



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2018

17 May 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 FIRST QUARTER ENDED 31 MARCH 2018**

(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		31.03.2018	31.03.2017	31.03.2018	31.03.2017
Revenue	A7	17,795	14,611	17,795	14,611
Cost of sales		(11,647)	(9,739)	(11,647)	(9,739)
Gross profit		6,148	4,872	6,148	4,872
Other income		449	614	449	614
Selling and distribution expenses		(160)	(146)	(160)	(146)
Administration expenses		(1,944)	(1,448)	(1,944)	(1,448)
Other expenses		(489)	(421)	(489)	(421)
Finance costs		(3)	(1)	(3)	(1)
Profit before tax	B15	4,001	3,470	4,001	3,470
Tax expense	B5	(961)	(871)	(961)	(871)
Profit for the period		3,040	2,599	3,040	2,599
Other comprehensive income		-	-	-	-
Total comprehensive income		3,040	2,599	3,040	2,599
Profit attributable to:					
Owners of the Company		3,002	2,443	3,002	2,443
Non-controlling interests		38	156	38	156
Profit for the period		3,040	2,599	3,040	2,599
Total comprehensive income attributable to:					
Owners of the Company		3,002	2,443	3,002	2,443
Non-controlling interests		38	156	38	156
Total comprehensive income		3,040	2,599	3,040	2,599
Earnings per share attributable to owners of the Company:					
Basic (sen)	B12	1.0	0.8	1.0	0.8

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 31 MARCH 2018

RM'000	Note	As at 31.03.2018 Unaudited	As at 31.12.2017 Audited
Assets			
Property, plant and equipment		31,274	31,300
Deferred tax assets		167	167
Non-current assets		31,441	31,467
Inventories		22,071	23,344
Trade and other receivables		19,012	17,371
Tax recoverable		77	42
Cash and cash equivalents		50,186	48,980
Current assets		91,346	89,737
Total assets		122,787	121,204
Equity and liabilities			
Share capital		67,034	67,034
Merger deficit		(41,477)	(41,477)
Other reserves		(9)	(9)
Retained earnings	B6	85,059	82,057
Equity attributable to owners of the Company		110,607	107,605
Non-controlling interests		1,548	1,510
Total equity		112,155	109,115
Borrowings (secured)	B9	1,754	1,935
Deferred tax liabilities		26	26
Non-current liabilities		1,780	1,961
Trade and other payables		7,690	9,057
Borrowings (secured)	B9	722	721
Tax liabilities		440	350
Current liabilities		8,852	10,128
Total liabilities		10,632	12,089
Total equity and liabilities		122,787	121,204
Net assets per share attributable to owners of the Company (RM)		0.37	0.36

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 2018

(These figures have not been audited)

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Non-Distributable			Distributable					
RM'000	Share capital	Share premium	Merger deficit	Other reserves	Retained earnings				
At 1 January 2018	67,034	-	(41,477)	(9)	82,057	107,605	1,510	109,115	
Total comprehensive income	-	-	-	-	3,002	3,002	38	3,040	
At 31 March 2018	67,034	-	(41,477)	(9)	85,059	110,607	1,548	112,155	
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	-	-	-	-	-	-	300	300	
At 31 March 2017	59,600	7,432	(41,477)	(9)	78,234	103,780	1,180	104,960	

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 2018

(These figures have not been audited)

RM'000	3 months ended	
	31.03.2018	31.03.2017
Cash flows from operating activities		
Profit before tax	4,001	3,470
Adjustments for:		
Non-cash items	290	227
Non-operating items	-	(123)
Interest income	(224)	(236)
Interest expense	3	1
Operating profit before working capital changes	4,070	3,339
Changes in working capital:		
Inventories	1,273	(1,324)
Receivables	(1,657)	(1,415)
Payables	(1,337)	1,678
Cash generated from operations	2,349	2,278
Tax paid	(906)	(931)
Net cash from operating activities	1,443	1,347
Cash flows from investing activities		
Interest received	224	236
Proceeds from issuance of shares by a subsidiary	-	300
Placement of fixed deposits	(199)	(11,877)
Purchase of property, plant and equipment	(197)	(1,257)
Proceeds from disposal of property, plant and equipment	-	130
Net cash used in investing activities	(172)	(12,468)
Cash flows from financing activities		
Interest paid	(3)	(1)
Placement of pledged fixed deposits	(6)	(9)
Repayment of borrowings	(180)	(172)
Net cash used in financing activities	(189)	(182)
Net changes in cash and cash equivalents	1,082	(11,303)
Translation differences	(81)	(16)
Cash and cash equivalents at the beginning of financial year	21,216	45,061
Cash and cash equivalents at the end of reporting period	22,217	33,742
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	28,591	20,451
Cash and bank balances	21,595	29,744
	50,186	50,195
Less: Fixed deposits pledged to licensed bank	(1,888)	(1,835)
Less: Fixed deposits as investing purposes	(26,081)	(14,618)
	22,217	33,742

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 2017.

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 2017 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 2018:

- Amendments to MFRS 2: Classification and Measurement of Share-based Payment transactions
- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 140: Transfers of Investment Property
- IC Interpretations 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to MFRS Standards 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 2 Share-based Payment
- Amendments to MFRS 3 Business Combinations
- Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources
- 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
- Amendments to MFRS 14 Regulatory Deferral Accounts
- MFRS 16 Leases
- MFRS 17 Insurance Contracts
- Amendments to MFRS 101 Presentation of Financial Statements
- Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 134 Interim Financial Reporting
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets
- Amendment to MFRS 138 Intangible Assets
- Amendments to IC Interpretation 12 Service Concession Arrangements
- Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- IC Interpretations 23 Uncertainty over Income Tax Treatments
- Amendments to IC Interpretation 132 Intangible Assets - Web Site Costs
- Annual Improvements to MFRS Standards 2015-2017 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 Seasonal Or Cyclical Factors

The business operations of the Group were not materially affected by any seasonal or cyclical factors 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 one (1) 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		
	31.03.2018	31.03.2017	Changes
Malaysia	13,639	12,395	1,244
Indonesia	3,678	2,179	1,499
Others	478	37	441
Total	17,795	14,611	3,184

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended	
	31.03.2018	31.03.2017
Companies in which certain Directors have interests:		
Revenue from sales of goods	1	20

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	31.03.2018
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 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		Changes
	31.03.2018	31.03.2017	
Revenue	17,795	14,611	3,184
Profit before tax	4,001	3,470	531

For the current quarter under review, the Group recorded higher revenue of RM17.8 million as compared to RM14.6 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 equipment in the domestic and overseas markets during the current quarter. In line with the increase in revenue, the pre-tax profit for the current quarter reported a higher amount of RM0.5 million.

B2 Comparison With Immediate Preceding Quarter

RM'000	3 months ended		Changes
	31.03.2018	31.12.2017	
Revenue	17,795	17,335	460
Profit before tax	4,001	4,499	(498)

Revenue in the current quarter has increased slightly by RM0.5 million mainly due to higher sales volume from domestic market during the current quarter. However, the Group reported a lower pre-tax profit of RM0.5 million as compared to immediate preceding quarter mainly due to lower margin of products sold in the current quarter.

B3 Commentary On Prospects

Malaysian's growth momentum in this year is likely to sustain over the positive outlook with the new government in control. The Group remains cautious in the utilisation of its resources and will continue to explore for more business opportunities as well as ongoing expansion plans to deliver positive financial results. With the aforesaid initiatives and barring any unforeseen circumstances, the Board expects modest growth of the Group for the current financial year.

B4 Profit Forecast

Not applicable.

B5 Tax Expense

RM'000	3 months ended	
	31.03.2018	31.03.2017
Income tax	961	871
Total tax expense	961	871

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 31.03.2018	As at 31.03.2017
Realised	86,090	78,980
Unrealised	74	(8)
	86,164	78,972
Consolidation adjustments	(1,105)	(738)
Total retained earnings	85,059	78,234

B7 Corporate Proposals

There were no corporate proposals announced 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	183	817	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	7,501	1,256		

* 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 31.03.2018	As at 31.12.2017
	Unaudited	Audited
Hire purchase	127	161
Term loans	1,627	1,774
Long term borrowings	1,754	1,935
Hire purchase	134	133
Term loans	588	588
Short term borrowings	722	721
Total borrowings	2,476	2,656

All borrowings are denominated in Ringgit Malaysia. Overall, the decrease in borrowings of RM0.2 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 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

The final single tier dividend of 0.75 sen per share in respect of the financial year ended 31 December 2017 has been declared and approved by shareholders on 25 April 2018 and the dividend was paid on 11 May 2018.

B12 Earnings Per Share ("EPS")

	3 months ended	
	31.03.2018	31.03.2017
Profit attributable to owners of the Company (RM'000)	3,002	2,443
Weighted average number of ordinary shares in issue ('000)	298,002	298,000
Basic EPS (sen)	1.0	0.8

* 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 2017 was unqualified.

B15 Profit Before Tax

RM'000	3 months ended	
	31.03.2018	31.03.2017
Profit before tax is arrived at after crediting/(charging):		
Interest income	224	236
Other income	225	378
Depreciation	(223)	(213)
Interest expense	(3)	(1)
Impairment on trade receivables	(53)	-
Realised loss in foreign exchange	(90)	(19)
Unrealised loss in foreign exchange	(67)	(14)

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.