



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2017

25 May 2017

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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 FIRST QUARTER ENDED 31 MARCH 2017**

(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
Revenue	A7	14,611	14,517	14,611	14,517
Cost of sales		(9,739)	(8,464)	(9,739)	(8,464)
Gross profit		4,872	6,053	4,872	6,053
Other income		614	233	614	233
Selling and distribution expenses		(146)	(395)	(146)	(395)
Administration expenses		(1,448)	(1,266)	(1,448)	(1,266)
Other expenses		(421)	(935)	(421)	(935)
Finance costs		(1)	(1)	(1)	(1)
Profit before tax	B14	3,470	3,689	3,470	3,689
Tax expense	B5	(871)	(892)	(871)	(892)
Profit for the period		2,599	2,797	2,599	2,797
Other comprehensive income		-	-	-	-
Total comprehensive income		2,599	2,797	2,599	2,797
Profit attributable to:					
Owners of the Company		2,443	2,742	2,443	2,742
Non-controlling interests		156	55	156	55
Profit for the period		2,599	2,797	2,599	2,797
Total comprehensive income attributable to:					
Owners of the Company		2,443	2,742	2,443	2,742
Non-controlling interests		156	55	156	55
Total comprehensive income		2,599	2,797	2,599	2,797
Earnings per share attributable to owners of the Company:					
Basic (sen)	B12	1.6	2.2	1.6	2.2
Diluted (sen)	B12	N/A	N/A	N/A	N/A

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

DANCOMECH HOLDINGS BERHAD (1050285-U)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

RM'000	Note	As at 31.03.2017	As at 31.12.2016
		Unaudited	Audited
Assets			
Property, plant and equipment		27,071	25,634
Deferred tax assets		9	9
Non-current assets		27,080	25,643
Inventories		20,947	19,623
Trade and other receivables		19,235	17,869
Tax recoverable		42	33
Cash and cash equivalents		50,195	49,628
Current assets		90,419	87,153
Total assets		117,499	112,796
Equity and liabilities			
Share capital		59,600	59,600
Share premium		7,432	7,432
Merger deficit		(41,477)	(41,477)
Other reserves		(9)	(9)
Retained earnings	B6	78,234	75,791
Equity attributable to owners of the Company		103,780	101,337
Non-controlling interests		1,180	724
Total equity		104,960	102,061
Borrowings (secured)	B9	2,476	2,487
Deferred tax liabilities		3	3
Non-current liabilities		2,479	2,490
Trade and other payables		8,643	7,016
Borrowings (secured)	B9	717	478
Tax liabilities		700	751
Current liabilities		10,060	8,245
Total liabilities		12,539	10,735
Total equity and liabilities		117,499	112,796
Net assets per share attributable to owners of the Company (RM)		0.70	0.75

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

DANCOMECH HOLDINGS BERHAD (1050285-U)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2017
(These figures have not been audited)

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Non-Distributable			Distributable				
RM'000	Share capital	Share premium	Merger deficit	Other reserves	Retained earnings	Total		
At 1 January 2017	59,600	7,432	(41,477)	(9)	75,791	101,337	724	102,061
Total comprehensive income	-	-	-	-	2,443	2,443	156	2,599
Issuance of shares by a subsidiary	-	-	-	-	-	-	300	300
At 31 March 2017	59,600	7,432	(41,477)	(9)	78,234	103,780	1,180	104,960
At 1 January 2016	50,000	-	(41,477)	(9)	65,177	73,691	543	74,234
Total comprehensive income	-	-	-	-	2,742	2,742	55	2,797
At 31 March 2016	50,000	-	(41,477)	(9)	67,919	76,433	598	77,031

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

DANCOMECH HOLDINGS BERHAD (1050285-U)
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2017

(These figures have not been audited)

RM'000	3 months ended	
	31.03.2017	31.03.2016
Cash flows from operating activities		
Profit before tax	3,470	3,689
Adjustments for:		
Non-cash items	227	757
Non-operating items	(123)	-
Interest income	(236)	(24)
Interest expense	1	1
Operating profit before working capital changes	3,339	4,423
Changes in working capital:		
Inventories	(1,324)	(694)
Receivables	(1,415)	(2,770)
Payables	1,678	(1,525)
Cash generated from operations	2,278	2,484
Tax paid	(931)	(987)
Net cash from operating activities	1,347	1,497
Cash flows from investing activities		
Interest received	236	24
Proceeds from issuance of shares by a subsidiary	300	-
Placement of fixed deposits	(11,877)	(1,614)
Purchase of property, plant and equipment	(1,257)	(270)
Proceeds from disposal of property, plant and equipment	130	-
Net cash used in investing activities	(12,468)	(1,860)
Cash flows from financing activities		
Interest paid	(1)	(1)
Placement of pledged fixed deposits	(9)	46
Repayment of borrowings	(172)	(175)
Net cash used in financing activities	(182)	(130)
Net changes in cash and cash equivalents	(11,303)	(3,751)
Translation differences	(16)	(55)
Cash and cash equivalents at the beginning of financial year	45,061	25,566
Cash and cash equivalents at the end of reporting period	33,742	21,760
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	20,451	7,230
Cash and bank balances	29,744	20,665
	50,195	27,895
Less: Fixed deposits pledged to licensed bank	(1,835)	(1,780)
Less: Fixed deposits as investing purposes	(14,618)	(4,355)
	33,742	21,760

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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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 2016.

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 2016 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 2017:

Amendments to MFRS 107 Statement of Cash Flows - Disclosure Initiative
Amendments to MFRS 112 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 12 Disclosure of Interests in Other Entities (Annual Improvements to MFRS 2014 - 2016 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:

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2014 - 2016 Cycle)
Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4 Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
MFRS 15 Revenue from Contracts with Customers
MFRS 16 Leases
Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014 - 2016 Cycle)
Amendments to MFRS 140 Investment Property - Transfers of Investment Property
IC Interpretations 22 Foreign Currency Transactions and Advance Consideration

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 on 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	
	31.03.2017	31.03.2016
Malaysia	12,395	10,830
Indonesia	2,179	3,239
Others	37	448
Total	14,611	14,517

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended	
	31.03.2017	31.03.2016
Companies in which certain Directors have interests:		
Revenue from sales of goods	20	49

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

As at the end of the reporting quarter, the Group has approved and contracted for capital commitments of RM3.8 million in respect of property, plant and equipment.

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	31.03.2017	31.03.2016
Arbitration claim by a building contractor against a subsidiary	511	1,063

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

RM'000	3 months ended		Variance
	31.03.2017	31.03.2016	
Revenue	14,611	14,517	94
Profit before tax	3,470	3,689	(219)

For the current quarter under review, the Group's revenue of RM14.6 million mainly derived from the local markets that accounted for RM12.4 million or 84.9% of the Group's total revenue, which is a marginal increase of approximately RM0.1 million as compared to preceding year corresponding quarter. The Group registered a slight decrease in pre-tax profit of RM0.2 million for the current quarter as compared to last year first quarter due to lower margin of goods sold during the current quarter.

B2 Comparison With Immediate Preceding Quarter

RM'000	3 months ended		Variance
	31.03.2017	31.12.2016	
Revenue	14,611	14,017	594
Profit before tax	3,470	4,906	(1,436)

Revenue in the current quarter has increased slightly by RM0.6 million mainly due to higher sales volume. However, the Group reported a lower pre-tax profit of RM1.4 million as compared to immediate preceding quarter mainly due to lower margin of goods sold during the festive season.

B3 Commentary On Prospects

Apart from focusing its local core business and Initial Public Offering ("IPO") plans, the Group will explore overseas markets for more business opportunities. Barring any unforeseen circumstances, the Board expects the financial performance for the financial year ending 31 December 2017 to remain profitable.

B4 Profit Forecast

Not applicable.

B5 Tax Expense

RM'000	3 months ended	
	31.03.2017	31.03.2016
Income tax	871	892
Total tax expense	871	892

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 31.03.2017	As at 31.03.2016
Realised	78,980	79,792
Unrealised	(8)	(617)
	78,972	79,175
Consolidation adjustments	(738)	(456)
Total retained earnings	78,234	78,719

B7 Corporate Proposals

During the current quarter, 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 18 May 2017 ("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.

On 19 May 2017, the Subdivided Shares of 298,000,000 ordinary shares has been listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

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
	31.03.2017	31.12.2016
	Unaudited	Audited
Hire purchase	129	15
Term loans	588	463
Short term borrowings	717	478
Hire purchase	261	-
Term loans	2,215	2,487
Long term borrowings	2,476	2,487
Total borrowings	3,193	2,965

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 Dividend Payable

The final single tier dividend of 1.5 sen per share in respect of the financial year ended 31 December 2016 has been declared and approved by shareholders on 2 May 2017 and the dividend was paid on 18 May 2017.

B12 Earnings Per Share ("EPS")

	3 months ended	
	31.03.2017	31.03.2016
Profit attributable to owners of the Company (RM'000)	2,443	2,742
Weighted average number of ordinary shares in issue ('000)	149,000	125,000
Basic EPS (sen)	1.6	2.2
Diluted EPS (sen)	N/A	N/A

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 2016 was unqualified.

B14 Profit Before Tax

RM'000	3 months ended	
	31.03.2017	31.03.2016
Profit before tax is arrived at after crediting/(charging):		
Depreciation	(213)	(162)
Interest expense	(1)	(1)
Interest income	236	24
Other income	378	209
Realised loss in foreign exchange	(19)	-
Unrealised loss in foreign exchange	(14)	(595)

Notes:

Save as disclosed above, there were no material gain or loss on disposal of quoted or unquoted investment or real properties, gain or loss on derivatives or exceptional item for the current quarter under review.