



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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016**

23 February 2017

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 FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016**
(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
Revenue	A7	14,017	N/A	60,000	68,253
Cost of sales		(7,457)	N/A	(35,498)	(46,594)
Gross profit		6,560	N/A	24,502	21,659
Other income		772	N/A	2,199	1,933
Selling and distribution expenses		(44)	N/A	(787)	(442)
Administration expenses		(2,280)	N/A	(6,921)	(6,753)
Other expenses		(100)	N/A	(1,381)	(903)
Finance costs		(2)	N/A	(5)	(146)
Profit before tax	B14	4,906	N/A	17,607	15,348
Tax expense	B5	(1,524)	N/A	(4,577)	(4,138)
Profit for the period		3,382	N/A	13,030	11,210
Other comprehensive income		-	N/A	-	-
Total comprehensive income		3,382	N/A	13,030	11,210
Profit attributable to:					
Owners of the Company		3,313	N/A	12,849	10,987
Non-controlling interest		69	N/A	181	223
Profit for the period		3,382	N/A	13,030	11,210
Total comprehensive income attributable to:					
Owners of the Company		3,313	N/A	12,849	10,987
Non-controlling interest		69	N/A	181	223
Total comprehensive income		3,382	N/A	13,030	11,210
Earnings per share attributable to owners of the Company:					
Basic (sen)	B12	2.4	N/A	9.5	8.8
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 fourth quarter and year ended 31 December 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 31 DECEMBER 2016

RM'000	Note	As at 31.12.2016	As at 31.12.2015
		Unaudited	Audited
Assets			
Property, plant and equipment		25,634	25,297
Deferred tax assets		9	-
Non-current assets		25,643	25,297
Inventories		19,623	23,623
Trade and other receivables		17,869	21,181
Tax recoverable		33	44
Cash and cash equivalents		49,628	27,905
Current assets		87,153	72,753
Total assets		112,796	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	75,791	65,177
Equity attributable to owners of the Company		101,337	73,691
Non-controlling interest		724	543
Total equity		102,061	74,234
Borrowings (secured)	B9	2,487	7,928
Deferred tax liabilities		3	22
Non-current liabilities		2,490	7,950
Trade and other payables		7,016	15,357
Borrowings (secured)	B9	478	340
Tax liabilities		751	169
Current liabilities		8,245	15,866
Total liabilities		10,735	23,816
Total equity and liabilities		112,796	98,050
Net assets per share attributable to owners of the Company (RM) ⁽²⁾			
		0.75	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)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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	-	-	-	-	12,849	12,849	181	13,030
Issuance of shares	9,600	7,432	-	-	-	17,032	-	17,032
Dividend	-	-	-	-	(2,235)	(2,235)	-	(2,235)
At 31 December 2016	59,600	7,432	(41,477)	(9)	75,791	101,337	724	102,061

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 fourth quarter and year ended 31 December 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 FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016
(These figures have not been audited)

RM'000	31.12.2016	31.12.2015
Cash flows from operating activities		
Profit before tax	17,607	15,348
Adjustments for:		
Non-cash items	416	(107)
Non-operating items	(15)	31
Interest income	(378)	(167)
Interest expense	6	146
Operating profit before working capital changes	17,636	15,251
Changes in working capital:		
Inventories	4,000	(383)
Receivables	3,586	(3,083)
Payables	(8,592)	4,605
Cash generated from operations	16,630	16,390
Net tax paid	(4,012)	(4,425)
Net cash from operating activities	12,618	11,965
Cash flows from investing activities		
Interest received	378	166
Net proceeds from issuance of shares	17,032	-
Placement of fixed deposits	(2,163)	(18)
Purchase of investment in subsidiaries	-	(90)
Purchase of property, plant and equipment	(1,106)	(267)
Proceeds from disposal of property, plant and equipment	77	10
Net cash from/(used) investing activities	14,218	(199)
Cash flows from financing activities		
Dividend paid	(2,235)	(4,100)
Interest paid	(6)	(146)
Placement of pledged fixed deposits	(65)	(45)
Repayment of borrowings	(5,303)	(598)
Net cash used in financing activities	(7,609)	(4,889)
Net changes in cash and cash equivalents	19,227	6,877
Translation differences	268	196
Cash and cash equivalents at the beginning of financial year	25,566	18,493
Cash and cash equivalents at the end of reporting period	45,061	25,566
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	20,286	6,231
Cash and bank balances	29,342	21,674
	49,628	27,905
Less: Fixed deposits pledged to licensed bank	(1,826)	(1,761)
Less: Fixed deposits as investing purposes	(2,741)	(578)
	45,061	25,566

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.

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

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 fourth quarter and year ended 31 December 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 quarter'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: 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

Amendments to MFRS 140: Transfers of Investment Property

Annual Improvements to MFRSs 2014 - 2016 Cycle

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

A2 Seasonality Or Cyclicity Of Operations

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

A3 Unusual Items Due To Their Nature, Size Or Incidence

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

A4 Significant Estimates And Changes In Estimates

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

A5 Debt And Equity Securities

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

A6 Dividends Paid

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

	31.12.2016	31.12.2015
Interim dividend		
For the financial year ended	31 December 2016	31 December 2015
Approved and declared on	25 November 2016	18 May 2015
Date paid	9 December 2016	19 May 2015
Number of ordinary shares on which dividends were paid	14,900,000	12,500,000
Dividend per share (single-tier)	1.50 sen	3.28 sen
Net dividend paid (RM)	2,235,000	4,100,000

A7 Segmental Information

The principal activity of the Group is trading and distribution of process control equipment and measurement instruments. Operating segment information has not been prepared as the Group's revenue and operating profit are mainly derived from 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		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Malaysia	12,862	N/A	51,072	53,824
Indonesia	1,038	N/A	8,022	13,452
Others	117	N/A	906	977
Total	14,017	N/A	60,000	68,253

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 fourth quarter and year ended 31 December 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		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Companies in which certain Directors have interests:				
Revenue from sales of goods	48	N/A	222	228

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 fourth quarter and year ended 31 December 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	31.12.2016	31.12.2015
Arbitration claim by a building contractor against a subsidiary	511	1,401

A12 Changes in Composition of the Group

The Company had on 6 December 2016 acquired the entire issued and paid up share capital of Dancomech Pumps Sdn Bhd comprising 2 ordinary shares of RM1.00 each for a total cash consideration of RM2.00, making it a wholly owned subsidiary of the Company.

The Company had on 6 December 2016 acquired the entire issued and paid up share capital of Dancomech Properties Sdn Bhd comprising 2 ordinary shares of RM1.00 each for a total cash consideration of RM2.00, making it a wholly owned subsidiary of the Company.

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

A13 Material Events Subsequent To The End Of The Current Quarter

Dancomech Properties Sdn Bhd, a wholly owned subsidiary of the Company, had on 5 January 2017 entered into a Sale and Purchase Agreement with Chun Khong Engineering Works Sdn Bhd to acquire all that parcel of 99-year leasehold industrial land with single storey industrial buildings held under PN 378804, Lot No. 55429, Mukim Hulu Kinta, Tempat Hulu Kinta, Daerah Kinta, Negeri Perak, measuring an area of approximately 11,838.247 square meters for a total consideration of RM4,250,000.00, which will be funded via bank borrowings and cash through internally generated funds.

On 20 January 2017, the Company proposed to undertake the following:

- (i) proposed share split involving subdivision of every 1 ordinary share of RM0.40 each in the Company held on an entitlement date to be determined later ("Entitlement Date"), into 2 new ordinary shares of RM0.20 each in the Company ("Subdivided Shares") ("Proposed Share Split");
- (ii) proposed issue of 149,000,000 free warrants on the basis of 1 Warrant for every 2 Subdivided Shares held on the Entitlement Date after the Proposed Share Split; and
- (iii) proposed amendments to the Company's Memorandum and Articles of Association to facilitate the Proposed Share Split.

Save as disclosed above, there were no other material events subsequent to the end of the current quarter.

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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 RM14.0 million mainly derived from the trading and distribution of process control equipment and measurement instruments in the local markets which accounted for RM12.3 million or 87.9% of the Group's total revenue. The Group also registered a pre-tax profit of RM4.9 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 fourth quarter ended 31 December 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
	31.12.2016	30.09.2016	
Revenue	14,017	13,279	738
Profit before tax	4,906	3,093	1,813

Revenue and pre-tax profit of the Group in the current quarter increased by RM0.7 million and RM1.8 million respectively as compared to the immediate preceding quarter mainly attributed to higher orders from domestic sales.

B3 Commentary On Prospects

The Board will stay focus on its existing business plans and marketing strategies while also exploring new business opportunities that will enhance the growth of the Group in order to face the current challenging business environment. Barring any unforeseen circumstances, the Board is optimistic that the financial performance of the next financial year will remain positive.

B4 Profit Forecast

Not applicable.

B5 Tax Expense

RM'000	3 months ended		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Income tax	1,552	N/A	4,605	3,980
Deferred tax	(28)	N/A	(28)	158
Total tax expense	1,524	N/A	4,577	4,138

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 fourth quarter and year ended 31 December 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 31.12.2016	As at 31.12.2015
Realised	76,191	65,108
Unrealised	181	465
	76,372	65,573
Consolidation adjustments	(581)	(396)
Total retained earnings	75,791	65,177

B7 Corporate Proposals

On 20 January 2017, the Company proposed to undertake the following:

- (i) proposed share split involving subdivision of every 1 ordinary share of RM0.40 each in the Company held on an entitlement date to be determined later ("Entitlement Date"), into 2 new ordinary shares of RM0.20 each in the Company ("Subdivided Shares") ("Proposed Share Split");
- (ii) proposed issue of 149,000,000 free warrants on the basis of 1 Warrant for every 2 Subdivided Shares held on the Entitlement Date after the Proposed Share Split; and
- (iii) proposed amendments to the Company's Memorandum and Articles of Association to facilitate the Proposed Share Split.

Save as disclosed above, there were no other corporate proposals announced but not completed 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	4,557	-	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	7,318	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	As at
	31.12.2016	31.12.2015
	Unaudited	Audited
Hire purchase	-	56
Term loans	2,487	7,872
Long term borrowings	2,487	7,928
Hire purchase	15	117
Term loans	463	223
Short term borrowings	478	340
Total borrowings	2,965	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 to 27 April 2016 and further hearing dates were fixed for arbitration hearing on 26 to 28 October 2016. However, further hearing dates have been vacated and is pending new hearing dates to be fixed by the Arbitrator. DESB's solicitors are of the view that DESB has a fair chance in defending the SGV's Amended Claim and succeeding in the Counter Claim.

In addition to the aforesaid arbitration proceedings, on 22 September 2015, SGV initiated an adjudication proceedings against DESB on substantially the same subject matter set out in the arbitration proceedings above. On 24 February 2016, the adjudicator has awarded SGV ("Adjudication Award") among others, RM890,415.05 ("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 Proposed Dividends

The Directors recommend a final single tier dividend of 1.5 sen per share for approval by shareholders at the forthcoming Annual General Meeting of the Company. If approved by shareholders, the total dividend for the year would amount to 3.0 sen per share.

B12 Earnings Per Share ("EPS")

	3 months ended		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Profit attributable to owners of the Company (RM'000)	3,313	N/A	12,849	10,987
Weighted average number of ordinary shares in issue ('000)	135,820	N/A	135,820	125,000
Basic EPS (sen)	2.4	N/A	9.5	8.8
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 fourth quarter and year ended 31 December 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		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Profit before tax is arrived at after crediting/(charging):				
Interest income	202	N/A	378	167
Other income including investment income	570	N/A	1,820	1,766
Interest expense	(2)	N/A	(6)	(146)
Depreciation	(190)	N/A	(707)	(691)
Impairment loss on trade receivables	(106)	N/A	(301)	(182)
Reversal of impairment loss on trade receivables	215	N/A	417	306
Realised (loss)/gain on foreign exchange	(418)	N/A	(359)	129
Unrealised gain on foreign exchange	630	N/A	175	487

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 fourth quarter and year ended 31 December 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.