



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

23 November 2016

Dancomech Holdings Berhad
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DANCOMECH HOLDINGS BERHAD (1050285-U)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended 30.09.2016	30.09.2015	Cumulative quarter 9 months ended 30.09.2016	30.09.2015
Revenue	A7	13,279	N/A	45,983	N/A
Cost of sales		(8,762)	N/A	(28,041)	N/A
Gross profit		4,517	N/A	17,942	N/A
Other income		602	N/A	1,427	N/A
Selling and distribution expenses		(161)	N/A	(743)	N/A
Administration expenses		(1,817)	N/A	(4,641)	N/A
Other expenses		(48)	N/A	(1,281)	N/A
Finance costs		-	N/A	(3)	N/A
Profit before tax	B14	3,093	N/A	12,701	N/A
Tax expense	B5	(625)	N/A	(3,053)	N/A
Profit for the period		2,468	N/A	9,648	N/A
Other comprehensive income		-	N/A	-	N/A
Total comprehensive income		2,468	N/A	9,648	N/A
Profit attributable to:					
Owners of the Company		2,465	N/A	9,536	N/A
Non-controlling interest		3	N/A	112	N/A
Profit for the period		2,468	N/A	9,648	N/A
Total comprehensive income attributable to:					
Owners of the Company		2,465	N/A	9,536	N/A
Non-controlling interest		3	N/A	112	N/A
Total comprehensive income		2,468	N/A	9,648	N/A
Earnings per share attributable to owners of the Company:					
Basic (sen)	B12	1.8	N/A	7.0	N/A
Diluted (sen)	B12	N/A	N/A	N/A	N/A

Notes:

- The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 23 June 2016 and the accompanying explanatory notes attached to this interim financial statements.
- No comparative figures for the preceding quarter are available as this is the Company's first interim financial statements on its consolidated results for the third quarter ended 30 September 2016 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

N/A - Not applicable

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

RM'000	Note	As at 30.09.2016 Unaudited	As at 31.12.2015 Audited
Assets			
Property, plant and equipment		25,811	25,297
Non-current asset		25,811	25,297
Inventories		20,223	23,623
Trade and other receivables		16,344	21,181
Tax recoverable		50	44
Cash and cash equivalents		50,551	27,905
Current assets		87,168	72,753
Total assets		112,979	98,050
Equity and liabilities			
Share capital		59,600	50,000
Share premium		7,432	-
Merger deficit		(41,477)	(41,477)
Other reserves		(9)	(9)
Retained earnings	B6	74,713	65,177
Equity attributable to owners of the Company		100,259	73,691
Non-controlling interest		655	543
Total equity		100,914	74,234
Borrowings (secured)	B9	5,066	7,928
Deferred tax liabilities		22	22
Non-current liabilities		5,088	7,950
Trade and other payables		6,008	15,357
Borrowings (secured)	B9	625	340
Tax liabilities		344	169
Current liabilities		6,977	15,866
Total liabilities		12,065	23,816
Total equity and liabilities		112,979	98,050
Net assets per share attributable to owners of the Company (RM) ⁽²⁾		0.74	0.59

Notes:

- The above condensed consolidated statement of financial position should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 23 June 2016 and the accompanying explanatory notes attached to this interim financial statements.
- Based on the weighted average number of ordinary shares in issue as detailed in Note B12.

DANCOMECH HOLDINGS BERHAD (1050285-U)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016
(These figures have not been audited)

	Attributable to owners of the Company					Total	Non-controlling interest	Total equity
	Share capital	Share premium	Merger deficit	Other reserves	Retained earnings			
RM'000								
At 1 January 2016	50,000	-	(41,477)	(9)	65,177	73,691	543	74,234
Total comprehensive income	-	-	-	-	9,536	9,536	112	9,648
Issuance of shares	9,600	7,432	-	-	-	17,032	-	17,032
At 30 September 2016	59,600	7,432	(41,477)	(9)	74,713	100,259	655	100,914

Notes:

- 1 The above condensed consolidated statement of changes in equity should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 23 June 2016 and the accompanying explanatory notes attached to this interim financial statements.
- 2 No comparative figures for the preceding quarter are available as this is the Company's first interim financial statements on its consolidated results for the third quarter ended 30 September 2016 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

DANCOMECH HOLDINGS BERHAD (1050285-U)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016
(These figures have not been audited)

RM'000	9 months ended	
	30.09.2016	31.12.2015
Cash flows from operating activities		
Profit before tax	12,701	N/A
Adjustments for:		
Non-cash items	972	N/A
Non-operating items	(17)	N/A
Interest income	(59)	N/A
Interest expense	3	N/A
Operating profit before working capital changes	13,600	N/A
Changes in working capital:		
Inventories	3,400	N/A
Receivables	4,589	N/A
Payables	(9,467)	N/A
Cash generated from operations	12,122	N/A
Interest paid	(3)	N/A
Tax paid	(2,884)	N/A
Net cash from operating activities	9,235	N/A
Cash flows from investing activities		
Interest received	59	N/A
Placement of fixed deposits	(16,847)	N/A
Purchase of property, plant and equipment	(1,092)	N/A
Proceeds from disposal of property, plant and equipment	78	N/A
Proceeds from issuance of shares	17,032	N/A
Net cash used in investing activities	(770)	N/A
Cash flows from financing activities		
Placement of pledged fixed deposits	(52)	N/A
Repayment of borrowings	(2,577)	N/A
Net cash used in financing activities	(2,629)	N/A
Net changes in cash and cash equivalents	5,836	N/A
Translation differences	(89)	N/A
Cash and cash equivalents at the beginning of financial year	25,566	N/A
Cash and cash equivalents at the end of reporting period	31,313	N/A
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	20,217	N/A
Cash and bank balances	30,334	N/A
	50,551	N/A
Less: Fixed deposits pledged to licensed bank	(1,813)	N/A
Less: Fixed deposits as investing purposes	(17,425)	N/A
	31,313	N/A

Notes:

- The above condensed consolidated statement of cash flows should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 23 June 2016 and the accompanying explanatory notes attached to this interim financial statements.
- No comparative figures for the preceding quarter are available as this is the Company's first interim financial statements on its consolidated results for the third quarter ended 30 September 2016 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

N/A - Not applicable

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

A1 Basis Of Preparation

This unaudited interim financial statements has been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2015 and the Accountants' Report as disclosed in the Prospectus of the Company dated 23 June 2016.

This is the Company's first interim financial statements on its consolidated results for the third quarter ended 30 September 2016 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and as such, there are no comparative figures for the preceding year's corresponding period.

The accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2015 except for the following new MFRS, Amendments to MFRS and IC Interpretations to be applied by the Group for the financial periods beginning on or after 1 January 2016:

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception

Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 Cycle

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

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

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

MFRS 16 Leases

Amendments to MFRS2 Share-based Payment - Classification and Measurement of Share-based Payment transactions

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

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

A2 Seasonality Or Cyclicity Of Operations

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

A3 Unusual Items Due To Their Nature, Size Or Incidence

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

A4 Significant Estimates And Changes In Estimates

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

A5 Debt And Equity Securities

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

A6 Dividends Paid

No dividend was paid during the current quarter under review.

A7 Segmental Information

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

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

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

RM'000	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Malaysia	11,158	N/A	38,210	N/A
Indonesia	2,083	N/A	6,984	N/A
Others	38	N/A	789	N/A
Total	13,279	N/A	45,983	N/A

Notes:

No comparative figures for the preceding quarter are available as this is the Company's first interim financial statements on its consolidated results for the third quarter ended 30 September 2016 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

N/A - Not applicable

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Companies in which certain Directors have interests:				
Revenue from sales of goods	19	N/A	174	N/A

Notes:

No comparative figures for the preceding quarter are available as this is the Company's first interim financial statements on its consolidated results for the third quarter ended 30 September 2016 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

N/A - Not applicable

The Directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

A9 Valuation of Property, Plant and Equipment

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

A10 Capital Commitments

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

A11 Contingent Assets And Liabilities

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

Contingent liability	As at	As at
RM'000	30.09.2016	31.12.2015
Arbitration claim by a building contractor against a subsidiary	428	1,401

A12 Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

A13 Material Events Subsequent To The End Of The Current Quarter

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

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

B1 Performance Review - Comparison With Preceding Year Corresponding Quarter

For the current quarter under review, the Group recorded revenue of RM13.3 million mainly derived from the trading and distribution of process control equipment and measurement instruments in the local markets which accounted for RM11.1 million or 83.5% of the Group's total revenue. The Group also registered a pre-tax profit of RM3.1 million for the current quarter under review.

There are no comparative figures for the preceding year corresponding quarter's results as this is the first interim financial statements for the third quarter ended 30 September 2016 being announced by the Company in compliance with the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

B2 Comparison With Immediate Preceding Quarter

RM'000	3 months ended		Variance
	30.09.2016	30.06.2016	
Revenue	13,279	18,187	(4,908)
Profit before tax	3,093	5,919	(2,826)

Revenue and pre-tax profit of the Group in the current quarter decreased by RM4.9 million and RM2.8 million respectively as compared to the immediate preceding quarter mainly attributed to lower orders from domestic sales.

B3 Commentary On Prospects

The weakness sentiment of domestic business environment and decline of Ringgit against major currencies in the world may dampen the growth outlook of Malaysia. Despite a challenging environment, the Group remains focus on its current business plans and marketing strategies.

Barring any unforeseen circumstances, the Board remains optimistic on the Group's financial performance for the year.

B4 Profit Forecast

Not applicable.

B5 Tax Expense

RM'000	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Income tax	625	N/A	3,053	N/A
Total tax expense	625	N/A	3,053	N/A

Notes:

No comparative figures for the preceding quarter are available as this is the Company's first interim financial statements on its consolidated results for the third quarter ended 30 September 2016 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

N/A - Not applicable

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

B6 Retained Earnings

RM'000	As at 30.09.2016	As at 31.12.2015
Realised	75,205	65,108
Unrealised	21	465
	75,226	65,573
Consolidation adjustments	(513)	(396)
Total retained earnings	74,713	65,177

B7 Corporate Proposals

There were no corporate proposals announced as at the reporting date.

B8 Utilisation of proceeds from the Initial Public Offering ("IPO")

Based on the IPO price of RM0.75 per share, the gross proceeds of RM18 million was raised from the Public Issue on 21 July 2016 in the Main Market of Bursa Malaysia Securities Berhad. The Company intends to utilise the proceeds in the following manner:

RM'000	Intended utilisation	Actual utilisation to date	Deviation	Intended timeframe for utilisation (from date of listing)
Repayment of bank borrowings	4,557	2,000	-	Within 12 months
Purchase of office cum stores	6,500	-	-	Within 24 months
Purchase of equipment	1,000	-	-	Within 12 months
Working capital	2,743	-	-	Within 24 months
Estimated listing expenses	3,200	2,761	439	Upon listing
Total	18,000	4,761	439	

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 23 June 2016.

B9 Borrowings (secured)

RM'000	As at 30.09.2016	As at 31.12.2015
	Unaudited	Audited
Short term borrowings:		
Hire purchase	37	117
Term loans	588	223
	625	340
Long term borrowings:		
Hire purchase	-	56
Term loans	5,066	7,872
	5,066	7,928
Total borrowings	5,691	8,268

B10 Changes In Material Litigation

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

On 6 June 2014, DESB served a reply to the Notice of Arbitration and filed a counter-claim against SGV for a sum of RM461,000.00 ("Counter Claim"). The hearing for this matter commenced on 26 April 2016 and 27 April 2016 and continued on 11 July 2016 and 26 July 2016. Further hearing dates are to be fixed by the Arbitrator. DESB's solicitors are of the view that DESB has a fair chance in defending the SGV's Claim and succeeding in the Counter Claim.

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

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

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

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

B11 Dividend

The Board has declared a single-tier interim dividend of 1.5 sen per ordinary share on 149,000,000 ordinary shares, amounting to RM2,235,000 in respect of the financial year ending 31 December 2016, which will be paid on 28 December 2016. The entitlement date for the above-mentioned interim dividend is on 9 December 2016.

The total dividend of the current year is 1.5 sen per ordinary share.

B12 Earnings Per Share ("EPS")

	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Profit attributable to Owners of the Company (RM'000)	2,465	N/A	9,536	N/A
Weighted average number of ordinary shares in issue ('000)	135,689	N/A	135,689	N/A
Basic EPS (sen)	1.8	N/A	7.0	N/A
Diluted EPS (sen)	N/A	N/A	N/A	N/A

Notes:

No comparative figures for the preceding quarter are available as this is the Company's first interim financial statements on its consolidated results for the third quarter ended 30 September 2016 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

N/A - Not applicable

Diluted EPS was not computed as the Company did not have any convertible financial instruments during the current quarter under review.

B13 Auditors' Report On Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 was unqualified.

B14 Profit Before Tax

RM'000	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Profit before tax is arrived at after crediting/(charging):				
Interest income	117	N/A	176	N/A
Other income including investment income	484	N/A	1,250	N/A
Interest expense	(1)	N/A	(4)	N/A
Depreciation	(176)	N/A	(517)	N/A
Impairment loss on trade receivables	(58)	N/A	(195)	N/A
Realised (loss)/gain on foreign exchange	(13)	N/A	59	N/A
Unrealised gain/(loss) on foreign exchange	42	N/A	(455)	N/A

Notes:

No comparative figures for the preceding quarter are available as this is the Company's first interim financial statements on its consolidated results for the third quarter ended 30 September 2016 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

N/A - Not applicable

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

B15 Authorised For Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 November 2016.