



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2017

13 February 2018

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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 2017**

(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
Revenue	A7	17,335	14,017	62,953	60,000
Cost of sales		(10,122)	(7,457)	(40,360)	(35,498)
Gross profit		7,213	6,560	22,593	24,502
Other income		536	772	2,219	2,199
Selling and distribution expenses		(134)	(44)	(929)	(787)
Administration expenses		(2,224)	(2,280)	(6,871)	(6,921)
Other expenses		(890)	(100)	(2,064)	(1,381)
Finance costs		(2)	(2)	(12)	(5)
Profit before tax	B15	4,499	4,906	14,936	17,607
Tax expense	B5	(1,244)	(1,524)	(3,714)	(4,577)
Profit for the period		3,255	3,382	11,222	13,030
Other comprehensive income		-	-	-	-
Total comprehensive income		3,255	3,382	11,222	13,030
Profit attributable to:					
Owners of the Company		3,078	3,313	10,736	12,849
Non-controlling interests		177	69	486	181
Profit for the period		3,255	3,382	11,222	13,030
Total comprehensive income attributable to:					
Owners of the Company		3,078	3,313	10,736	12,849
Non-controlling interests		177	69	486	181
Total comprehensive income		3,255	3,382	11,222	13,030
Earnings per share attributable to owners of the Company:					
Basic (sen)	B12	1.0	1.2	3.6	4.5

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 DECEMBER 2017

RM'000	Note	As at 31.12.2017 Unaudited	As at 31.12.2016 Audited
Assets			
Property, plant and equipment		31,300	25,634
Deferred tax assets		144	9
Non-current assets		31,444	25,643
Inventories		23,344	19,623
Trade and other receivables		17,371	17,869
Tax recoverable		42	33
Cash and cash equivalents		48,980	49,628
Current assets		89,737	87,153
Total assets		121,181	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	82,057	75,791
Equity attributable to owners of the Company		107,605	101,337
Non-controlling interests		1,510	724
Total equity		109,115	102,061
Borrowings (secured)	B9	1,935	2,487
Deferred tax liabilities		3	3
Non-current liabilities		1,938	2,490
Trade and other payables		9,057	7,016
Borrowings (secured)	B9	721	478
Tax liabilities		350	751
Current liabilities		10,128	8,245
Total liabilities		12,066	10,735
Total equity and liabilities		121,181	112,796
Net assets per share attributable to owners			
of the Company (RM) ⁽²⁾		0.36	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 FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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	-	-	-	-	10,736	10,736	486	11,222
Transition to no par value regime	7,432	(7,432)	-	-	-	-	-	-
Issuance of shares	2	-	-	-	-	2	300	302
Dividend	-	-	-	-	(4,470)	(4,470)	-	(4,470)
At 31 December 2017	67,034	-	(41,477)	(9)	82,057	107,605	1,510	109,115
At 1 January 2016	59,600	-	(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	69,200	7,432	(41,477)	(9)	75,791	101,337	724	102,061

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 FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2017
(These figures have not been audited)

RM'000	31.12.2017	31.12.2016
Cash flows from operating activities		
Profit before tax	14,936	17,607
Adjustments for:		
Non-cash items	1,422	416
Non-operating items	(116)	(15)
Interest income	(884)	(378)
Interest expense	12	6
Operating profit before working capital changes	15,370	17,636
Changes in working capital:		
Inventories	(3,721)	4,000
Receivables	(102)	3,586
Payables	2,109	(8,592)
Cash generated from operations	13,656	16,630
Net tax paid	(4,259)	(4,012)
Net cash from operating activities	9,397	12,618
Cash flows from investing activities		
Interest received	884	378
Proceeds from issuance of shares	302	17,032
Placement of fixed deposits	(23,141)	(2,163)
Purchase of property, plant and equipment	(6,153)	(1,106)
Proceeds from disposal of property, plant and equipment	137	77
Net cash (used in)/from investing activities	(27,971)	14,218
Cash flows from financing activities		
Dividend paid	(4,470)	(2,235)
Interest paid	(12)	(6)
Placement of pledged fixed deposits	(56)	(65)
Repayment of borrowings	(709)	(5,303)
Net cash used in financing activities	(5,247)	(7,609)
Net changes in cash and cash equivalents	(23,821)	19,227
Translation differences	(24)	268
Cash and cash equivalents at the beginning of financial year	45,061	25,566
Cash and cash equivalents at the end of reporting period	21,216	45,061
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	28,386	20,286
Cash and bank balances	20,594	29,342
	48,980	49,628
Less: Fixed deposits pledged to licensed bank	(1,882)	(1,826)
Less: Fixed deposits as investing purposes	(25,882)	(2,741)
	21,216	45,061

The above condensed consolidated statement of cash flows 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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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: Annual Improvements to MFRS 2014-2016 Cycle

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: 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: Annual Improvements to MFRSs 2014-2016 Cycle

Amendments to MFRS 2: Classification and Measurement of Share-based Payment transactions

Amendments to MFRS 3: Annual Improvements to MFRS Standards 2015–2017 Cycle

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

MFRS 9 Financial Instruments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

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 Contracts

Amendments to MFRS 112: Annual Improvements to MFRS Standards 2015–2017 Cycle

Amendments to MFRS 123: Annual Improvements to MFRS Standards 2015–2017 Cycle

Amendments to MFRS 128: Annual Improvements to MFRS Standards 2014-2016 Cycle

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Amendments to MFRS 140: 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 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:

Interim dividend	31.12.2017	31.12.2016
For the financial year ended	-	31 December 2016
Approved and declared on	-	25 November 2016
Date paid	-	9 December 2016
Number of ordinary shares on which dividends were paid	-	14,900,000
Dividend per share (single-tier)	-	1.50 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			12 months ended		
	31.12.2017	31.12.2016	Changes	31.12.2017	31.12.2016	Changes
Malaysia	12,924	12,862	62	50,468	51,072	(604)
Indonesia	3,984	1,038	2,946	9,911	8,022	1,889
Others	427	117	310	2,574	906	1,668
Total	17,335	14,017	3,318	62,953	60,000	2,953

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Companies in which certain Directors have interests:				
Revenue from sales of goods	47	47	124	221

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	31.12.2017
Arbitration claim by a building contractor against a subsidiar	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			12 months ended		
	31.12.2017	31.12.2016	Changes	31.12.2017	31.12.2016	Changes
Revenue	17,335	14,017	3,318	62,953	60,000	2,953
Profit before tax	4,499	4,906	(407)	14,936	17,607	(2,671)

For the current quarter under review, the Group recorded higher revenue of RM17.3 million as compared to RM14.0 million in the same quarter of last year. The increase in revenue was mainly due to overall growth in the palm oil industry which resulting in higher sales of process control equipment in the domestic and overseas markets during the current quarter. The pre-tax profit for the current quarter reported a lower amount of RM0.4 million against preceding quarter due to higher discount given for large orders.

For the 12 months financial year ended 31 December 2017, the Group recorded higher revenue of RM63.0 million as compared to RM60.0 million in the same period of last year. The increase in revenue was mainly contributed by the sales of pumps in local market and as well as the sales growth in overseas market. However, the pre-tax profit decreased by RM2.7 million mainly caused by lower margin of goods sold arising from the increase in material costs during the year.

B2 Comparison With Immediate Preceding Quarter

RM'000	3 months ended		
	31.12.2017	30.09.2017	Variance
Revenue	17,335	15,420	1,915
Profit before tax	4,499	3,498	1,001

In comparing to immediate preceding quarter, the revenue of the Group in the current quarter increased by RM2.0 million, mainly due to higher sales volume from overseas market during the current quarter.

With increase in sales as well as the improved in profit margin for both domestic and overseas markets during the quarter, the pre-tax profit increased by RM1.0 million as compared to the immediate preceding quarter.

B3 Commentary On Prospects

The Malaysian economy is projected a positive outlook, and with strengthening currency in the beginning of the year 2018, the Group foresees improving demand in local sales. As such, the Group will expand its business in East Malaysia that will enhance the Group's revenue growth. In addition, the Group will continue to expand its overseas sales in this region especially Indonesia. The Group will also continue to seek potential opportunities and ventures with a view to deliver higher profit for the Group. Barring any unforeseen circumstances, the Board expects the financial performance for the next financial year to be profitable.

B4 Profit Forecast

Not applicable.

B5 Tax Expense

RM'000	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Income tax	1,379	1,552	3,849	4,605
Deferred tax	(135)	(28)	(135)	(28)
Total tax expense	1,244	1,524	3,714	4,577

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 year is higher than the statutory tax rate mainly due to non-allowable expenses.

B6 Retained Earnings

RM'000	As at	As at
	31.12.2017	31.12.2016
Realised	82,984	76,191
Unrealised	141	181
	83,125	76,372
Consolidation adjustments	(1,068)	(581)
Total retained earnings	82,057	75,791

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 ("IPO")

RM'000	Intended utilisation	Actual utilisation	Deviation	Intended timeframe for utilisation (from date of listing)	Extended 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 9 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 9 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 31.12.2017	As at 31.12.2016
Hire purchase	161	-
Term loan	1,774	2,487
Long term borrowings	1,935	2,487
Hire purchase	133	15
Term loan	588	463
Short term borrowings	721	478
Total borrowings	2,656	2,965

All borrowings are denominated in Ringgit Malaysia. Overall, the decrease in borrowings of RM0.3 million were due to the repayment of borrowings.

The weighted average interest rate of the hire purchase based on fixed interest rate is approximately 1.88%. No interest was incurred for the term loan which is under flexi loan arrangement.

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 Dividends

The Board recommends a final single-tier dividend of 0.75 sen per ordinary 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 1.5 sen per share.

B12 Earnings Per Share ("EPS")

	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Profit attributable to owners of the Company (RM'000)	3,078	3,313	10,736	12,849
Weighted average number of ordinary shares in issue ('000)	298,002	284,820	298,002	284,820
Basic EPS (sen)	1.0	1.2	3.6	4.5

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

Diluted earnings per share is not presented due to the anti-dilutive nature of the potential ordinary shares in issue.

B13 Financial instruments

As at the reporting date, the Group has not entered into any derivatives.

B14 Auditors' Report On Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 was unqualified.

B15 Profit Before Tax

RM'000	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Profit before tax is arrived at after crediting/(charging):				
Interest income	211	202	884	378
Other income including investment income	325	570	1,335	1,821
Interest expense	(2)	(2)	(12)	(5)
Depreciation	(215)	(190)	(866)	(707)
Impairment loss on trade receivables	(513)	(106)	(641)	(301)
Reversal of impairment loss on trade receivables	59	-	128	-
Realised (loss)/gain on foreign exchange	(112)	(418)	28	(359)
Unrealised (loss)/gain on foreign exchange	(43)	630	(382)	175

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.