addition, we provide a healthy working environment, practise good workplace culture and uphold work ethics to create a sense of belonging and foster good working relationships among our employees.

We are not overly dependent on any single key management personnel as we have in place a management succession plan and provide training and career development opportunities for our employees.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Our Group has a management succession plan consisting of:

- (i) Sound recruitment and selection;
- (ii) Competitive remuneration and employee benefits;
- (iii) Career planning and development; and
- (iv) Continuous training and education.

In addition, we will continue to provide appropriate training to promising junior staff in order to enhance their management and technical skills for the purpose of their career advancement with our Group. As part of the management succession plan, our Group has identified middle management personnel across all levels to assist the heads of various business divisions in order to facilitate skill transfer so as to ensure the smooth running and continuity of the operations of our Group. If the need arises, we will recruit qualified personnel with knowledge and expertise of the business to further enhance our operations.

We believe that our employees are valuable assets to our Group and we provide the necessary training for their future development.

Further, in conjunction with our Listing, we have allocated a portion of our Public Issue Shares to our eligible employees, including our key management personnel. Should these employees subscribe for our Shares, they will become shareholders of our Company and may therefore be further motivated to contribute to our success.

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9. APPROVALS AND CONDITIONS

9.1 APPROVALS FROM RELEVANT AUTHORITIES

The Listing is subject to the following being obtained:

- (a) The approval of the SC, pursuant to Section 214(1) of the CMSA and the equity requirements for public companies, which was obtained vide its letter dated 25 April 2016;
- (b) The approval of the MITI which was obtained vide its letter dated 19 November 2015;
- (c) The approval-in-principal of Bursa Securities for admission to the Official List and listing of and quotation for the entire enlarged issued and fully paid-up share capital of Dancomech on the Main Market of Bursa Securities, which was obtained vide its letter dated 31 May 2016; and
- (d) The approval/consent of any other relevant authority or party; if required.

The SC has approved our Listing, under Section 214(1) of the CMSA and the equity requirements for public companies, via its letter dated 25 April 2016. The condition imposed by the SC and the status of compliance are as follows:

Details on Conditions Imposed by the SC	Status of Compliance
MIDF Investment and Dancomech to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the Listing	Noted

The SC had via its letter dated 25 April 2016 noted the effects of the Listing on the equity structure of Dancomech as follows:

Category of Shareholders	Before Listing		After Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera:				
• Public balloting ⁽¹⁾	-	-	3,750,000	2.52
• Public Issue to Bumiputera investors to be approved by MITI via private placement ⁽²⁾	-	-	13,997,000	9.39
• Offer for Sale to Bumiputera investors to be approved by MITI via private placement ⁽³⁾	-	-	4,630,000	3.11
Total Bumiputera	-	-	22,377,000	15.02
Non-Bumiputera	125,000,000	100.00	126,623,000	84.98
Total Malaysian	125,000,000	100.00	149,000,000	100.00
Foreigners	-	-	-	-
Total	125,000,000	100.00	149,000,000	100.00

Notes:

⁽¹⁾ Assuming 50% of the 7,500,000 Public Issue Shares under the public balloting portion to be made available to Bumiputera investors is fully subscribed.

⁽²⁾ Assuming 9.39% of the enlarged issued and paid-up share capital of Dancomech allocated to Bumiputera investors pursuant to the Public Issue of 13,997,000 Shares to be approved by MITI is fully subscribed.

⁽³⁾ Assuming 3.11% of the enlarged issued and paid-up share capital of Dancomech allocated to Bumiputera investors pursuant to the Offer for Sale of 4,630,000 Shares to be approved by MITI is fully subscribed.

9. APPROVALS AND CONDITIONS (Cont'd)

The SC had, via its letter dated 26 June 2015, approved the waiver sought from having to comply with certain requirement under Prospectus Guidelines. The details of the waiver sought and accompanying conditions imposed by the SC are as follows:

No.	Relief Sought	SC's Decision	Status of Compliance
1.	Relief from complying with Paragraph 12.10 of the Prospectus Guidelines – Equity in relation to the requirement that interim audited financial information is to be provided if the date of the prospectus is later than 6 months from the end of the latest financial year.	<p>Approved, subject to:</p> <p>(i) Submission of the prospectus for public exposure should not exceed 9 months from the most recent completed financial year for which audited financial statements have been prepared;</p> <p>(ii) Submission of the interim unaudited financial statements as well as the Management's Discussion and Analysis in respect of the said interim unaudited financial statements for SC's information only, together with the submission of the prospectus;</p> <p>(iii) The interim financial statements, which have been audited, and the updated prospectus should be submitted two (2) weeks prior to the confirmation of registration of the said prospectus by the SC; and</p> <p>(iv) Material deviations, if any, between the interim unaudited financial statements and the interim audited financial statements should be highlighted and clarified to the SC, upon submission of the required information under paragraph (iii) above.</p>	<p>Complied. The draft registrable Prospectus was submitted to the SC for public exposure on 29 September 2015, which was within the nine (9) months from the most latest audited financial statements for FYE 2014.</p> <p>Complied.</p> <p>Not applicable.</p> <p>Not applicable.</p>

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9. APPROVALS AND CONDITIONS (Cont'd)

Bursa Securities had vide its letter dated 31 May 2016, approved our admission to the Official List of the Main Market of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities. The conditions imposed by Bursa Securities and the status of the compliance with these conditions are as follows:

No.	Details on Conditions Imposed	Status of Compliance
(i)	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Practice Note 21 of the Main Market Listing Requirements.	To be complied
(ii)	Furnish Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire enlarged issued and paid up share capital of Dancomech on the first day of listing.	To be complied

MITI had vide its letter dated 19 November 2015 taken note of and has no objection to our Listing on the Main Market of Bursa Securities.

9.2 MORATORIUM ON SALE OF SHARES

In accordance with the Equity Guidelines issued by the SC, the Promoters will not be allowed to sell, transfer or assign their entire shareholdings in the Company for six (6) months from the date of Listing. Upon completion of the IPO, the entire shareholdings held by the Promoters of Dancomech comprising 109,000,000 Shares representing approximately 73.15% of the enlarged issued and paid-up capital of Dancomech will be subject to the moratorium ("6-Month Moratorium").

The Promoters as disclosed in Section 8.1 have furnished a letter of undertaking to the SC that it will not sell, transfer or assign its shareholdings in Dancomech as at the date of Listing, for six (6) months from the date of Listing.

Where the Promoters are corporations, the moratorium condition is also applicable to all direct and indirect shareholders of the Promoters up to the ultimate individual shareholders or up to the ultimate listed corporation shareholder. Every such shareholder has given an undertaking that he/she/it will not sell, transfer or assign his/her/its securities in the relevant corporations, during the moratorium period stipulated above.

The moratorium is specifically endorsed on the share certificates representing the shareholdings of the Promoters to ensure the Registrars do not register any transfer not in compliance with the moratorium restrictions. In compliance with the restrictions, Bursa Depository will, on the Company's Registrars' instruction in the prescribed forms, ensure that trading of these Shares is not permitted during the moratorium period.

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9. APPROVALS AND CONDITIONS (Cont'd)

The Promoters and their respective Shares which are subject to moratorium are as follows:

Promoters	Shares held under moratorium for the first six (6) months upon Listing	
	No. of Shares held	% of enlarged share capital
ABC Equity	61,931,865	41.57
Aik Swee Tong	9,884,308	6.63
Aik Cwo Shing	9,884,308	6.63
Aik Kwo Liang	6,118,857	4.11
Wong Chiau Siew	5,648,176	3.79
Aik Hui Luan	4,706,814	3.16
Aik Ai Kok	3,765,451	2.53
Aik Seng Kah	3,294,770	2.21
Aik Hui Chyn	2,353,407	1.58
Chan Chop Tong @ Aik Chop Tong	1,412,044	0.95
Total	109,000,000	73.15

Upon expiry of the 6-Month Moratorium, the Promoters have agreed to a voluntary moratorium on their shareholdings amounting to 51% of the nominal issued and paid-up ordinary share capital of our Company shall be placed under moratorium for another six (6) months. Thereafter, the Promoters may sell, transfer or assign those Shares held under moratorium.

Promoters	Shares held under voluntary moratorium for another 6-months after the Listing	
	No. of Shares held	% of enlarged share capital
ABC Equity	61,931,865	41.57
Aik Swee Tong	2,952,208	1.98
Aik Cwo Shing	2,952,208	1.98
Aik Kwo Liang	1,827,557	1.23
Wong Chiau Siew	1,686,976	1.13
Aik Hui Luan	1,405,814	0.94
Aik Ai Kok	1,124,651	0.75
Aik Seng Kah	984,070	0.66
Aik Hui Chyn	702,907	0.47
Chan Chop Tong @ Aik Chop Tong	421,744	0.28
Total	75,990,000	51.00

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST**10.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS**

Save as disclosed below, our Board confirms that there are no existing or presently proposed related-party transactions entered into between Dancomech Engineering, Optimis and Dancomech JB and our Directors, substantial shareholders, key management personnel and/or persons connected with them, during the past four (4) FYEs 2012 to 2015:

10.1.1 Recurrent Related Party Transaction

Transacting Parties	Business Activity of Companies	Nature of Relationship	Nature of Transaction	Audited			
				FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FYE 2015 RM'000
Dancomech Engineering	Trading and distribution of PCE and Measurement Instruments		Sale of PCE and Measurement Instruments by Dancomech Engineering	1,170	950	1,315	1,639
(i) Optimis	Trading and distribution of PCE and Measurement Instruments to the water industry	Aik Cwo Shing, being a director of Optimis and Dancomech Engineering, is the Executive Director of Dancomech					
(ii) Turbo Engineering Sdn Bhd (“Turbo Bio”)	Servicing, Engineering, and Trading of Power Generating Equipment (Turbine)	Aik Cwo Shing, being a director of Turbo Bio Engineering and Dancomech Engineering, is the Executive Director of Dancomech		200	153	347	228

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

Transacting Parties	Business Activity of Companies	Nature of Relationship	Nature of Transaction	Audited				
				FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FYE 2015 RM'000	
(iii) Dancomech JB	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	Aik Swee Tong, being a director of Dancomech JB and Dancomech Engineering, is the Managing Director of Dancomech		164	1,098	167		
Dancomech Engineering	Trading and distribution of PCE and Measurement Instruments	Aik Cwo Shing, being a director of Dancomech Engineering and Optimis, is the Executive Director of Dancomech	Purchase of PCE and Measurement Instruments by Dancomech Engineering from Optimis	40	10	7		
Optimis	Trading and distribution of PCE and Measurement Instruments to the water industry							

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

Transacting Parties	Business Activity of Companies	Nature of Relationship	Nature of Transaction	<----- Audited ----->			
				FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FYE 2015 RM'000
GEP Associates Optimis	Audit firm Trading and distribution of PCE and Measurement Instruments to the water industry	Gong Wooi Teik, being a partner of GEP Associates, is an Independent Non-Executive Director of Dancomech	Provision of audit service by GEP Associates to Optimis	3.50	-	-	-
GEP Tax Services Sdn Bhd ("GEP Tax") Optimis	Tax firm Trading and distribution of PCE and Measurement Instruments to the water industry	Gong Wooi Teik, being a partner of GEP Tax, is an Independent Non-Executive Director of Dancomech	Provision of tax service by GEP Tax to Optimis	1.60	1.50	16	11.20
GEP Tax Dancomech Engineering	Tax firm Trading and distribution of PCE and Measurement Instruments	Gong Wooi Teik, being a partner of GEP Tax, is an Independent Non-Executive Director of Dancomech	Provision of tax service by GEP Tax to Dancomech Engineering	3.50	0.50	-	-
ABC Equity (as Landlord) Dancomech Engineering (as Tenant)	Investment Holding Trading and distribution of PCE and Measurement Instruments	ABC Equity, being a shareholder of Dancomech Engineering holding 56.82% of the issued and paid-up capital of Dancomech Engineering	Tenancy of a property known as HS(D) 102305, PT No 16119, Mukim Damansara, Daerah Petaling, Negeri Selangor bearing the address No. 21, Jalan Pemberita U1/49, Seksyen U1, Temasya Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan, for a period of one (1) year	6	249	98	-

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

Transacting Parties	Business Activity of Companies	Nature of Relationship (during the period of the Tenancy)	Nature of Transaction	Audited			
				FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FYE 2015 RM'000
		<p>(during the period of the Tenancy)</p> <p>Aik Swee Tong, and Aik Cwo Shing being the directors and shareholders of ABC Equity, are directors of Dancomech Engineering and the Managing Director /Executive Director of Dancomech.</p> <p>Aik Hui Luan who is a shareholder of ABC Equity, is the director of Dancomech Engineering and the Chief Operating Officer of Dancomech.</p>	<p>commencing from 1 April 2013 and expired on 31 March 2014 with a monthly rental of RM27,000.00. The agreement has not been renewed by the parties.</p>				

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

Transacting Parties	Business Activity of Companies	Nature of Relationship	Nature of Transaction	Audited			
				FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FYE 2015 RM'000
Dancomech Engineering (as Landlord) Optimis (as Tenant)	Trading and distribution of PCE and Measurement Instruments Trading and distribution of PCE and Measurement Instruments to the water industry	Aik Cwo Shing, being a director of Optimis and Dancomech Engineering, is the Executive Director of Dancomech.	Sub-tenancy of property bearing the address No. 21, Jalan Pemberita U1/49, Seksyen U1, Temasya Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan, for a period of one (1) year commencing from 1 April 2013 and expired on 31 March 2014 with a monthly rental of RM550.00. The agreement has not been renewed by the parties.	-	4.95 ⁽¹⁾	-	-
Dancomech Engineering (as Landlord) Optimis (as Tenant)	Trading and distribution of PCE and Measurement Instruments Trading and distribution of PCE and Measurement Instruments to the water industry	Aik Cwo Shing, being a director of Optimis and Dancomech Engineering, is the Executive Director of Dancomech,	Tenancy of property bearing the address No. 19, Jalan Pelukis U1/46, Seksyen U1, Temasya Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan for a period of two (2) years commencing on 1 August 2014 and expiring on 31 July 2016 with a monthly rental of RM1,500.00.	-	-	10	18

Note:

⁽¹⁾ Dancomech Engineering has accounted for this transaction in June 2014.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (*Cont'd*)

10.1.2 Related Party Transaction

Transaction Date	Transacting Parties	Nature of Relationship	Nature of Transaction	Transaction Value (RM'000)
15 April 2013	Dancomech Engineering ABC Equity	ABC Equity, being a major shareholder, holding 56.82% of Dancomech Engineering	<p>Sale of one (1) unit of double storey semi-detached factory with an annexed double-storey office together with a car park shed and a lorry parking shed held under H.S.(D) 102305, PT No. 16119, Mukim Damansara, Daerah Petaling, Negeri Selangor bearing the postal address No 21, Jalan Pemberita, U1/49, Seksyen U1, Temasya Industrial Park, 40150 Shah Alam Selangor Darul Ehsan ('the Jalan Pemberita Property').</p> <p><i>Note:</i> <i>Dancomech Engineering had entered into a Tenancy Agreement dated 15 April 2013 with ABC Equity for the tenancy of the Jalan Pemberita Property for a period of 1 year commencing from 1 April 2013 to 31 March 2014, which was extended until May 2014. In May 2014, construction of our new headquarters at Lot 19, Jalan Pelukis U1/46, Seksyen U1, Temasya Industrial Park, Shah Alam ("the Jalan Pelukis Property") was completed and Dancomech Engineering shifted its business operations there.</i></p> <p><i>Optimis had entered into a Sub-Tenancy Agreement dated 15 April 2013 with Dancomech Engineering for the tenancy of approximately 200 sq ft at the Jalan Pemberita Property for a period of 1 year commencing from 1 April 2013 to 31 March 2014, which was extended until May 2014. In May 2014, construction of our new headquarters at the Jalan Pelukis Property was completed and Optimis shifted its business operations there.</i></p>	8,500

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

Transaction Date	Transacting Parties	Nature of Relationship	Nature of Transaction	Transaction Value (RM'000)
15 April 2013	Dancomech Engineering ABC Equity	ABC Equity, being a major shareholder, holding 56.82% of Dancomech Engineering	Sale of one (1) unit of double storey semi-detached factory with an annexed double-storey office together with a car park shed and a lorry parking shed held under H.S.(D) No. 176017, PT No. 20, Bandar Glenmarie, Daerah Petaling, Negeri Selangor bearing the postal address No. 1, Jalan Kartunis U1/47, Temasya Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan <i>Note: The property disposed was not occupied or rented by Dancomech Group.</i>	5,900

Our Directors confirm that all the related party transactions disclosed above would not give rise to any conflict of interest situation and were transacted on an arm's length basis and are based on terms which are not unfavourable to our Group. Our Directors confirm that the financial statements prepared by GEP Associate are deemed to be independent, fair and true. In addition, the non-interested Independent Non-Executive Directors will review and ensure that the recurrent related party transaction with GEP Tax will not exceed the threshold as stipulated in the Listing Requirements in relation to the qualification as an Independent Director.

Upon Listing, our Directors, through our Audit and Risk Management Committee, will review the terms of any related party transactions and ensure that any related party transactions (recurrent inclusive, if any) are not carried out on terms more favourable to the related parties than those normally agreed with other customers or suppliers and are also not to our detriment and to the detriment of our minority shareholders.

Our Directors and substantial shareholders are also not aware of any other transactions that may give rise to conflict of interest situations between our Group and any of our Directors, substantial shareholders, key management personnel and/or persons connected with them.

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

10.2 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITIONS

Our Directors have confirmed that, to the best of their knowledge and belief, there are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which Dancomech Engineering, Optimis and Dancomech JB was a party to during the past four (4) FYE 2012 to 2015 and the subsequent financial period up to LPD.

10.3 INTERESTS IN SIMILAR BUSINESSES, INTERESTS IN BUSINESSES OF OUR CUSTOMERS OR SUPPLIERS AND OTHER CONFLICTS OF INTEREST

Our Directors confirm that as at LPD, their directorships and/or shareholdings in the other companies/businesses, if any, would not give rise to a situation of conflict of interest with the core business of our Group.

All transactions which have been disclosed in Section 10.1 between our Group and the companies mentioned above are not unfavourable to our Group.

As at LPD, none of our Directors and/or substantial shareholders has any interest, direct or indirect, in any other businesses and corporations carrying on a trade similar to that of our Group and/or any business or corporations which are also our customers or suppliers of our Group save as disclosed in Section 10.1.

10.4 LOANS MADE BY OUR GROUP TO OR FOR THE BENEFIT OF RELATED PARTIES

There are no outstanding loans, including guarantees of any kind, made by Dancomech Engineering, Optimis and Dancomech JB to or for the benefit of related parties during the past four (4) FYE 2012 to 2015 and up to the LPD.

10.5 DECLARATION BY EXPERTS

MIDF Investment confirms that there is no existing or potential conflict of interests in its capacity as the Principal Adviser, Managing Underwriter, Joint Underwriter and Placement Agent for our Listing.

Grant Thornton confirms that there is no existing or potential conflict of interests in its capacity as the Reporting Accountants and Auditors (from FYE 2015) for our Listing.

Messrs. Lee Choon Wan & Co confirms that there is no existing or potential conflict of interests in its capacity as the Solicitors for our Listing.

Protégé Associates Sdn Bhd confirms that there is no existing or potential conflict of interests in its capacity as the independent market researcher for our Listing.

Crowe Horwath confirms that there is no existing and potential interests or conflict of interest in acting in its capacity as auditors of the Company and its subsidiaries for the three (3) financial years ended 31 December 2012, 31 December 2013 and 31 December 2014.

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11. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Our Pro Forma Consolidated Statements of Financial Position as at 31 December 2015 has been compiled based on the basis and accounting policies consistent with those currently adopted by our Group which are set out in the notes and assumptions included in the Reporting Accountants' Letter on the Compilation of Pro Forma Consolidated Statements of Financial Position as set out in Section 11.2. The financial statements used in the preparation of our Pro Forma Consolidated Statements of Financial Position were prepared in accordance with Malaysian Financial Reporting Standards. Any adjustments which were dealt with when preparing our Pro Forma Consolidated Statements of Financial Position has been highlighted and disclosed in Section 11.2.

11.1 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>

11. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (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	7,950	7,950	3,393
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	15,866	15,866	15,866
Total liabilities	23,816	23,816	19,259
TOTAL EQUITY AND LIABILITIES	98,050	116,050	109,999
Number of ordinary shares in issue (unit '000)	125,000	149,000	149,000
Net tangible assets per ordinary share - RM0.40 each	0.59	0.62	0.61
Net assets per ordinary share - RM0.40 each	0.59	0.62	0.61

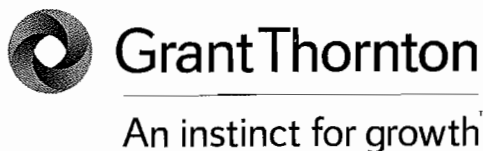
Notes:

- (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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11. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)

11.2 Reporting Accountants' Letter on the Compilation of Pro Forma Consolidated Statements of Financial Position



REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION INCLUDED IN A PROSPECTUS

Date: 27 May 2016

The Board of Directors
Dancomech Holdings Berhad
No. 19, Jalan Pelukis U1/46
Seksyen U1
40150 Shah Alam
Selangor Darul Ehsan

SJ Grant Thornton (AF:0737)
Level 11 Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
T +603 2692 4022
F +603 2691 5229
www.grantthornton.com.my

Dear Sirs,

REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of Dancomech Holdings Berhad ("Dancomech" or "The Company") and its subsidiaries ("Dancomech Group" or "The Group").

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors based on the applicable criteria as specified in the Prospectus Guidelines issued by the Securities Commission ("Prospectus Guidelines") and described in the notes as set out in Basis of Preparation of Pro Forma Consolidated Statements of Financial Position ("Applicable Criteria").

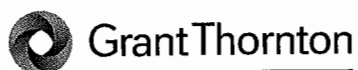
The Pro Forma Consolidated Statements of Financial Position have been compiled by Directors for illustrative purposes only and for inclusion into the prospectus of Dancomech Group in connection with the proposed listing of and quotation for the entire enlarged issued and paid-up share capital of Dancomech Group on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Listing").

As part of this process, information about the Group's financial position has been extracted by the Directors from the Audited Consolidated Financial Statements for the financial year ended 31 December 2015 on which an audit report has been published.

This letter is required by and is given for the purpose of complying with the Prospectus Guidelines and for no other purpose.

The Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis of the Applicable Criteria.

11. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)

An instinct for growth™

Our responsibility

Our responsibility is to express an opinion as required by the Securities Commission, about whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (“ISAE”) 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus, issued by the International Auditing and Assurance Standard Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis of the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of Pro Forma Consolidated Statements of Financial Position included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence on whether:-

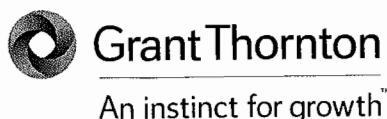
- The related Pro Forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

11. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)



Opinion

In our opinion:-

- (a) the Pro Forma Consolidated Statements of Financial Position, which have been compiled by the Directors of the Company, have been properly compiled on the basis of the Applicable Criteria using Audited Consolidated Financial Statements prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and in a manner consistent with both the format of the Audited Consolidated Financial Statements and the accounting policies adopted by the Group; and
- (b) each material adjustment made to the information used in the preparation of the Pro Forma Consolidated Statements of Financial Position is appropriate for the purposes of preparing the Pro Forma Consolidated Statements of Financial Position.

Other matters

This letter has been prepared at your request for inclusion in the Prospectus of Dancomech in connection with the Proposed Listing. It is not intended to be used for any other purposes. We do not assume responsibility to any other person to the content of this letter.

Yours faithfully,

SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

OOI POH LIM
(NO.: 3087/10/17 (J))
CHARTERED ACCOUNTANT

11. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)

DANCOMECH HOLDINGS BERHAD
(Company No: 1050285-U)
(Incorporated in Malaysia)

Basis of preparation of Pro Forma Consolidated Statements of Financial Position

1. The Pro Forma Consolidated Statements of Financial Position have been prepared to illustrate the financial position of Dancomech Group as at 31 December 2015 adjusted for Initial Public Offering and Utilisation of Listing Proceeds.
2. The Pro Forma Consolidated Statements of Financial Position have been prepared based on the Audited Consolidated Financial Statements of Dancomech Group for the financial year ended 31 December 2015 using the bases and the accounting principles consistent with those adopted in the Audited Consolidated Financial Statements, after giving effect to the Pro Forma adjustments which are considered appropriate.
3. The Pro Forma Consolidated Statements of Financial Position have been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the actual financial position of Dancomech Group.
4. The Audited Consolidated Financial Statements for the financial year ended 31 December 2015 were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").
5. The financial information of Dancomech Group is measured using the currency of the primary economic environment in which the Group operates. The functional currency of the Group is Ringgit Malaysia ("RM").

Stamped for the purpose of identification on:

27 MAY 2016

SJ Grant Thornton

11. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)

DANCOMECH HOLDINGS BERHAD
(Company No: 1050285-U)
(Incorporated in Malaysia)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Pro Forma Consolidated Statements of Financial Position of Dancomech as at 31 December 2015 as set out below is provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 1 to the Pro Forma Consolidated Statements of Financial Position on the assumption that these transactions were completed on 31 December 2015:-

	Note	Audited as at 31 December 2015 RM	Pro Forma I RM	Pro Forma II RM
ASSETS				
Non-current asset				
Property, plant and equipment	2	25,297,409	25,297,409	32,797,409
Total non-current asset		25,297,409	25,297,409	32,797,409
Current assets				
Inventories		23,623,242	23,623,242	23,623,242
Trade receivables		20,509,531	20,509,531	20,509,531
Other receivables	3	671,188	671,188	476,699
Tax recoverable		43,727	43,727	43,727
Fixed deposits with licensed banks		6,231,422	6,231,422	6,231,422
Cash and bank balances	4	21,674,169	39,674,169	26,317,169
Total current assets		72,753,279	90,753,279	77,201,790
TOTAL ASSETS		98,050,688	116,050,688	109,999,199
EQUITY AND LIABILITIES				
EQUITY				
Equity attributable to owners of the Company				
Share capital	5	50,000,000	59,600,000	59,600,000
Share premium	6	-	8,400,000	7,149,614
Merger deficit		(41,477,141)	(41,477,141)	(41,477,141)
Other reserve		(9,110)	(9,110)	(9,110)
Retained earnings	7	65,177,125	65,177,125	64,933,022
		73,690,874	91,690,874	90,196,385
Non-controlling interest		543,092	543,092	543,092
Total equity		74,233,966	92,233,966	90,739,477

Stamped for the purpose of identification on:

27 MAY 2016

SJ Grant Thornton

11. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)

DANCOMECH HOLDINGS BERHAD
(Company No: 1050285-U)
(Incorporated in Malaysia)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(CONT'D)

The Pro Forma Consolidated Statements of Financial Position of Dancomech as at 31 December 2015 as set out below is provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 1 to the Pro Forma Consolidated Statements of Financial Position on the assumption that these transactions were completed on 31 December 2015 (cont'd):-

	Note	Audited as at 31 December 2015 RM	Pro Forma I RM	Pro Forma II RM
EQUITY AND LIABILITIES (CONT'D)				
LIABILITIES				
Non-current liabilities				
Borrowings	8	7,871,900	7,871,900	3,314,900
Deferred tax liabilities		21,900	21,900	21,900
Finance lease liabilities		56,494	56,494	56,494
Total non-current liabilities		<u>7,950,294</u>	<u>7,950,294</u>	<u>3,393,294</u>
Current liabilities				
Trade payables		10,328,295	10,328,295	10,328,295
Other payables		4,418,385	4,418,385	4,418,385
Finance lease liabilities		116,725	116,725	116,725
Amount due to Directors		407,640	407,640	407,640
Amount due to a shareholder		203,550	203,550	203,550
Borrowings		223,273	223,273	223,273
Tax payable		168,560	168,560	168,560
Total current liabilities		<u>15,866,428</u>	<u>15,866,428</u>	<u>15,866,428</u>
Total liabilities		<u>23,816,722</u>	<u>23,816,722</u>	<u>19,259,722</u>
TOTAL EQUITY AND LIABILITIES		<u>98,050,688</u>	<u>116,050,688</u>	<u>109,999,199</u>
Number of ordinary shares in issue (unit)	5	<u>125,000,000</u>	<u>149,000,000</u>	<u>149,000,000</u>
		RM	RM	RM
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>

11. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)

DANCOMECH HOLDINGS BERHAD
(Company No: 1050285-U)
(Incorporated in Malaysia)

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(CONT'D)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION**

1. The Pro Forma Consolidated Statements of Financial Position together with notes thereon, have been prepared based on accounting principles and bases consistent with those adopted in the preparation of Audited Consolidated Financial Statements of Dancomech Group to illustrate the Consolidated Statement of Financial Position of Dancomech Group assuming that all the transactions mentioned below had taken place on 31 December 2015:-

Pro Forma I: Initial Public Offering (“IPO”)

Public Issue

The Public Issue of 24,000,000 new ordinary shares of RM0.40 each in Dancomech (“Public Issue Shares”) at an issue price of RM0.75 per share (“IPO Price”), payable in full upon application, in the following manner:-

- (a) 7,500,000 Public Issue Shares, representing approximately 5.03% of the enlarged issued and paid-up capital of Dancomech, will be made available for application by the Malaysian public;
- (b) 2,503,000 Public Issue Shares, representing approximately 1.68% of enlarged issued and paid-up capital of Dancomech, will be made available for application by the eligible Directors, employees and persons who have contributed to the success of the Group; and
- (c) 13,997,000 Public Issue Shares, representing approximately 9.39% of enlarged issued and paid-up capital of Dancomech by way of private placement to Bumiputera investors to be approved by the Ministry of International Trade and Industry (“MITI”).

Offer For Sale

Offer For Sale of 16,000,000 existing shares of RM0.40 each in Dancomech (“Offer For Sale Shares”) at an IPO Price, payable in full upon application, in the following manner:-

- (a) Up to 4,630,000 Offer For Sale Shares, representing approximately 3.11% of the enlarged issued and paid-up capital of Dancomech, by way of placement to Bumiputera investors approved by the MITI.
- (b) 11,370,000 Offer For Sale Shares, representing approximately 7.63% of the enlarged issued and paid-up capital of Dancomech, by way of placement to selected investors.

11. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)

DANCOMECH HOLDINGS BERHAD
(Company No: 1050285-U)
(Incorporated in Malaysia)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(CONT'D)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION (CONT'D)

1. (Cont'd)

Pro Forma II: Utilisation of Proceeds from Public Issue

Dancomech seeks a listing and quotation of its entire enlarged issued and paid-up share capital of RM59,600,000 comprising 149,000,000 ordinary shares on the Main Market of Bursa Securities.

The gross proceeds arising from the Public Issue amounting to RM18,000,000 are expected to be fully utilised for the core business of Dancomech Group in the following manner:-

	RM	%
Repayment of bank borrowings	4,557,000	25.32
Purchase of office cum stores	6,500,000	36.11
Purchase of equipment	1,000,000	5.55
Working capital	2,743,000	15.24
Estimated listing expenses*	3,200,000	17.78
	<u>18,000,000</u>	<u>100.00</u>

* If 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 utilised for working capital purposes.

The listing expenses are estimated at RM3,200,000 and will be set off against the share premium account and profit or loss account.

2. **PROPERTY, PLANT AND EQUIPMENT**

The movement of the property, plant and equipment is as follows:-

	RM
As at 31 December 2015/As per Pro Forma I	25,297,409
Arising from Utilisation of Proceeds from Public Issue	
- Purchase of office cum stores	6,500,000
- Purchase of equipment	1,000,000
	<u>7,500,000</u>
As per Pro Forma II	<u>32,797,409</u>

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11. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)

DANCOMECH HOLDINGS BERHAD
(Company No: 1050285-U)
(Incorporated in Malaysia)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(CONT'D)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION (CONT'D)

3. OTHER RECEIVABLES

The movement of the other receivables is as follows:-

	RM
As at 31 December 2015/As per Pro Forma I	671,188
Arising from reversal of prepaid listing expenses	<u>(194,489)</u>
As per Pro Forma II	<u><u>476,699</u></u>

4. CASH AND BANK BALANCES

The movement of the cash and bank balances is as follows:-

	RM
As at 31 December 2015	21,674,169
Arising from Public Issue	<u>18,000,000</u>
As per Pro Forma I	39,674,169
Arising from Utilisation of Proceeds from Public Issue	
- Repayment of bank borrowings	(4,557,000)
- Purchase of office cum stores	(6,500,000)
- Purchase of equipment	(1,000,000)
- Listing expenses	<u>(1,300,000)</u>
As per Pro Forma II	<u><u>26,317,169</u></u>

5. SHARE CAPITAL

The movement of the share capital is as follows:-

	Number of shares	RM
	Unit	
As at 31 December 2015	125,000,000	50,000,000
Arising from Public Issue	<u>24,000,000</u>	<u>9,600,000</u>
As per Pro Forma I and II	<u><u>149,000 000</u></u>	<u><u>59,600 000</u></u>

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11. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)

DANCOMECH HOLDINGS BERHAD
(Company No: 1050285-U)
(Incorporated in Malaysia)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(CONT'D)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION (CONT'D)

6. **SHARE PREMIUM**

The movement of the share premium is as follows:-

	RM
As at 31 December 2015	-
Arising from Public Issue	<u>8,400,000</u>
As per Pro Forma I	8,400,000
Arising from offsetting of listing expenses	<u>(1,250,386)</u>
As per Pro Forma II	<u><u>7,149,614</u></u>

7. **RETAINED EARNINGS**

The movement of the retained earnings is as follows:-

	RM
As at 31 December 2015/As per Pro Forma I	65,177,125
Arising from listing expenses charge	<u>(244,103)</u>
As per Pro Forma II	<u><u>64,933,022</u></u>

8. **BORROWINGS**

The movement of the borrowings is as follows:-

	RM
As at 31 December 2015/As per Pro Forma I	7,871,900
Arising from Utilisation of Proceeds from Public Issue	
- Repayment of bank borrowings	<u>(4,557,000)</u>
As per Pro Forma II	<u><u>3,314,900</u></u>

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

12.1 OVERVIEW

Investors should read the following discussion and analysis of our financial condition and results of operations in conjunction with the Accountants' Report in Section 13 for the past four (4) years (from FYE 2012 to 2015).

This discussion and analysis contains data that are derived from Combined Statements of Financial Position, Combined Statements of Profit or Loss and Other Comprehensive Income and Combined Statements of Cash Flows for the FYEs 2012 to 2014, and Consolidated Statement of Financial Position, Consolidated Statement of Profit and Loss and Other Comprehensive Income and Consolidated Statement of Cash Flows for the FYE 2015 extracted from the Accountants' Report in Section 13, which deals with the audited combined financial statements of our Group for the FYEs 2012 to 2014 ("Audited Combined Financial Statements") and audited consolidated financial statements of our Group for the FYE 2015 ("Audited Consolidated Financial Statements"), as well as forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 4.

Our Audited Combined Financial Statements and Audited Consolidated Financial Statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and have been audited by our Reporting Accountants in accordance with the Approved Standards on Auditing in Malaysia. Our Group is regarded as a continuing entity resulting from the reorganisation since the management of all the entities which took part in the reorganisation were controlled by common directors and were under common shareholders before and immediately after the reorganisation. Consequently, immediately after the reorganisation, there was a continuation of the control over the entities' financial and operating policy decision, and risk and benefits to the ultimate shareholders that existed prior to the reorganisation. The reorganisation has been accounted for as a business combination under common control in a manner similar to pooling of interests. Accordingly, the Audited Combined Financial Statements and Audited Consolidated Financial Statements have been prepared on the basis of merger accounting and comprise the financial statements of our subsidiaries which were under common control of the ultimate shareholders and directors that existed prior to the reorganisation during the relevant years under review or since Dancomech and its subsidiaries' date of incorporation. Further details relating to common control business combination are set out in Note 2 of the Accountants' Report.

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12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.1.1 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.

	< ----- 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	<u>(40,751)</u>	<u>(53,314)</u>	<u>(51,467)</u>	<u>(46,593)</u>
GP	24,815	29,876	27,534	21,660
Other income	751	9,018 ⁽²⁾	496	1,933
	<u>25,566</u>	<u>38,894</u>	<u>28,030</u>	<u>23,593</u>
Selling and distribution expenses	(883)	(1,196)	(1,445)	(442)
Administrative expenses	(3,924)	(5,247)	(5,950)	(6,753)
Other expenses	<u>(885)</u>	<u>(426)</u>	<u>(1,154)</u>	<u>(904)</u>
Profit from operations	19,874	32,025	19,481	15,494
Finance costs	<u>(61)</u>	<u>(22)</u>	<u>(155)</u>	<u>(146)</u>
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	<u>(71)</u>	<u>(206)</u>	<u>(161)</u>	<u>(167)</u>
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	<u>71</u>	<u>206</u>	<u>161</u>	<u>167</u>
PBT	19,813	32,003	19,326	15,348
Tax expense	<u>(4,655)</u>	<u>(6,129)</u>	<u>(5,151)</u>	<u>(4,138)</u>
PAT	15,158	25,874	14,175	11,210
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the financial year	<u>15,158</u>	<u>25,874</u>	<u>14,175</u>	<u>11,210</u>

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (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.

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)
12.1.2 Cash Flows

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

	<----- Audited ----->			
	FYE 2012	FYE 2013	FYE 2014	FYE 2015
	RM'000	RM'000	RM'000	RM'000
OPERATING ACTIVITIES				
Profit before tax	19,813	32,003	19,326	15,348
Adjustments for:-				
Allowance for impairment losses on trade receivables	26	37	405	182
Bad debts written off	-	18	54	-
Depreciation of property, plant and equipment	404	382	571	691
Property, plant and equipment written off	28	1	26	29
Inventories written down	-	271	266	291
Interest expenses	61	22	155	146
(Gain)/loss on disposal of property, plant and equipment	(216)	(8,439)	-	2
Reversal of inventories written down	(2,370)	-	(876)	(478)
Writeback of allowance for impairment losses on trade receivables	-	(158)	-	(306)
Unrealised gain on foreign exchange	(261)	(73)	(125)	(487)
Interest income	(71)	(206)	(161)	(167)
Operating profit before working capital changes	17,414	23,858	19,641	15,251
Changes in working capital:-				
Inventories	(3,195)	(2,447)	(3,968)	(383)
Payables	398	12,596	(501)	(3,082)
Receivables	(2,338)	(11,940)	4,153	4,799
Related party	(16)	16	-	-
Cash generated from operations	12,263	22,083	19,325	16,585
Interest paid	(46)	(5)	(141)	(132)
Tax paid	(5,072)	(5,749)	(6,777)	(4,498)
Tax refund	-	5	27	73
Real property gain tax refund	83	-	-	-
Net cash from operating activities	7,228	16,334	12,434	12,028

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12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

	< ----- Audited ----- >			
	FYE 2012	FYE 2013	FYE 2014	FYE 2015
	RM'000	RM'000	RM'000	RM'000
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(4,767)	(7,378)	(1,784)	(267)
Proceeds from disposal of property, plant and equipment	216	32	-	10
Proceeds from non-controlling interest in subscription of new issuance of shares in a subsidiary	-	90	-	-
(Placement)/Withdrawal of fixed deposits	(52)	(2,509)	3,520	(18)
Interest received	71	206	161	167
Net cash (used in)/from investing activities	<u>(4,532)</u>	<u>(9,559)</u>	<u>1,897</u>	<u>(108)</u>
FINANCING ACTIVITIES				
Advance from holding company	-	-	195	(195)
Advance from Directors	-	-	411	-
Proceeds from issuance of shares	-	⁽¹⁾	-	-
Repayment to a related party	-	(177)	-	-
Repayment of borrowings	(736)	(85)	(415)	(490)
Repayment of financial lease liabilities	(60)	(95)	(108)	(108)
Placement of pledged fixed deposits	-	-	(1,716)	(45)
Acquisition of a subsidiary	-	-	(387)	(90)
Drawdown of borrowings	-	-	9,000	-
Dividends paid	(1,500)	(3,590)	(15,500)	(4,100)
Interest paid	(15)	(16)	(14)	(14)
Net cash used in financing activities	<u>(2,311)</u>	<u>(3,963)</u>	<u>(8,534)</u>	<u>(5,042)</u>
CASH AND CASH EQUIVALENTS				
Net changes	385	2,812	5,797	6,878
Translation differences	(30)	18	265	195
Brought forward	<u>9,246</u>	<u>9,601</u>	<u>12,431</u>	<u>18,493</u>
Carried forward	<u>9,601</u>	<u>12,431</u>	<u>18,493</u>	<u>25,566</u>

NOTES TO STATEMENTS OF CASH FLOWS

	FYE 2012	FYE 2013	FYE 2014	FYE 2015
	RM'000	RM'000	RM'000	RM'000
CASH AND CASH EQUIVALENTS				
Fixed deposits with licensed banks	4,840	7,482	8,470	6,231
Cash and bank balances	6,332	9,029	12,299	21,674
	<u>11,172</u>	<u>16,511</u>	<u>20,769</u>	<u>27,905</u>
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>

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

Notes:

- (1) Indicates amount less than RM 1,000.
- (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.

12.1.3 Discussion and Analysis of Financial Condition

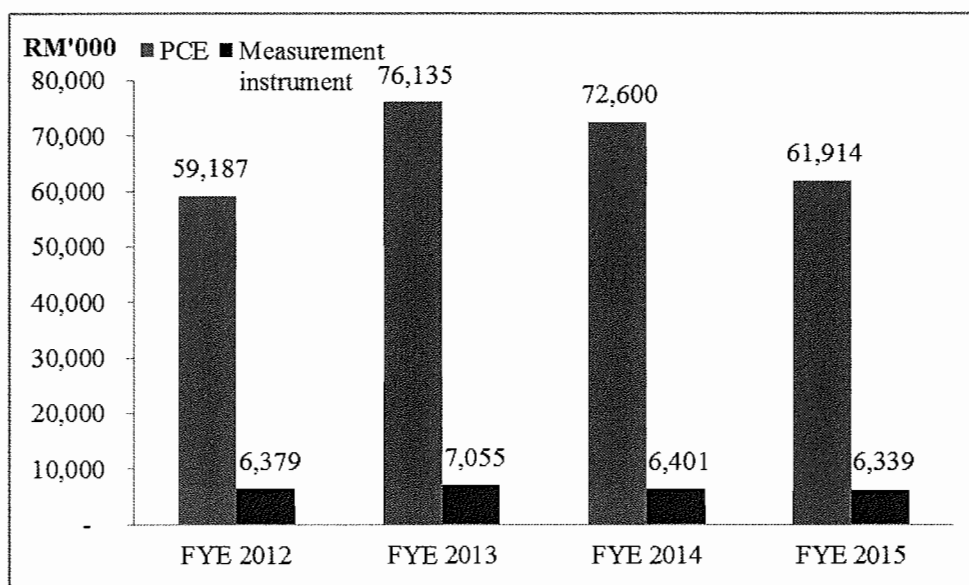
Our Group is principally involved in the business of trading and distribution of PCE and Measurement Instruments for use within the Main User Industries. Our customers mainly comprise EPCC Contractors, engineering consultants, OEM, hardware retailers, equipment manufacturers and end users within the Main Users Industries. Please refer to Section 5 for details of our Group.

In future, we plan to further expand our businesses to help us to serve our customers better and promote growth.

Revenue

For the financial years under review, our revenue are derived from the sales of PCE and Measurement Instruments and notably, the sales of Valves in which Valve is one (1) of the main revenue generating products to our Group under the PCE. Other than Valves, we also supply a diverse product range of other PCE and Measurement Instruments to our customers, the types of which are stated in Section 6.1.1(c).

The Revenue of our Group is recognised upon the acceptance of goods delivered to our customers.



12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

From FYE 2012 to FYE 2015, we posted total revenue of RM65.57 million, RM83.19 million, RM79.00 million, and RM68.25 million respectively and this represents an AAGR of 2.75% (CAGR of 1.35%). 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.

For the past four (4) years, our primary product, Valves under PCE contributed 75.36%, 77.93%, 74.58% and 73.28% of our total revenue whereas other PCE contributed 14.91%, 13.59%, 17.32% and 17.43% of our total revenue. Both Valves and other PCE have grown at an AAGR of 2.32% (CAGR of 0.41%) and 7.88% (CAGR of 6.77%) respectively between the FYE 2012 and the FYE 2015.

Measurement Instruments constituted 9.73%, 8.48%, 8.10% and 9.29%, respectively of our total revenue for the past four (4) years for FYE 2012 to FYE 2015. The contribution of Measurement Instruments dropped slightly at an AAGR of 0.12% (CAGR of -0.21%) between the FYE 2012 to FYE 2015.

Dancomech Engineering was the main contributor to our Group's revenue, contributing more than 97% of our Group's revenue for each of the past four (4) years from FYE 2012 to FYE 2015.

Our revenue was mainly derived from domestic sales, contributing 71.68%, 80.18%, 78.21% and 78.86% for the past four (4) years. For international sales, the contribution has been fluctuating between the range of 19.82% to 28.32% from the FYE 2012 to FYE 2015.

The revenue from domestic sales recorded a growth of 41.93% for the FYE 2013 and a decline of 7.36% and 12.89%, respectively for the FYE 2014 and FYE 2015, whereas revenue from international sales recorded a decline of 11.21% for the FYE 2013, a growth of 4.38% for the FYE 2014 and a decline of 16.15% for the FYE 2015.

The increase in domestic sales for the FYE 2013 was mainly due to the contribution of a large purchase order related to the oil and gas industry. The decrease in domestic sales for the FYE 2014 was mainly due to the completion of the delivery of the large purchase order secured in year 2013. For the FYE 2015, the decrease in domestic sales was mainly due to the decrease in sales volume of the customers from oil and gas industry as a result of softening oil and gas activities in year 2015 as well as lower sales volume from palm oil and oleo chemicals industries during FYE 2015.

The decrease in international sales for the FYE 2013 was mainly due to completion of delivery for one (1) purchase order from Indonesia. In FYE 2014, the increase in international sales was mainly attributed to higher sales volumes to a customer in Italy. The decrease in international sales for the FYE 2015 was mainly due to lower sales volumes from a customer in Italy as compared to FYE 2014.

The segmental analysis of our Group's revenue by companies, product category, geographical markets, brands and users for the past four (4) years FYE 2012 to FYE 2015 are set out in Section 12.2.1.

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12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Cost of sales

The table below sets forth the breakdown of our Group's cost of sales:

	< ----- Audited ----- >			
	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FYE 2015 RM'000
Purchases during the year	44,831	53,347	53,881	43,593
Net changes in inventories	(5,566)	(2,185)	(4,570)	570
Others ⁽¹⁾	1,486	2,152	2,156	2,430
TOTAL	40,751	53,314	51,467	46,593

Note:

⁽¹⁾ Other minor components of cost of sales consist of custom duty, transport charges, fabrication/ calibration/ installation costs as well as freight and forwarding charges.

Our Group's cost of sales comprised the purchase cost of our trading goods, which are PCE and Measurement Instruments. For FYEs 2012 to 2014, cost of sales constituted 62.15%, 64.09%, and 65.15% of our total revenue respectively and the fluctuations of cost of sales are in line with our total revenue. For FYE 2015, cost of sales is higher at 68.27% of our total revenue. This is mainly due to an increase in product costs which was a consequence of the implementation of GST on 1 April 2015 and the weakening of local currency.

Gross profit and gross profit margin

Our gross profit was derived from our total revenue less cost of sales. Our gross profit margin dropped from 37.85% for the FYE 2012 to 35.91% and 34.85% for the FYE 2013 and FYE 2014 respectively due to a large purchase order secured related to the oil and gas industry throughout the years which yielded a lower gross profit margin. The products supplied by us for this purchase order were competitively priced and lower as compared to our normal day to day sales which resulted in a drop in our gross profit margin. Our gross profit margin decreased to 31.73% in FYE 2015 due to increase in product costs and competitive selling price being offered to our customers in order to maintain our revenue.

Other income

The table below sets forth the breakdown of our Group's other income:

	< ----- Audited ----- >			
	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FYE 2015 RM'000
Gain on disposal of property, plant and equipment	216	8,439	-	-
Rental income	72	-	210	858
Interest income	71	206	161	167
Other miscellaneous income	392	373	125	908
TOTAL	751	9,018	496	1,933

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12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Other income represented 1.15%, 10.84%, 0.63% and 2.83% of our total revenue for the past four (4) years. Other income comprised gain on the disposal of property, plant and equipment ("PPE"), rental income, interest income and other miscellaneous income. Rental income was derived from the properties owned by our Group and interest income was from the fixed deposit placed with financial institutions.

The gain on disposal of PPE for the FYE 2013 was mainly derived from the disposal of one (1) motor vehicle and two (2) units of properties owned by our Group. The rental income for the FYE 2012 was mainly due to the rental of a property at Jalan Kartunis owned by Dancomech Engineering which was subsequently disposed during the FYE 2013. For the FYE 2014 and FYE 2015, the rental income was received for the rental of the second floor of our current headquarters at Jalan Pelukis.

For the past four (4) years, the other income was mainly derived from gain on disposal of PPE, insurance compensation on loss of lorry, gain on foreign exchange and rental income.

Operating expenses

Operating expenses comprised selling and distribution expenses, administrative expenses and other expenses. Selling and distribution expenses mainly consist of sales commission, commissioning and testing, as well as fuel costs. Administrative expenses mainly consist of payroll related expenses, including salaries, bonuses, allowances, overtime, directors' remunerations and others. Other expenses are mainly depreciation, loss on foreign exchange and allowance for impairment loss on receivables.

Operating expenses constituted 8.68%, 8.26% and 10.82% and 11.87% of our total revenue for the past four (4) years. The increase in operating expenses over the years was mainly contributed by, amongst others, staff costs, commissioning and testing, sales commission, legal and professional fees and allowance for impairment loss on trade receivables.

Finance costs

Finance costs represented less than 1% of our total revenue for the past four (4) years. Finance costs are interest expenses arising from our Group's bank borrowings, which consist of hire purchase facilities for motor vehicles and term loans utilised by our Group.

Income tax expenses

Income tax expenses comprised the current year provision for taxation, under or overprovision of taxation of the previous year and deferred taxation. For the past four (4) years, the statutory tax rate applicable to our business was 25.00%.

Effective tax rate, being tax expenses as a percentage of our PBT, for the FYE 2012 and FYE 2013, was 23.49% and 19.15% respectively, which was lower than the statutory rate of 25%, mainly due to the over-provision of current income tax and real property gains tax in the previous year and higher non-taxable income arising mainly from the gain on disposal of PPE. However, effective tax rate for the FYE 2014 was 26.65%, which was slightly higher than the statutory tax rate of 25.00%, mainly due to the add back of provision for slow moving inventories which is non-deductible expenses. The effective tax rate for the FYE 2015 at 26.96% was slightly higher than the statutory tax rate mainly due to the add back of depreciation as well as legal and professional fees which are non-deductible expenses.

12.2 RESULTS OF OPERATIONS

The following is segmental analysis of our results for the past four (4) financial years based on the assumption that our current Group structure has been in existence throughout the financial years under review.

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

12.2.1 Segmental analysis of revenue

(i) Revenue by Companies

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

Companies	<----- Audited ----->							
	FYE 2012		FYE 2013		FYE 2014		FYE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dancomech Engineering	65,059	99.23	81,884	98.43	76,890	97.33	66,441	97.35
Optimis	1,717	2.62	2,261	2.72	2,990	3.78	3,399	4.98
Dancomech JB	-	-	169	0.20	1,534	1.94	226	0.33
Less: consolidation adjustments	(1,210)	(1.85)	(1,124)	(1.35)	(2,413)	(3.05)	(1,813)	(2.66)
TOTAL	65,566	100.00	83,190	100.00	79,001	100.00	68,253	100.00

FYE 2013 compared to FYE 2012

For the FYE 2013, our total revenue grew by 26.87% or RM17.62 million from RM65.57 million in FYE 2012 to RM83.19 million in FYE 2013. The increase was mainly due to the revenue from a large purchase order secured for the supply of Valves to a customer involved in a large scale project during the FYE 2013.

For the FYE 2013, Dancomech Engineering continued to contribute the largest proportion of our total revenue (before consolidation adjustment) at 98.43%. For Optimis, its revenue (before consolidation adjustment) for the FYE 2013 increased by 31.68% as compared to FYE 2012 due to higher sales from trader. Dancomech JB commenced its business operations in August 2013 and contributed RM0.17 million or 0.20% of our total revenue (before consolidation adjustment) for the FYE 2013.

FYE 2014 compared to FYE 2013

For the FYE 2014, our total revenue declined by 5.04% or RM4.19 million from RM83.19 million to RM79.00 million, mainly due to the completion of delivery for a large purchase order to supply Valves obtained during the FYE 2013.

For the FYE 2014, Dancomech Engineering continued to contribute the largest proportion of our total revenue (before consolidation adjustment) at 97.33%. As compared to FYE 2013, the revenue contribution (before consolidation adjustment) from Optimis increased by 32.24% mainly due to the revenue from purchase orders related to two (2) waste water treatment projects located at Sepang in the state of Selangor and Penang. For Dancomech JB, it contributed a revenue (before consolidation adjustment) of RM1.53 million or 1.94% of our total revenue for the FYE 2014.

FYE 2015 compared to FYE 2014

For the FYE 2015, our total revenue declined by 13.61% or RM10.75 million from RM79.00 million in FYE 2014 to RM68.25 million in FYE 2015. This was mainly caused by lower sales volume from customers involved in the oil and gas industry as a result of softening oil and gas activities in year 2015 as well as lower sales volume from palm oil and oleochemicals industries during FYE 2015.

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

Dancomech Engineering continued to contribute the largest proportion of our total revenue (before consolidation adjustment) at 97.33 and 97.35% for both FYE 2014 and FYE 2015. Revenue contribution (before consolidation adjustment) from Optimis has grown by 13.68% for FYE 2015 as compared to the FYE 2014 mainly due to a few purchase orders from new customers who are involved in water treatment projects. Revenue contribution (before consolidation adjustment) from Dancomech JB has declined by 85.27% for FYE 2015 as compared to FYE 2014 mainly due to minimal sales volumes as compared to FYE 2014.

(ii) Revenue by Product Category

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

Product Category	< ----- Audited ----- >							
	FYE 2012		FYE 2013		FYE 2014		FYE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Measurement Instruments	6,379	9.73	7,055	8.48	6,401	8.10	6,339	9.29
PCE and others ⁽ⁱ⁾	59,187	90.27	76,135	91.52	72,600	91.90	61,914	90.71
TOTAL	65,566	100.00	83,190	100.00	79,001	100.00	68,253	100.00

Note:

⁽ⁱ⁾ 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.

FYE 2013 compared to FYE 2012

For the FYE 2013, our main revenue by product category continued to be PCE, which contributed 91.52% of our total revenue. Under PCE, Valves continued to be the dominant product, constituting 77.93% of our total revenue. Growth in our total revenue was mainly due to the revenue from a large purchase order secured for the supply of Valves, where our revenue contribution from PCE increased from RM59.19 million in FYE 2012 to RM76.14 million in FYE 2013. In addition, revenue contribution of Measurement Instruments increased by RM0.68 million or 10.66% from RM6.38 million in FYE 2012 to RM7.06 million in FYE 2013. Overall, the revenue by product category of our Group registered growth for the FYE 2013.

FYE 2014 compared to FYE 2013

For the FYE 2014, our main revenue by product category continued to be PCE, which contributed 91.90% of our total revenue. Under PCE, Valves continued to be the dominant product, constituting 74.58% of our total revenue. The decline in the revenue of PCE was mainly due to the completion of delivery for a large purchase order which supplied Valves in bulk. For the revenue of Measurement Instruments, it decreased by 9.35% or RM0.66 million from RM7.06 million to RM6.40 million. Overall, all segments within our Group registered growth for the FYE 2013. For the FYE 2014, our Group experienced a slight drop in the revenue by product category.

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12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

FYE 2015 compared to FYE 2014

For the FYE 2015, our main revenue by product category continued to be PCE and others, which contributed 90.71% of our total revenue. Under PCE and others, Valves continued to be the dominant product, constituting 73.28% of our total revenue. As compared to FYE 2014, both revenue contribution from PCE and others and Measurement Instruments dropped by RM10.69 million and RM0.06 million respectively due to lower sales volume from customers involved in both oil and gas and palm oil and oleochemicals industries during FYE 2015.

(iii) Revenue by Geographical Markets

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

Geographical Markets	< ----- Audited ----- >							
	FYE 2012		FYE 2013		FYE 2014		FYE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Domestic sales	46,998	71.68	66,703	80.18	61,792	78.21	53,824	78.86
International sales ⁽¹⁾	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

Note:

⁽¹⁾ International sales include, but are not limited to Indonesia, Italy, Thailand, Hong Kong, People's Republic of China and Singapore.

FYE 2013 compared to FYE 2012

Domestic sales accounted for 80.18% of our total revenue for the FYE 2013. During the FYE 2013, revenue from domestic sales recorded a growth of 41.93% while revenue from international sales recorded a decline of 11.21%. The increase in domestic sales was mainly attributed to Dancomech Engineering securing a large purchase order and increased sales to one (1) of our EPCC Contractors in the local market. The drop in international sales for the FYE 2013 was mainly due to the reduced order from one (1) end user based in Indonesia from RM2.89 million to RM0.43 million.

FYE 2014 compared to FYE 2013

Domestic sales accounted for 78.21% of our total revenue for the FYE 2014. During the FYE 2014, revenue from domestic sales recorded a decline of 7.36% while revenue from international sales recorded a growth of 4.38%. The decrease in domestic sales was mainly affected by the completion of delivery for a large purchase order which supplied Valves in bulk. The increase in international sales was attributed to the sales in relation to an oleochemicals project.

FYE 2015 compared to FYE 2014

Domestic sales accounted for 78.86% of our total revenue for the FYE 2015 whereas 21.14% of our revenue derived from international sales. As compared to FYE 2014, revenue from the domestic sales for the FYE 2015 declined by 12.89% mainly due to lower demand in the market from our customers in fourth quarter of FYE 2015. The decrease in international sales by RM2.78 million was mainly due to lower sales volume as compared to FYE 2014. In FYE 2014, the higher sales were attributed to the sales made to a customer who's involved in an oleochemicals project.

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

(iv) Revenue by Brands

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

Brands	< ----- 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	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

FYE 2013 compared to FYE 2012

For the FYE 2013, revenue contributed by third party brands continued to grow by 38.67% or RM16.24 million, an increase from RM42.00 million to RM58.24 million. The significant increase in revenue from third party brands was mainly due to supply of Newway's Valves to a customer involved in a large scale project related to the oil and gas industry, where revenue generated from the Newway brand increased by RM12.33 million, from RM8.72 million in FYE 2012 to RM21.05 million in FYE 2013. There is a slight increase in our own brands by 5.85% or RM1.38 million, from RM23.57 million in 2012 to RM24.95 million in FYE 2013. This was mainly due to the continued growth in demand for the WAGI brand by RM1.58 million in FYE 2013.

Despite an increase in the revenue from own brands, there has been a declining trend in terms of the contribution to the overall revenue of our Group due to higher growth in the revenue from third party brands. Our Group adopts similar marketing strategies as described in Section 6.8 for both third party brands and own brands, and the trend in the revenue over the past three (3) years reflects the preference of our customers.

FYE 2014 compared to FYE 2013

For the FYE 2014, revenue contributed by third party brands declined by 7.45% or RM4.34 million, from RM58.24 million in FYE 2013 to RM53.90 million in FYE 2014. The slight decrease in revenue from third party brands was mainly due to the end of order from a customer involved in a large scale project in which majority of the parts consist of Newway's Valves and that also resulted in revenue from the Newway brand decreasing by 27.27% or RM5.74 million, from RM21.05 million in FYE 2013 to RM15.31 million in FYE 2014.

There is a slight increase in the revenue from our own brands by 0.60% or RM0.15 million, from RM24.95 million in FYE 2013 to RM25.10 million in FYE 2014 owing to the growth in demand for the VMX and Omaval brands by RM0.14 million and RM0.49 million respectively after negating RM0.48 million decrease in the demand for WAGI brand.

FYE 2015 compared to FYE 2014

For the FYE 2015, revenue contributed by third party brands declined by 22.78% or RM12.28 million from RM53.90 million to RM41.62 million. The decline in revenue was due to lower sales volume from the customers involved in the oil and gas industry and the palm oil and oleochemicals industry during the FYE 2015, leading to a fall in demand of Newway's Valves by 51.08% or RM7.82 million, from RM15.31 million in FYE 2014 to RM7.49 million in FYE 2015.

However, the revenue from our own brands increased by 6.12% or RM1.54 million owing to the growth in demand for the VMX and Wagi brands by RM1.00 million and RM0.77 million respectively.

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(v) Revenue by Users

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

Users	Audited											
	FYE 2012			FYE 2013			FYE 2014			FYE 2015		
	Number of Users	RM'000	% of Users	Number of Users	RM'000	%	Number of Users	RM'000	%	Number of Users	RM'000	%
End user	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

FYE 2013 compared to FYE 2012

Our Group's customers increased by 3.55% or 49 customers, from 1,381 customers in FYE 2012 to 1,430 customers in FYE 2013. The increase was mainly due to our Group having obtained more customers. For the FYE 2013, revenue from intermediaries continued to grow by 33.05% or RM16.38 million, from RM49.56 million in FYE 2012 to RM65.94 million in FYE 2013 due to an intermediary that managed to secure a large scale project in the oil and gas industry. Revenue from end users increased by 7.75% or RM1.24 million, from RM16.01 million in FYE 2012 to RM17.25 million in FYE 2013. The increase was due to the increase in the number of end users by 11.20% or 28 users from 250 users in FYE 2012 to 278 users in FYE 2013.

Despite the above, the increase in number of users did not necessarily result in an increase in the revenue of our Group.

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12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

FYE 2014 compared to FYE 2013

The customers of our Group decreased by 0.70% or 10 customers, from 1,430 customers in 2013 to 1,420 customers in FYE 2014. For the FYE 2014, revenue from intermediaries declined by 11.45% or RM7.55 million, from RM65.94 million in FYE 2013 to RM58.39 million in FYE 2014 due to the completion of a large scale project of an intermediary in the oil and gas industry.

Revenue from end users increased by 19.48% or RM3.36 million, from RM17.25 million in FYE 2013 to RM20.61 million in FYE 2014. On top of the existing end user, there were two (2) new end users involved in manufacturing industry to build their own factory and in biodiesel plant respectively which contributed to the increase in revenue in FYE 2014.

FYE 2015 compared to FYE 2014

For the FYE 2015, intermediaries continue to be the major revenue contributor to our Group's revenue at 72.04% with the remaining revenue being contributed by end users. Although the number of users in overall has increased from 1,420 users to 1,459 users, both revenue contribution from the intermediaries and the end users experienced a decline of 15.78% and 7.43% respectively owing to lower sales volume from the customers involved in the oil and gas industry and the palm oil and oleochemicals industry during the FYE 2015.

12.2.2 Segmental analysis of gross profit

(i) Gross profit by Companies

The table below sets forth the breakdown of our Group's gross profit by companies:

Companies	< ----- Audited ----- >							
	FYE 2012		FYE 2013		FYE 2014		FYE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dancomech Engineering	24,708	99.57	29,316	98.13	26,551	96.43	20,512	94.70
Optimis	107	0.43	546	1.83	685	2.49	1,117	5.16
Dancomech JB	-	-	14	0.04	298	1.08	31	0.14
TOTAL	24,815	100.00	29,876	100.00	27,534	100.00	21,660	100.00
<u>Gross Profit Margin</u>								
Dancomech Engineering	37.98%		35.80%		34.53%		30.87%	
Optimis	6.23%		24.15%		22.91%		32.86%	
Dancomech JB	-		8.28%		19.43%		13.72%	

FYE 2013 compared to FYE 2012

The proportion of gross profit contribution (before consolidation adjustment) to our Group from Dancomech Engineering decreased from 99.57% in FYE 2012 to 98.13% in FYE 2013. The gross profit margin (before consolidation adjustment) of Dancomech Engineering declined by 2.18% due to a large purchase order secured to supply Valves to a customer involved in a large scale project, where the profit margin was relatively lower compared to the day-to-day sales due to the high contract sum.

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

The gross profit contribution from Optimis (before consolidation adjustment) to our Group was less than 2% for both the FYE 2012 and FYE 2013. The gross profit margin (before consolidation adjustment) of Optimis increased from 6.23% in FYE 2012 to 24.15% in FYE 2013 as a result of a purchase order that was related to a one-off waste water project of a trader which yielded a higher profit margin compared to the day-to-day sales.

FYE 2014 compared to FYE 2013

The proportion of gross profit contribution (before consolidation adjustment) to our Group from Dancomech Engineering decreased from 98.13% in FYE 2013 to 96.43% in FYE 2014. The gross profit margin (before consolidation adjustment) of Dancomech Engineering declined by 1.27% in FYE 2014 due to the profit margin of the Valves being affected by an unforeseen increase in cost for a purchase order which required parts modification. The said purchase order was made by one of our major customers, namely KNM, whereby there was a change of technical specifications by the end user, and all affected products have to be returned to the supplier for modification. The modification costs were not covered by supplier's warranty as the return was not due to manufacturing defects.

The gross profit contribution (before consolidation adjustment) from Optimis to our Group was less than 3% for both the FYE 2013 and FYE 2014. Its gross profit margin (before consolidation adjustment) has decreased from 24.15% in FYE 2013 to 22.91% in FYE 2014 as a result of the completion of delivery for a purchase order relating to a one-off waste water project of a trader which yielded higher profit margin for the FYE 2013.

FYE 2015 compared to FYE 2014

The gross profit contribution (before consolidation adjustment) from Dancomech Engineering to our Group decreased slightly from 96.43% in FYE 2014 to 94.70% in FYE 2015 mainly due to competitive selling price being offered to our customers in order to maintain our revenue. In line with the decrease in gross profit and due to the increase in the cost of our PCE products during the FYE 2015, the gross profit margin (before consolidation adjustment) of Dancomech Engineering also decreased by 3.66%.

The gross profit contribution (before consolidation adjustment) from Optimis to our Group stood at 2.49% and 5.16% for both FYE 2014 and FYE 2015 respectively. The increase in gross profit margin of Optimis from 22.91% in 2014 to 32.86% in 2015 was mainly due to a few purchase orders secured during the FYE 2015 which have higher profit margin.

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12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

(ii) Gross profit by Product Category

The table below sets forth the breakdown of our Group's gross profit by product category:

Product Category	< ----- Audited ----- >							
	FYE 2012		FYE 2013		FYE 2014		FYE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Measurement Instruments	2,586	10.42	2,945	9.86	2,259	8.20	2,323	10.72
PCE and others ⁽¹⁾	22,229	89.58	26,931	90.14	25,275	91.80	19,337	89.28
TOTAL	24,815	100.00	29,876	100.00	27,534	100.00	21,660	100.00
<u>Gross Profit Margin</u>								
Measurement Instruments	40.54%		41.74%		35.29%		36.65%	
PCE and others ⁽¹⁾	37.56%		35.37%		34.81%		31.23%	

Note:

⁽¹⁾ *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.*

FYE 2013 compared to FYE 2012

Our Group's gross profit increased by 20.39% or RM5.06 million from RM24.82 million in FYE 2012 to RM29.88 million in the FYE 2013. The growth in our gross profit was mainly attributed to the increase in our gross profit from PCE which represented a growth of 21.15% for the FYE 2013. The increase arose from a large purchase order secured to supply Valves to customer involved in a large scale project.

Our gross profit margin decreased by 1.94%, from 37.85% in FYE 2012 to 35.91% in the FYE 2013. The decrease in gross profit margin was mainly due to the decrease in gross profit margin of PCE by 2.19%, from 37.56% in FYE 2012 to 35.37% in FYE 2013, which was caused by a decrease in the gross profit margin of Valves. The decrease in gross profit margin of Valves was mainly due to the large purchase order secured to supply Valves to a customer involved in a large scale project, where the profit margin was relatively lower compared to the day-to-day sales due to the high contract sum.

Our gross profit margin for Measurement Instruments remained fairly constant for the FYE 2012 and FYE 2013 at 40.54% and 41.74% respectively.

FYE 2014 compared to FYE 2013

Our gross profit decreased by 7.86% or RM2.35 million, from RM29.88 million in FYE 2013 to RM27.53 million in FYE 2014 due to completion of delivery of the large purchase order secured in 2013 to supply Valves. Our gross profit margin also decreased by 1.06%, from 35.91% in 2013 to 34.85% in FYE 2014, mainly due to the decrease in gross profit margin of Measurement Instruments by 6.45%, from 41.74% in FYE 2013 to 35.29% in FYE 2014. The decrease in gross profit margin of Measurement Instruments was a result of an increase in the cost of recorder.

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

The gross profit margin of PCE decreased by 0.56% from 35.37% in FYE 2013 to 34.81% in FYE 2014, as the gross profit margin of Valves was affected by an unforeseen increase in the cost for a purchase order which required parts modification. The said purchase order was made by one of our major customers, namely KNM, whereby there was a change of technical specifications by the end user, and all affected products have to be returned to the supplier for modification. The modification costs were not covered by supplier's warranty as the return was not due to manufacturing defects.

FYE 2015 compared to FYE 2014

As compared to FYE 2014, our gross profit decreased by 21.32% or RM5.87 million from RM27.53 million to RM21.66 million. The decline was mainly attributed by the decrease in gross profit of PCE and others during the FYE 2015 due to competitive selling price being offered to our customers in order to maintain our revenue.

In line with the decrease in gross profit, our gross profit margin for PCE also decreased by 3.58%, from 34.81% in FYE 2014 to 31.23% in FYE 2015. The decrease in gross profit margin for PCE and others was mainly caused by the increase in the cost of our PCE products during the FYE 2015. Our gross profit margin for measurement instruments showed a slight increase of 1.36% from 35.29% in FYE 2014 to 36.65% in FYE 2015.

(iii) Gross profit by Geographical Markets

The table below sets forth the breakdown of our Group's gross profit by geographical markets:

Geographical Markets	< ----- Audited ----- >							
	FYE 2012		FYE 2013		FYE 2014		FYE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Domestic	19,029	76.68	25,238	84.48	21,394	77.70	18,677	86.23
International	5,786	23.32	4,638	15.52	6,140	22.30	2,983	13.77
TOTAL	24,815	100.00	29,876	100.00	27,534	100.00	21,660	100.00
Gross Profit Margin								
Domestic	40.49%		37.84%		34.62%		34.70%	
International	31.16%		28.13%		35.68%		20.67%	

FYE 2013 compared to FYE 2012

The gross profit from domestic market increased by RM6.21 million, from RM19.03 million in 2012 to RM25.24 million in FYE 2013, which was mainly due to the increase in domestic sales. However, the gross profit margin from domestic market decreased by 2.65% from 40.49% in FYE 2012 to 37.84% in FYE 2013 due to the purchase order to supply Valves to a customer involved in a large scale project, whereby the profit margin of the Valves was relatively lower than the day-to-day sales.

The gross profit from international market decreased by RM1.15 million, from RM5.79 million in FYE 2012 to RM4.64 million in FYE 2013 due to lower sales to Indonesia. The gross profit margin from international market registered a decrease by 3.03%, from 31.16% in FYE 2012 to 28.13% in FYE 2013 due to a special order from a customer in Indonesia, which contributed to higher gross profit margin in FYE 2012.

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

FYE 2014 compared to FYE 2013

The gross profit from domestic market decreased by RM3.85 million, from RM25.24 million in FYE 2013 to RM21.39 million in FYE 2014, which was mainly due to the decrease in domestic sales. The gross profit margin from domestic market also decreased by 3.22% from 37.84% in FYE 2013 to 34.62% in FYE 2014 due to the increase in cost for parts modification.

The gross profit from international market increased by RM1.50 million, from RM4.64 million in FYE 2013 to RM6.14 million in FYE 2014 due to the increase in sales to Europe. The gross profit margin of international sales registered an increase by 7.55%, from 28.13% in FYE 2013 to 35.68% in FYE 2014 due to the increase in orders from customers in Indonesia and Europe.

FYE 2015 compared to FYE 2014

As compared to FYE 2014, the gross profit from domestic market for the FYE 2015 decreased by RM2.71 million from RM21.39 million to RM18.68 million, mainly due to lower demand from local customers. The gross profit margin from domestic market for the FYE 2015 increased slightly by 0.08% from 34.62% to 34.70% as fewer large purchase orders were secured in FYE 2015.

The gross profit from international market for the FYE 2015 decreased by RM3.16 million from RM6.14 million to RM2.98 million due to competitive selling price offered in order to secure a purchase order from an Indonesian customer. In line with the decrease, the gross profit margin from international market for the FYE 2015 also decreased significantly by 15.01% from 35.68% to 20.67%.

(iv) Gross profit by Brands

The table below sets forth the breakdown of our Group's gross profit by brands:

Brands	< ----- Audited ----- >							
	FYE 2012		FYE 2013		FYE 2014		FYE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Third party brands	14,859	59.88	18,766	62.81	17,293	62.81	11,157	51.51
Own brands	9,956	40.12	11,110	37.19	10,241	37.19	10,503	48.49
TOTAL	24,815	100.00	29,876	100.00	27,534	100.00	21,660	100.00
<u>Gross Profit Margin</u>								
Third party brands	35.38%		32.22%		32.08%		26.81%	
Own brands	42.24%		44.54%		40.80%		39.43%	

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12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

FYE 2013 compared to FYE 2012

The gross profit from third party brands has increased by 26.31% or RM3.91 million from RM14.86 million in FYE 2012 to RM18.77 million in FYE 2013. The increase in gross profit for third party brands was mainly due to an overall increase in sales for third party brands, specifically the Neway brand. The gross profit margin for third party brands declined by 3.16% from 35.38% in FYE 2012 to 32.22% in FYE 2013. This was mainly due to a large purchase order whereby the profit margin of the Valves was relatively lower than the day-to-day sales.

The gross profit from our own brands increased by 11.55% or RM1.15 million, from RM9.96 million in FYE 2012 to RM11.11 million in FYE 2013, mainly due to the increase of WAGI brand sales. The gross profit margin from our own brands improved slightly by 2.30%, from 42.24% in FYE 2012 to 44.54% in FYE 2013. The slight improvement by 2.30% was mainly due to continuous sourcing of new OEM for other different type of products and materials, which provided competitive pricing without compromising product quality for both VMX and WAGI brands.

FYE 2014 compared to FYE 2013

The gross profit from third party brands has decreased by 7.88% or RM1.48 million from RM18.77 million in FYE 2013 to RM17.29 million in FYE 2014. The decrease in gross profit for third party brands was mainly due to an overall decrease in sales for third party brands, specifically the Neway brand. The gross profit margin from third party brands declined slightly by 0.14% from 32.22% in 2013 to 32.08% in FYE 2014 due to increase in product costs.

The gross profit from our own brands decreased by RM0.87 million, from RM11.11 million in FYE 2013 to RM10.24 million in FYE 2014, mainly due to the decrease in gross profit of the VMX and WAGI brands. The gross profit of the VMX brand decreased despite the growth in demand for the brand as there is a decrease in our gross profit margin. The gross profit margin from our own brands declined by 3.74%, from 44.54% in FYE 2013 to 40.80% in FYE 2014. The decline was mainly due to the increase in product costs.

During the past three (3) years, our own brands recorded higher gross profit margin as compared to the third party brands due to lower production cost by our OEM which are operating in the People's Republic of China and Taiwan.

FYE 2015 compared to FYE 2014

The gross profit from third party brands for the FYE 2015 decreased by RM6.13 million from RM17.29 million to RM11.16 million. The decline was mainly due to lower demand for third party brands, Neway brand. As compared to FYE 2014, the gross profit margin from third party brands for the FYE 2015 decreased by 5.27% from 32.08% to 26.81%, mainly due to the increase in product costs from the third party brands during the FYE 2015.

As compared to FYE 2014, the gross profit from our own brands increased marginally by RM0.26 million from RM10.24 million to RM10.50 million. The gross profit from our own brands increased marginally despite the competitive selling price offered to our customers as there is a growth in demand for our VMX and WAGI brands. However, the gross profit margin from our own brands for the FYE 2015 have decreased from 40.80% to 39.43%, in line with the competitive selling price offered.

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12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

12.2.3 Analysis of Operating Expenses

The components of our operating expenses are as follows:-

	----- Audited -----							
	FYE 2012		FYE 2013		FYE 2014		FYE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Selling and distribution expenses	883	15.35	1,196	17.36	1,445	16.60	442	5.36
Administrative expenses	3,924	68.21	5,247	76.14	5,950	68.36	6,753	81.91
Other expenses	885	15.38	426	6.18	1,154	13.26	904	10.96
Finance costs	61	1.06	22	0.32	155	1.78	146	1.77
TOTAL	5,753	100.00	6,891	100.00	8,704	100.00	8,245	100.00

FYE 2013 compared to FYE 2012

Our operating expenses increased by 19.83% or RM1.14 million from RM5.75 million in FYE 2012 to RM6.89 million in FYE 2013. This was mainly attributed to the increase in all operating expenses except for finance costs and other expenses.

Selling and distribution expenses increased by 36.36% or RM0.32 million from RM0.88 million in FYE 2012 to RM1.20 million in FYE 2013 as a result of higher cost incurred in testing and commissioning arising from more purchase orders secured as well as higher sales commission by RM0.25 million arising from the increased sales in FYE 2013.

Administrative expenses increased by 33.93% or RM1.33 million from RM3.92 million in FYE 2012 to RM5.25 million in FYE 2013, mainly caused by RM0.39 million of Listing expenses incurred, the additional rental of office building that has been disposed of RM0.26 million, and legal and professional fees of RM0.23 million incurred during the FYE 2013. In addition, staff costs also increased by RM0.21 million arising from higher sales commissions, salaries and bonuses payable to directors by RM0.16 million and the recruitment of two (2) additional managerial personnel, accountants and store managers although the head count reduced from 34 staff in FYE 2012 to 33 staff in FYE 2013.

Other expenses decreased by 51.69% or RM0.46 million from RM0.89 million in FYE 2012 to RM0.43 million in FYE 2013 mainly due to lower loss on foreign exchange.

Finance costs decreased by 66.67% or RM0.04 million from RM0.06 million in FYE 2012 to RM0.02 million in FYE 2013 as a result of early settlement of the term loan of RM0.085 million during the FYE 2013.

FYE 2014 compared to FYE 2013

Our operating expenses increased by 26.27% or RM1.81 million from RM6.89 million in FYE 2013 to RM8.70 million in FYE 2014. This was mainly attributed to the increase in all operating expenses.

Selling and distribution expenses increased by 20.83% or RM0.25 million from RM1.20 million in FYE 2013 to RM1.45 million in FYE 2014 mainly due to higher testing and commissioning arising from more purchase orders secured.

Administrative expenses increased by 13.33% or RM0.70 million from RM5.25 million in FYE 2013 to RM5.95 million in FYE 2014 mainly due to RM0.83 million of Listing expenses incurred.

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Other expenses increased by 167.44% or RM0.72 million from RM0.43 million in FYE 2013 to RM1.15 million in FYE 2014 mainly caused by allowance for impairment loss on trade receivables, depreciation of PPE and realised loss on foreign exchange of RM0.41 million, RM0.57 million and RM0.14 million respectively.

Finance costs increased by 700.00% or RM0.14 million from RM0.02 million in FYE 2013 to RM0.16 million in 2014 mainly due to interest expense from a new term loan obtained during the FYE 2014.

FYE 2015 compared to FYE 2014

Our operating expenses decreased by 5.29% or RM0.46 million from RM8.70 million in FYE 2014 to RM8.24 million in FYE 2015. This was due to the decrease in selling and distribution expenses, others expenses and finance costs.

Selling and distribution expenses decreased by 69.66% or RM1.01 million from RM1.45 million in FYE 2014 to RM0.44 million in FYE 2015, mainly due to the decline in sales commission which was in line with the decrease in revenue for the FYE 2015.

Administrative expenses increased by 13.45% or RM0.80 million from RM5.95 million in FYE 2014 to RM6.75 million in FYE 2015 mainly due to the increase in staff costs arising from the increase in head count from 38 staff in FYE 2014 to 45 staff in FYE 2015 in view of the business expansion for the forthcoming years.

Other expenses decreased by 21.74% or RM0.25 million from RM1.15 million in FYE 2014 to RM0.90 million in FYE 2015, mainly due to lower of provision of doubtful debts by RM0.22 million from RM0.40 million in FYE 2014 to RM0.18 million in FYE 2015.

Finance costs decreased slightly by 6.25% or RM0.01 million from RM0.16 million in FYE 2014 to RM0.15 million in FYE 2015 due to lower interest expenses over the reducing term loan.

12.2.4 Other Income**FYE 2013 compared to FYE 2012**

For the FYE 2013, our Group recorded a higher other income at RM9.02 million as compared to the other income of RM0.75 million in FYE 2012. This was mainly due to the gain on disposal of PPE and the writeback of allowance for impairment loss on receivables amounting to RM8.44 million and RM0.16 million respectively.

FYE 2014 compared to FYE 2013

For the FYE 2014, our Group's other income decreased significantly by RM8.52 million mainly due to the gain on disposal of PPE amounting to RM8.44 million during the FYE 2013.

FYE 2015 compared to FYE 2014

For the FYE 2015, our Group recorded higher other income of RM1.93 million as compared to RM0.50 million for the FYE 2014 mainly due to rental income of the second floor of our current headquarters amounting to RM0.86 million and writeback of allowance for impairment of RM0.31 million.

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12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

12.2.5 Finance costs

FYE 2013 compared to FYE 2012

For the FYE 2013, our Group recorded a lower finance costs at RM0.02 million as compared to the finance costs of RM0.06 million in FYE 2012 due to full year term loan interest incurred for the FYE 2012.

FYE 2014 compared to FYE 2013

For the FYE 2014, our Group recorded an increase in finance costs at RM0.16 million as compared to the finance costs of RM0.02 million in FYE 2013 due to additional interest from a fixed loan obtained in FYE 2014.

FYE 2015 compared to FYE 2014

For the FYE 2015, our Group recorded lower finance costs at RM0.15 million as compared to the finance costs of RM0.16 million for the FYE 2014, due to lower interest expenses over the reducing term loan.

12.2.6 PBT

FYE 2013 compared to FYE 2012

Our PBT increased by 61.53% or RM12.19 million, from RM19.81 million in FYE 2012 to RM32.00 million in FYE 2013 which was mainly due to the increase in gross profit as explained in Section 12.2.2 above and the gain on disposal of PPE amounting to RM8.44 million during the FYE 2013.

The PBT margin increased by approximately 8.25%, from 30.22% in FYE 2012 to 38.47% in FYE 2013. This was mainly due to the gain on disposal of PPE amounting to RM8.44 million during the FYE 2013.

FYE 2014 compared to FYE 2013

Our PBT decreased by 39.59% or RM12.67 million, from RM32.00 million in FYE 2013 to RM19.33 million in FYE 2014 which was mainly due to the decrease in gross profit as explained in Section 12.2.2 above and lower gain on disposal of PPE as compared to FYE 2013.

The PBT margin for the FYE 2014 decreased by approximately 14.01%, from 38.47% in FYE 2013 to 24.46% in FYE 2014, mainly caused by the gain on disposal of PPE amounting to RM8.44 million during the FYE 2013.

FYE 2015 compared to FYE 2014

Our PBT decreased by 20.59% or RM3.98 million, from RM19.33 million for the FYE 2014 to RM15.35 million for the FYE 2015 was mainly due to the decrease in gross profit as explained in Section 12.2.2 above and accordingly, the PBT margin also decreased by 1.97%, from 24.46% in FYE 2014 to 22.49% in FYE 2015.

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12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.2.7 Income tax expense**FYE 2013 compared to FYE 2012**

For the FYE 2013, our Group only registered an increase in income tax expense by RM1.47 million, from RM4.66 million in FYE 2012 to RM6.13 million in FYE 2013 due to higher PBT reported for the FYE 2013.

FYE 2014 compared to FYE 2013

For the FYE 2014, our Group only registered a decrease in income tax expense by RM0.98 million, from RM6.13 million in FYE 2013 to RM5.15 million in FYE 2014 due to lower PBT reported for the FYE 2014.

FYE 2015 compared to FYE 2014

For the FYE 2015, our Group registered a decrease in income tax expense by RM1.01 million, from RM5.15 million for the FYE 2014 to RM4.14 million for the FYE 2015 due to lower PBT for the FYE 2015.

12.2.8 PAT**FYE 2013 compared to FYE 2012**

Our PAT increased by 70.65% or RM10.71 million, from RM15.16 million in FYE 2012 to RM25.87 million in FYE 2013, mainly due to increase in PBT as explained in Section 12.2.6 above.

The PAT margin also increased by 7.98%, from 23.12% in FYE 2012 to 31.10% in FYE 2013. This was mainly attributed to the gain on disposal of PPE amounting to RM8.44 million during the FYE 2013.

FYE 2014 compared to FYE 2013

Our PAT decreased by 45.23% or RM11.70 million, from RM25.87 million in FYE 2013 to RM14.17 million in FYE 2014, mainly due to decrease in PBT as explained in Section 12.2.6 above.

The PAT margin decreased by 13.16%, from 31.10% in FYE 2013 to 17.94% in FYE 2014. The lower PAT margin for the FYE 2014 was mainly caused by the gain on disposal of PPE amounting to RM8.44 million during the FYE 2013.

FYE 2015 compared to FYE 2014

Our PAT decreased by 20.89% or RM2.96 million, from RM14.17 million for the FYE 2014 to RM11.21 million for the FYE 2015 which was mainly due to decrease in PBT as explained in Section 12.2.6 above. Accordingly, the PAT margin also decreased by 1.52%, from 17.94% in FYE 2014 to 16.42% in FYE 2015.

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12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.2.9 Significant factors materially affecting our Group's operations and financial results

Our Group's revenue may be affected by a number of factors, the most significant of which are described below:-

(i) Demand and supply conditions

Our Group's revenue and profit are dependent on the demand and supply conditions as set out in Section 7 as follows:-

- Continuous investment in the oil and gas industry;
- Expansion in the palm oil and oleochemicals industry;
- Growing demand for the water services industry;
- Continued growth in the manufacturing industry;
- Growing trend for industrial automation;
- Enforcement of environmental protection legislation; and
- Government support for machinery and equipment industry.

(ii) Competition

We face competition from existing competitors as well as potential new entrants in our industry. According to the IMR report, the PCE and Measurement Instruments market has moderate entry barriers. Potential entrants may enter the trading and distribution segment with the provision of PCE and Measurement Instruments targeting for replacement of existing equipment in end users segment. The entry level into replacement segment is lower as potential entrants only need to provide their products that match the specification of the original parts. In order to minimise the business opportunity loss as a result of competition in the replacement segment, our Group:

- (a) pays regular visits to our customers to provide technical advice and consultation;
- (b) ensures reliability of the products that we carry to increase our customers' confidence in us;
- (c) offers prompt response to our customers' queries;
- (d) maintains competitive pricing; and
- (e) seeks to reduce the time for fulfilment of orders by maintaining stocks at our headquarters.

Furthermore, customers do not generally enter into any long term agreement contract with the traders or distributors. Hence, pricing and customer services tend to be the two most important factors in determining the vendors. Despite the moderate barrier to entry, there are some factors that need to be present in order for a distributor to continue operating successfully in the industry. Specifically, traders and distributors must have an established track record to be able to secure established brands that customers tend to prefer. Additionally, this track record would create brand awareness which allow them to have a wide range of customers in the country in their areas of coverage.

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12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

We leverage on our competitive advantages such as diverse product range, authorised distributors as well as procession of own brands, experienced management team, value-added services, extensive customer base, our proven track records and our long-standing relationships with our major suppliers as set out in Section 6.1.1(g). While we continuously strive to maintain and adopt appropriate strategies to remain competitive, there can be no assurance that a change in the competitive environment would not have a material adverse impact on our business and financial performance.

(iii) Foreign exchange fluctuation

For the FYE 2015, approximately 21.14% of our sales are international sales and approximately 90.68% 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. The increasing foreign exchange volatility during the fourth quarter of FYE 2015 has resulted the decline in our revenue for the FYE 2015.

To mitigate this risk, 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:

- (a) 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;
- (b) 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
- (c) 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.

Nevertheless, we will continue to monitor our foreign currency exposure and take necessary steps to minimise exchange rate exposure whenever deemed appropriate. We have not previously experienced any material adverse effect arising from foreign exchange fluctuations on our financial performance in the past four (4) FYEs 2012 to 2015 and up to LPD.

(iv) Government / Economic / Fiscal / Monetary policies

Risks relating to government, economic, fiscal or monetary policies, which may materially affect our operations, are set out in Section 4. For the past four (4) FYE 2012 to FYE 2015 and up to LPD, there is no Government, economic, fiscal or monetary policies or factors that have had a material impact on our profitability and financial position.

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12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

12.2.10 Liquidity and capital resources

(i) Working capital

Our business has been financed via a combination of internal and external sources of funds. The internal sources comprise of our shareholders' equity and cash generated from our operations while the external sources are the various credit facilities extended to us by financial institutions.

Our principal utilisations of funds were for working capital and purchase of property, plant and equipment. Based on our Pro Forma Consolidated Statements of Financial Position of our Group as at 31 December 2015 (before our Public Issue), our Group's net asset position stood at RM74.23 million and at a gearing level of 0.10 times. We have fixed deposits and cash and bank balances of RM27.91 million and borrowings of RM8.10 million, before taking into consideration the proceeds from the Public Issue. Our Group's working capital will decrease by RM0.51 million in the event of the crystallisation of the contingent liability as disclosed in Section 12.2.10(viii). Further details of our Group's cash and cash equivalents and borrowings are disclosed in Section 12.3.

We have bank guarantee facility available to our Group amounting to RM2.05 million, out of which RM0.15 million has been utilised, with a balance of RM1.90 million available as at 31 December 2015 and as at LPD.

Our Directors are of the opinion that, after taking into consideration the cash and cash equivalents, the expected funds to be generated from operating activities, amounts available under our existing banking facilities and the proceeds expected to be raised from the Public Issue, our Group will have adequate working capital to meet our present and foreseeable requirements for a period of twelve (12) months from the date of this Prospectus.

(ii) Cash flows

A summary of our Group's cash flow position from FYE 2012 to FYE 2014 based on the Combined Statements of Cash Flows and FYE 2015 based on the Consolidated Statement of Cash Flows as set out in Section 12.1.2 is as follows:-

	<----- Audited ----->			
	FYE 2012	FYE 2013	FYE 2014	FYE 2015
	RM'000	RM'000	RM'000	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

Note:

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

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

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

Commentaries on our Group's combined statements of cash flows from FYE 2012 to FYE 2014 and consolidated statement of cash flows for FYE 2015 are as follows:-

Net cash flow from operating activities

During the FYE 2015, our Group generated net cash from operating activities of approximately RM12.03 million which was attributed to the operating profit before working capital changes of approximately RM15.25 million (after adjusting for non-cash items and net interest income) and the net cash inflow for working capital of approximately RM1.34 million as well as the net payment of income tax and interest of approximately RM4.43 million and RM0.13 million respectively.

During the FYE 2014, our Group generated net cash from operating activities of approximately RM12.43 million which was attributed to the operating profit before working capital changes of approximately RM19.64 million (after adjusting for non-cash items and net interest income) and the net cash outflow for working capital of approximately RM0.32 million, as well as the net payment of income tax and interest of approximately RM6.75 million and RM0.14 million, respectively.

During the FYE 2013, our Group generated net cash from operating activities of approximately RM16.33 million which was attributed to the operating profit before working capital changes of approximately RM22.08 million (after adjusting for non-cash items and net interest income) and the net cash outflow for working capital of approximately RM1.78 million, as well as the net payment of income tax of approximately RM5.74 million.

During the FYE 2012, our Group generated net cash from operating activities of approximately RM7.23 million which was attributed to the operating profit before working capital changes of approximately RM12.26 million (after adjusting for non-cash items and net interest income) and the net cash outflow for working capital of approximately RM5.15 million, as well as the net payment of income tax and interest of approximately RM4.99 million and RM0.05 million respectively.

Net cash flow (used in) / from investing activities

During the FYE 2015, the net cash used in investing activities was mainly due to the purchase of PPE amounting to approximately RM0.27 million. Further details regarding this acquisition can be found in Section 5.4.

During the FYE 2014, the net cash used in investing activities was mainly due to the purchase of PPE which relates to the construction of the our current headquarters bearing the address of Lot 19, Jalan Pelukis U1/46, Seksyen U1, Shah Alam, amounting to approximately RM1.78 million. During the FYE 2014, there were withdrawals of fixed deposits amounting to RM3.52 million.

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

During the FYE 2013, the net cash used in investing activities was mainly due to the purchase of PPE which relates to the construction of the our current headquarters bearing the address of Lot 19, Jalan Pelukis U1/46, Seksyen U1, Shah Alam, amounting to approximately RM7.38 million. During the FYE 2013, there were placements of fixed deposits amounting to RM2.51 million.

During the FYE 2012, the net cash used in investing activities was mainly due to the purchase of PPE which relates to the construction of the our current headquarters bearing the address of Lot 19, Jalan Pelukis U1/46, Seksyen U1, Shah Alam, amounting to approximately RM4.77 million. During the FYE 2012, there were placements of fixed deposits amounting to RM0.05 million.

Net cash flow used in financing activities

During the FYE 2015, our Group repaid bank borrowing and hire purchase totaling RM0.60 million and acquisition of the remaining equity interest in Dancomech JB amounting to approximately RM0.09 million. In addition, our Group paid dividend of RM4.10 million during the FYE 2015.

As at 31 December 2014, the net cash has been used in financing activities, mainly dividend payments of RM15.50 million, placement of pledged fixed deposits of RM1.72 million and repayment of borrowings of RM0.41 million, off-set by cash inflow of RM9.00 million arising from drawdown of term loan.

As at 31 December 2013, the net cash has been used in financing activities, mainly dividend payments of RM3.59 million, repayment to a related party of RM0.18 million and repayment of borrowings of RM0.09 million. The repayment to related party relates to the sale of a semi-detached factory by Dancomech Engineering to Dancovest, details of which are set out in Section 5.1 of the Prospectus. The property was subject to a lease at the time of sale and the existing tenant continued to pay rental to us after the sale has taken place until Dancovest inform them of the sale. Dancomech received a total of RM0.18 million from the tenant being rental for the period between January 2011 and April 2011. As such, we had to repay the rental amount received to Dancovest.

As at 31 December 2012, the net cash has been used in financing activities, mainly dividend payments of RM1.50 million and repayment of borrowings of RM0.74 million.

We practice prudent financial management to monitor our capital expenditure requirements, cash flow position and gearing level at a manageable level to ensure minimal disruption to our expansion plans. Our Directors are of the opinion that there are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances and are therefore confident that we can meet our cash obligations.

(iii) Borrowings

As at 31 December 2015, our Group obtained a term loan of RM8.10 million and hire purchase of RM0.28 million, all of which are interest bearing and denominated in RM, the details of which are set out in Section 12.3.

As such, our gearing ratio computed based on our Group's total interest bearing borrowings as at 31 December 2015 divided by our Group's pro forma consolidated shareholders' equity as at 31 December 2015 upon completion of the IPO and utilisation of proceeds as set out in Section 3.6 is insignificant.

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

The details of the types of credit facilities that we use and its balances as at LPD are as follows:-

Type of financial instruments	Tenure	Interest Rates	Approved Limit RM'000	Balance as at FYE 2015 RM'000	Balance as at LPD RM'000
1. Fixed Loan 1 ⁽²⁾	3 January 2014 to 3 January 2039	BLR – 2.30% per annum	9,000	8,095	7,850 ⁽¹⁾
2. Fixed Loan 2 ⁽²⁾			3,000	-	-
Multi Option Line ⁽³⁾ :-					
- Documentary Credit	Up to 120 days	0.10% per month	500	-	-
- Trust Receipt	Up to 120 days	1.50% per annum	500	-	-
- Banker's Acceptance	Up to 120 days	2.00% per annum	500	-	-
- Bank Guarantee	Up to 36 months	0.60% to 1.25% per month	2,050	1,901	1,901

Notes:

⁽¹⁾ The amount represents the principal amount up to LPD.

⁽²⁾ This facility is secured against the Jalan Pelukis property as disclosed in Section 6.17.1.

⁽³⁾ This facility is secured against fixed deposit of Dancomech Engineering which amounted to RM1.76 million.

The facilities set out above are taken by Dancomech Engineering and the facility agreements contain the following restrictive covenants:

(a) the borrower hereby covenants and undertakes with the bank that for so long as the facilities shall remain in effect or any money remains to be lent or to be payable under any of the security documents, the borrower shall not without the prior written consent of the bank create or permit to subsist any security interest or encumbrance over any of the assets which are offered by the security party as security to the bank in respect of the facilities or which are the subject matter of the security documents, except:

(i) the relevant security documents;

(ii) any other encumbrances which may be consented to by the bank in writing from time to time.

(b) no change in shareholding without prior consent of the bank.

Our Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the past financial years and the subsequent financial period up to LPD.

As at LPD, our Board confirms that neither our Company nor any of our subsidiaries are in breach of any terms and conditions or governance associated with credit arrangements or bank loans which could materially affect our financial position and results or business operations or our shareholders' investments.

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

(iv) Treasury policies and objectives

Our Group has been funding our operations through shareholders' equity, cash generated from our operations and external sources of funds. Our external sources of funds consist of credit terms granted by our suppliers and borrowings from financial institutions. Our funding policy is to obtain the most suitable type of financing and favourable cost of funding, whereas our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities.

Our purchases from our suppliers are either by way of cash upon delivery or credit terms of up to 90 days, depending on the relationship we have established with our suppliers.

The decision to either utilise banking facilities or internally generated funds for our operations depend on, inter alia, our cash reserve, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the prevailing interest rates of the banking facilities.

Our minimum cash reserves at any point in time is dependent on, inter alia, the expected cash inflows or receipts from customers, liquidity of our short term placement of funds and our future working capital requirements.

(v) Financial Instruments for hedging purposes

The functional and reporting currency of our Group is in RM.

For the FYE 2015, approximately 21.14% of our sales are international sales and approximately 90.68% of our purchases came from overseas market. Therefore, our Group is subject to fluctuating currency exchange risk.

Our foreign currency risk is mitigated by maintaining foreign currency accounts for the purchase of holding foreign currencies for future receipts from customers and / or payments to suppliers in foreign currencies. We constantly monitor our foreign exchange exposure and will convert part of our cash into foreign currency as and when it is necessary, mainly based on expected payments to be made in near future and our expectation on the movement of the exchange rate.

As at LPD, our Group did not utilise any forward foreign exchange contract. Our Group will regularly monitor foreign currency exposure and review the need to enter into any forward foreign exchange contract.

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