



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

23 November 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 THIRD QUARTER ENDED 30 SEPTEMBER 2017**

(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30.09.2017	30.09.2016	30.09.2017	30.09.2016
Revenue	A7	15,420	13,279	45,618	45,983
Cost of sales		(10,119)	(8,762)	(30,240)	(28,041)
Gross profit		5,301	4,517	15,378	17,942
Other income		475	602	1,683	1,427
Selling and distribution expenses		(297)	(161)	(795)	(743)
Administration expenses		(1,830)	(1,817)	(4,646)	(4,641)
Other expenses		(149)	(48)	(1,174)	(1,281)
Finance costs		(2)	-	(8)	(3)
Profit before tax	B14	3,498	3,093	10,438	12,701
Tax expense	B5	(845)	(625)	(2,470)	(3,053)
Profit for the period		2,653	2,468	7,968	9,648
Other comprehensive income		-	-	-	-
Total comprehensive income		2,653	2,468	7,968	9,648
Profit attributable to:					
Owners of the Company		2,629	2,465	7,660	9,536
Non-controlling interests		24	3	308	112
Profit for the period		2,653	2,468	7,968	9,648
Total comprehensive income attributable to:					
Owners of the Company		2,629	2,465	7,660	9,536
Non-controlling interests		24	3	308	112
Total comprehensive income		2,653	2,468	7,968	9,648
Earnings per share attributable to owners of the Company:					
Basic (sen)	B12	1.1	1.8	3.2	7.0
Diluted (sen)	B12	0.9	0.7	2.7	2.8

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 30 SEPTEMBER 2017

RM'000	Note	As at 30.09.2017 Unaudited	As at 31.12.2016 Audited
Assets			
Property, plant and equipment		30,970	25,634
Deferred tax assets		9	9
Non-current assets		30,979	25,643
Inventories		19,727	19,623
Trade and other receivables		20,733	17,869
Tax recoverable		231	33
Cash and cash equivalents		44,293	49,628
Current assets		84,984	87,153
Total assets		115,963	112,796
Equity and liabilities			
Share capital		67,034	59,600
Share premium		-	7,432
Merger deficit		(41,477)	(41,477)
Other reserves		(9)	(9)
Retained earnings	B6	78,981	75,791
Equity attributable to owners of the Company		104,529	101,337
Non-controlling interests		1,332	724
Total equity		105,861	102,061
Borrowings (secured)	B9	2,116	2,487
Deferred tax liabilities		3	3
Non-current liabilities		2,119	2,490
Trade and other payables		7,120	7,016
Borrowings (secured)	B9	719	478
Tax liabilities		144	751
Current liabilities		7,983	8,245
Total liabilities		10,102	10,735
Total equity and liabilities		115,963	112,796
Net assets per share attributable to owners of the Company (RM)		0.35	0.37 *

* Comparative figures for the number of ordinary shares for net assets per share have been restated to reflect the adjustment arising from the share split during the financial year.

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 THIRD QUARTER ENDED 30 SEPTEMBER 2017

(These figures have not been audited)

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Merger deficit	Other reserves	Retained earnings			
RM'000								
At 1 January 2017	59,600	7,432	(41,477)	(9)	75,791	101,337	724	102,061
Total comprehensive income	-	-	-	-	7,660	7,660	308	7,968
Adjustments for effects of Companies Act 2016	7,432	(7,432)	-	-	-	-	-	-
Issuance of shares	2	-	-	-	-	2	300	302
Dividend	-	-	-	-	(4,470)	(4,470)	-	(4,470)
At 30 September 2017	67,034	-	(41,477)	(9)	78,981	104,529	1,332	105,861
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

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)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017
(These figures have not been audited)

RM'000	9 months ended	
	30.09.2017	30.09.2016
Operating activities		
Profit before tax	10,438	12,701
Adjustments for:		
Non-cash items	543	972
Non-operating items	(116)	(17)
Interest income	(673)	(59)
Interest expense	10	3
Operating profit before working capital changes	10,202	13,600
Changes in working capital:		
Inventories	(104)	3,400
Receivables	(2,899)	4,589
Payables	266	(9,467)
Cash generated from operations	7,465	12,122
Tax paid	(3,275)	(2,884)
Net cash from operating activities	4,190	9,238
Investing activities		
Interest received	673	59
Placement of fixed deposits	(23,251)	(16,847)
Purchase of property, plant and equipment	(5,608)	(1,092)
Proceeds from disposal of property, plant and equipment	137	78
Proceeds from issuance of shares	302	17,032
Net cash used in investing activities	(27,747)	(770)
Financing activities		
Dividend paid	(4,470)	-
Interest paid	(10)	(3)
Placement of pledged fixed deposits	(32)	(52)
Repayment of borrowings	(530)	(2,577)
Net cash used in financing activities	(5,042)	(2,632)
Net changes in cash and cash equivalents	(28,599)	5,836
Translation differences	(19)	(89)
Cash and cash equivalents at the beginning of financial year	45,061	25,566
Cash and cash equivalents at the end of reporting period	16,443	31,313
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	28,587	20,217
Cash and bank balances	15,706	30,334
	44,293	50,551
Less: Fixed deposits pledged to licensed bank	(1,858)	(1,813)
Less: Fixed deposits as investing purposes	(25,992)	(17,425)
	16,443	31,313

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 these 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 12 Disclosure of Interests in Other Entities (Annual Improvements to MFRS 2014 - 2016 Cycle)

Amendments to MFRS 107 Statement of Cash Flows - Disclosure Initiative

Amendments to MFRS 112 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses

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

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

MFRS 17 Insurance Contrats

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

IC Interpretations 23 Uncertainty over Income Tax Treatments

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 Cyclical 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

During the current quarter, the Company increased its issued and paid up ordinary share capital by way of the issuance of 5,000 ordinary shares pursuant to the exercise of warrants at an issue price of RM0.30 per share.

Save as disclosed above, there were no other issuances, repurchases or repayments of debt and equity securities during the quarter.

A6 Dividends Paid

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

Interim dividend	30.09.2017	30.09.2016
For the financial year ended	31 December 2017	-
Approved and declared on	17 August 2017	-
Date paid	26 September 2017	-
Number of ordinary shares on which dividends were paid	298,000,000	-
Dividend per share (single-tier)	0.75 sen	-
Net dividend paid (RM)	2,235,000	-

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 one (1) operating segment.

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

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

RM'000	3 months ended			9 months ended		
	30.09.2017	30.09.2016	Changes	30.09.2017	30.09.2016	Changes
Malaysia	12,126	11,158	12,126	37,544	38,210	(666)
Indonesia	2,516	2,083	2,516	5,927	6,984	(1,057)
Others	778	38	778	2,147	789	1,358
Total	15,420	13,279	15,420	45,618	45,983	(365)

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Companies in which certain Directors have interests:				
Revenue from sales of goods	19	19	77	174

All related party transactions had been entered into in the ordinary course of business and were carried out on normal commercial terms.

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
RM'000	30.09.2017
Arbitration claim by a building contractor against a subsidiary	428

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.

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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			9 months ended		
	30.09.2017	30.09.2016	Changes	30.09.2017	30.09.2016	Changes
Revenue	15,420	13,279	2,141	45,618	45,983	(365)
Profit before tax	3,498	3,093	405	10,438	12,701	(2,263)

For the current quarter under review, the Group recorded higher revenue of RM15.4 million as compared to RM13.3 million in the same quarter last year. The increase in revenue was mainly due to overall growth in the palm oil industry which resulting higher sales of process control equipment in the domestic and oversea markets during the current quarter. In line with the increase in revenue, the pre-tax profit increased by RM0.4 million as compared to preceding year corresponding quarter.

For the 9 months period ended 30 September 2017, the Group recorded a marginal drop in revenue by RM0.4 million as compared to the same period of last year caused by decrease in the sales volume of domestic markets. With the drop in revenue, the pre-tax profit decreased by RM2.3 million as compared to preceding year corresponding period, mainly affected by lower margin of goods sold arising from the increase in material costs during the period.

B2 Comparison With Immediate Preceding Quarter

RM'000	3 months ended		
	30.09.2017	30.06.2017	Changes
Revenue	15,420	15,587	(167)
Profit before tax	3,498	3,470	28

In comparing to immediate preceding quarter, revenue of the Group in the current quarter decreased by RM0.2 million, mainly due to lower sales volume in the domestic market during the current quarter.

Even with lower revenue, the pre-tax profit increased slightly as compared to the immediate preceding quarter mainly due to higher margin of goods sold during the current quarter.

B3 Commentary On Prospects

With the cost escalation of material prices on the Group's products coupled with an increasingly competitive and weak domestic market environment, the Group foresees low demand in local sales. As such, the Group will be expanding overseas sales as well as its on-going expansion plans to minimise the financial impacts from the local demand in order to achieve favourable financial results. 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		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Income tax	845	625	2,470	3,053
Total tax expense	845	625	2,470	3,053

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

The effective tax rate of the Group for the 9 months periods was slightly lower than the statutory tax rate mainly due to over provision of income tax in the previous year which amounted to RM57,000.

B6 Retained Earnings

RM'000	As at	As at
	30.09.2017	30.09.2016
Realised	80,098	75,205
Unrealised	(227)	21
	79,871	75,226
Consolidation adjustments	(890)	(513)
Total retained earnings	78,981	74,713

B7 Corporate Proposals

There were no corporate proposals announced but not completed as at the reporting date.

B8 Utilisation Of Proceeds From The Initial Public Offering

RM'000	Intended utilisation	Actual utilisation	Deviation	Intended	Extended
				timeframe for utilisation (from date of listing)	timeframe for utilisation
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	Additional 6 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 Company has yet to fully utilise the IPO proceeds. The Board resolved to extend the timeframe for the utilisation of proceeds which have been earmarked for the purchase of equipment for an additional 6 months as the Company is still in the midst of identifying suitable equipment that fits into the Company's testing line.

B9 Borrowings (secured)

RM'000	As at 30.09.2017	As at 30.09.2016
Hire purchase	131	37
Term loans	588	588
Short term borrowings	719	625
Hire purchase	195	-
Term loans	1,921	5,066
Long term borrowings	2,116	5,066
Total borrowings	2,835	5,691

All borrowings are denominated in Ringgit Malaysia. Overall, the decrease in borrowings of RM2.9 million were due to the repayment of borrowings which amounted to RM3.3 million and additional hire purchase of RM0.4 million.

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. On 10 October 2017, the Arbitrator fixed new hearing dates commenced on 23 to 27 April 2018, 28 May 2018, 30 to 31 May 2018 and continued on 1 June 2018. 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

No dividend has been declared or recommended for payment during the current quarter.

B12 Earnings Per Share ("EPS")

	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Profit attributable to owners of the Company (RM'000)	2,629	2,465	7,660	9,536
Weighted average number of ordinary shares in issue ('000)	241,666	274,000 *	241,666	274,000 *
Effect of dilution ('000)	41,976	71,931	41,976	71,931
Adjusted weighted average number of ordinary shares in issue ('000)	283,642	345,931	283,642	345,931
Basic EPS (sen)	1.1	0.9	3.2	3.5
Diluted EPS (sen)	0.9	0.7	2.7	2.8

* Comparative figures for the weighted average number of ordinary shares for basic and diluted earnings per share have been restated to reflect the adjustment arising from the share split and warrants during the financial year.

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		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Profit before tax is arrived at after crediting/(charging):				
Interest income	220	117	673	176
Other income including investment income	254	484	1,009	1,250
Interest expense	(3)	(1)	(10)	(4)
Depreciation	(228)	(176)	(651)	(517)
Impairment loss on trade receivables	-	(58)	(128)	(195)
Realised gain/(loss) on foreign exchange	109	(13)	140	59
Unrealised (loss)/gain on foreign exchange	(227)	42	(339)	(455)

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.