



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

26 February 2018

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 2018**
(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
Revenue	A7	22,059	18,131	79,923	63,749
Cost of sales		(13,812)	(11,160)	(51,649)	(41,398)
Gross profit		8,247	6,971	28,274	22,351
Other income		630	484	2,498	2,167
Selling and distribution expenses		(306)	(134)	(864)	(787)
Administration expenses		(2,054)	(2,176)	(8,055)	(6,964)
Other expenses		(365)	(646)	(1,276)	(1,820)
Finance costs		(5)	(2)	(14)	(12)
Profit before tax	B14	6,147	4,497	20,563	14,935
Tax expense	B5	(1,707)	(1,243)	(5,141)	(3,713)
Profit for the period / year		4,440	3,254	15,422	11,222
Other comprehensive income		-	-	-	-
Total comprehensive income for the period / year		4,440	3,254	15,422	11,222
Profit attributable to:					
Owners of the Company		4,368	3,076	14,988	10,736
Non-controlling interests		72	178	434	486
Profit for the period / year		4,440	3,254	15,422	11,222
Total comprehensive income attributable to:					
Owners of the Company		4,368	3,076	14,988	10,736
Non-controlling interests		72	178	434	486
Total comprehensive income for the period / year		4,440	3,254	15,422	11,222
Earnings per share attributable to owners of the Company:					
Basic (sen)	B11	1.5	1.0	5.0	3.6
Diluted (sen)	B11	1.4	1.0	4.4	3.2

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)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

RM'000	Note	As at 31.12.2018	As at 31.12.2017
		Unaudited	Audited
Assets			
Property, plant and equipment		32,065	31,300
Deferred tax assets		187	167
Non-current assets		32,252	31,467
Inventories		28,217	23,344
Trade and other receivables		25,396	17,475
Tax recoverable		226	42
Cash and cash equivalents		49,188	48,980
Current assets		103,027	89,841
Total assets		135,279	121,308
Equity and liabilities			
Share capital		67,034	67,034
Merger deficit		(41,477)	(41,477)
Other reserves		(9)	(9)
Retained earnings		92,289	82,057
Equity attributable to owners of the Company		117,837	107,605
Non-controlling interests		1,778	1,510
Total equity		119,615	109,115
Borrowings (secured)	B8	1,210	1,935
Deferred tax liabilities		101	26
Non-current liabilities		1,311	1,961
Trade and other payables		12,273	9,161
Borrowings (secured)	B8	725	721
Tax liabilities		1,355	350
Current liabilities		14,353	10,232
Total liabilities		15,664	12,193
Total equity and liabilities		135,279	121,308
Net assets per share attributable to owners of the Company (RM)			
		0.40	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)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(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 2018	67,034	-	(41,477)	(9)	82,057	107,605	1,510	109,115
Effect of adopting MFRS 9	-	-	-	-	(286)	(286)	(50)	(336)
Total comprehensive income for the year	-	-	-	-	14,988	14,988	434	15,422
Non-controlling interest arising from the acquisition of subsidiary	-	-	-	-	-	-	109	109
Dividend	-	-	-	-	(4,470)	(4,470)	(225)	(4,695)
At 31 December 2018	67,034	-	(41,477)	(9)	92,289	117,837	1,778	119,615
At 1 January 2017	59,600	7,432	(41,477)	(9)	75,791	101,337	724	102,061
Total comprehensive income for the year	-	-	-	-	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

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 YEAR ENDED 31 DECEMBER 2018
(These figures have not been audited)

RM'000	31.12.2018	31.12.2017
Cash flows from operating activities		
Profit before tax	20,563	14,935
Adjustments for:		
Non-cash items	925	1,333
Non-operating items	(1)	(116)
Interest income	(1,059)	(839)
Interest expense	14	12
Operating profit before working capital changes	20,442	15,325
Changes in working capital:		
Inventories	(4,873)	(3,721)
Receivables	(7,996)	(211)
Payables	2,885	2,175
Cash generated from operations	10,458	13,568
Interest paid	-	(1)
Net tax paid	(4,287)	(4,258)
Net cash from operating activities	6,171	9,309
Cash flows from investing activities		
Interest received	1,059	839
Withdrawal/(Placement) of fixed deposits	1,385	(15,506)
Acquisition of a subsidiary, net of cash and cash equivalents acquired	(134)	-
Purchase of property, plant and equipment	(1,721)	(6,169)
Proceeds from disposal of property, plant and equipment	3	137
Net cash from / (used in) investing activities	592	(20,699)
Cash flows from financing activities		
Subscription of new shares in a subsidiary by a non-controlling interest	-	300
Proceeds from issuance of shares	-	2
Dividend paid	(4,470)	(4,470)
Interest paid	(14)	(11)
Placement of pledged fixed deposits	(65)	(56)
Repayment of borrowings	(721)	(710)
Net cash used in financing activities	(5,270)	(4,945)
Net changes in cash and cash equivalents	1,493	(16,335)
Translation differences	35	125
Cash and cash equivalents at the beginning of financial year	28,851	45,061
Cash and cash equivalents at the end of financial year	30,379	28,851
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	32,192	28,386
Cash and bank balances	16,996	20,594
	49,188	48,980
Less: Fixed deposits pledged with licensed banks	(1,947)	(1,882)
Less: Fixed deposits as investing purposes	(16,862)	(18,247)
	30,379	28,851

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

These unaudited interim financial statements have 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 these interim financial statements are consistent with those adopted in the audited financial statements of the Company for the financial year ended 31 December 2017 except for the following new MFRS, Amendments to MFRS and IC Interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but not effective yet:

MFRS 16, Leases
IC Interpretations 23, Uncertainty over Income Tax Treatments
Amendments to MFRS 128, Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 9, Prepayment Features with Negative Compensation
Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)

Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
MFRS 17, Insurance Contracts
Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 119, Employee Benefits (Plan Amendment, Curtailment or Settlement)

Where applicable, 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

No dividend was paid during the current quarter under review.

A7 Segmental Information

The Group is principally involved in (i) the trading and distribution of process control equipment and measurement instruments; (ii) manufacturing of all types of industrial machinery; and (iii) provision of material handling system solutions. The Group did not prepare segmental information by principal activity as the Group's revenue was mainly derived from the trading and distribution of process control equipment and measurement instruments (more than 90% revenue contribution for the financial years ended 31 December 2017 and 31 December 2018).

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		
	31.12.2018	31.12.2017	Changes	31.12.2018	31.12.2017	Changes
Malaysia	14,489	13,779	710	57,672	51,323	6,349
Indonesia	5,473	3,970	1,503	17,024	9,897	7,127
Others	2,097	382	1,715	5,227	2,529	2,698
Total	22,059	18,131	3,928	79,923	63,749	16,174

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Companies in which certain Directors of the Company have interests:				
Sales of goods	2	47	4	124
Professional fees	-	-	6	-
Companies in which certain Directors of subsidiaries have interests:				
Sales of goods	1,061	-	1,061	-
Purchase of goods	587	-	587	-

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	31.12.2018
Arbitration claim by a building contractor against a subsidiary	428

A12 Changes In Composition Of The Group

On 18 July 2018, the Company acquired 412,500 ordinary shares representing 55% of the equity interest in Arah Edar (M) Sdn Bhd, a company incorporated in Malaysia, for a cash consideration of RM135,385.

On 8 August 2018, the Company subscribed for 600 ordinary shares representing 60% equity interest in Eureka EPA Sdn Bhd (formerly known as Eureka Fertilizer Sabah Sdn Bhd), a company incorporated in Malaysia, for a cash consideration of RM600. However, the Company has, on 1 October 2018, disposed of the 600 ordinary shares in Eureka EPA Sdn Bhd to Eureka Synergy Sdn Bhd for a total consideration of RM600.

Save as disclosed above, there were no other 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		
	31.12.2018	31.12.2017	Changes	31.12.2018	31.12.2017	Changes
Revenue	22,059	18,131	3,928	79,923	63,749	16,174
Profit before tax	6,147	4,497	1,650	20,563	14,935	5,628

For the current quarter under review, the Group recorded a higher revenue of RM22.1 million as compared to RM18.1 million in the same quarter of last year. The increase in revenue was mainly due to the higher demand from the palm oil industry in both the domestic and overseas markets during the current quarter. In addition, our 55%-owned subsidiary, Arah Edar (M) Sdn Bhd ("Arah Edar"), which was acquired by us on 18 July 2018, contributed a revenue of RM1.1 million during the current quarter. In line with the increase in revenue, the Group's profit before tax increased by RM1.7 million in the current quarter as compared to that of the preceding year's corresponding quarter.

For the financial year ended 31 December 2018, the Group recorded a higher revenue of RM79.9 million as compared to RM63.7 million in the financial year ended 31 December 2017. Similar to the current quarter, the increase in revenue for the financial year ended 31 December 2018 was mainly due to the higher demand from the palm oil industry in both the domestic and overseas markets. In line with the increase in revenue, the Group's profit before tax increased by RM5.6 million in the financial year ended 31 December 2018 as compared to that of the financial year ended 31 December 2017.

B2 Comparison With Immediate Preceding Quarter

RM'000	3 months ended		
	31.12.2018	30.09.2018	Variance
Revenue	22,059	20,209	1,850
Profit before tax	6,147	5,495	652

Comparing with the immediate preceding quarter, the revenue of the Group increased by RM1.9 million in the current quarter, mainly due to higher demand from the Indonesia market coupled with the contribution from Arah Edar.

With the increase in sales as well as the improved gross profit margin, the Group's profit before tax increased by RM0.7 million in the current quarter as compared to that of the immediate preceding quarter.

B3 Commentary On Prospects

Based on the Economic Outlook 2019 issued by the Ministry of Finance Malaysia, the Malaysian economy is expected to expand 4.9% in 2019 supported by firm domestic demand and favourable external sector. Despite the anticipated expansion, uncertainties in the external sector as well as domestic challenges could pose a downside risk to the growth outlook.

In 2019, the manufacturing sector is forecast to expand 4.7% supported by export-oriented industries following continuous expansion in the electrical and electronics as well as chemicals and chemical product subsectors. In the chemical industry, production of petrochemicals and oleochemicals are expected to benefit from the abundance of feedstock in the form of oil and gas as well as palm oil coupled with sustained demand from China, Indonesia and Thailand.

Also, in 2019, the agriculture sector is projected to rebound 3.1% driven by improvement in all subsectors, except forestry and logging. The oil palm subsector is forecast to turnaround 4.1% with higher output of palm oil backed by improvement in prices at RM2,400 per tonne coupled with an increase in matured areas which is expected to reach 5.5 million hectares.

With the positive economic outlook, albeit with a downside risk, as mentioned above, the Group will continue to strive hard to sustain and increase its sales in the domestic and overseas markets, especially Indonesia. In addition, the Group will continue to seek and explore potential opportunities for acquisitions and collaborations in order to enhance its sales and profits.

Premised on the above and barring any unforeseen circumstances, the Group is cautiously positive of our prospects and performance for the financial year ending 31 December 2019.

B4 Profit Forecast

Not applicable.

B5 Tax Expense

RM'000	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Income tax	1,707	1,243	5,141	3,713
Total tax expense	1,707	1,243	5,141	3,713

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

The effective tax rate of the Group for the year was higher than the statutory tax rate mainly due to certain non-allowable expenses.

B6 Corporate Proposals

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

B7 Utilisation of proceeds from the Initial Public Offering ("IPO")

RM'000	Intended utilisation	Actual utilisation	Deviation	Balance	Estimated timeframe for utilisation (from date of listing)
Repayment of bank borrowings	4,557	4,557	-	-	Within 12 months
Purchase of office cum stores	1,074 ^	1,074	-	-	Within 30 months #
Purchase of equipment	183 #	183	-	-	Within 21 months *
Working capital	9,425 ^	7,999	-	1,426	By 30 April 2019 @
Estimated listing expenses	2,761	2,761	-	-	Upon listing
Total	18,000	16,574	-	1,426	

^ Revised as per the Company's announcements dated 16 August 2018 and 26 February 2019.

Revised as per the Company's announcement dated 16 August 2018.

* Revised as per the Company's announcements dated 18 August 2017 and 13 February 2018.

@ Revised as per the Company's announcement dated 26 February 2019.

B8 Borrowings (secured)

RM'000	As at 31.12.2018	As at 31.12.2017
Hire purchase	24	161
Term loan	1,186	1,774
Long term borrowings	1,210	1,935
Hire purchase	137	133
Term loan	588	588
Short term borrowings	725	721
Total borrowings	1,935	2,656

All borrowings are denominated in Ringgit Malaysia. Overall, the decrease in borrowings of RM0.7 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.

B9 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 the construction of the Group's head office at Lot 19, Jalan Pelukis U1/46, Seksyen U1, 40150 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 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 for 23 to 27 April 2018, 28 May 2018, 30 to 31 May 2018, and 1 June 2018. Further, the hearing continued on 20 July 2018, 23 July 2018 and 6 August 2018 and thereafter on 16 to 19 October 2018. On 19 October 2018, the Arbitrator fixed new hearing dates for 21 to 22 November 2018 and to be continued on 28 to 30 November 2018. However, all these November 2018 dates were vacated by the Arbitrator. The next hearing dates are fixed for 8 to 12 April 2019 and 15 to 19 April 2019. 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, 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.

B10 Proposed Dividends

The Board recommends a final single-tier dividend of 1.00 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 financial year ended 31 December 2018 would amount to 1.75 sen per ordinary share.

B11 Earnings Per Share ("EPS")

	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Profit attributable to owners of the Company (RM'000)	4,368	3,076	14,988	10,736
Weighted average number of ordinary shares in issue ('000)	298,005	298,005	298,005	298,002
Effect of warrants outstanding ('000)	13,020	13,916	44,136	39,652
Weighted average number of ordinary shares assumed in issue ('000)	311,025	311,921	342,141	337,654
Basic EPS (sen)	1.5	1.0	5.0	3.6
Diluted EPS (sen)	1.4	1.0	4.4	3.2

B12 Financial instruments

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

B13 Auditors' Report On Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2017 was unqualified.

B14 Profit Before Tax

RM'000	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Profit before tax is arrived at after crediting/(charging):				
Interest income	189	162	1,059	835
Interest expense	(4)	(2)	(14)	(12)
Depreciation	(288)	(230)	(974)	(881)
Net reversal of / (provision for) expected credit losses	437	(385)	273	(513)
Bad debt written off	(253)	-	(253)	-
Goodwill written off	-	-	(2)	-
Realised gain/(loss) on foreign exchange	43	(76)	(51)	(415)
Unrealised (loss)/gain on foreign exchange	(23)	(79)	29	61
Gain on disposal of property, plant and equipment	-	-	3	116

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.