



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2019

29 May 2019

Dancomech Holdings Berhad
All Rights Reserved

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 2019

(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		31.03.2019	31.03.2018	31.03.2019	31.03.2018
Revenue	A7	26,082	17,795	26,082	17,795
Cost of sales		(17,363)	(11,647)	(17,363)	(11,647)
Gross profit		8,719	6,148	8,719	6,148
Other income		485	449	485	449
Selling and distribution expenses		(375)	(160)	(375)	(160)
Administration expenses		(2,344)	(1,944)	(2,344)	(1,944)
Other expenses		(487)	(489)	(487)	(489)
Finance costs		(1)	(3)	(1)	(3)
Profit before tax	B14	5,997	4,001	5,997	4,001
Tax expense	B5	(1,472)	(961)	(1,472)	(961)
Profit for the period		4,525	3,040	4,525	3,040
Other comprehensive income		-	-	-	-
Total comprehensive income		4,525	3,040	4,525	3,040
Profit attributable to:					
Owners of the Company		3,857	3,002	3,857	3,002
Non-controlling interests		668	38	668	38
Profit for the period		4,525	3,040	4,525	3,040
Total comprehensive income attributable to:					
Owners of the Company		3,857	3,002	3,857	3,002
Non-controlling interests		668	38	668	38
Total comprehensive income		4,525	3,040	4,525	3,040
Earnings per share attributable to owners of the Company:					
Basic (sen)	B11	1.3	1.0	1.3	1.0
Diluted (sen)	B11	1.1	0.9	1.1	0.9

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 MARCH 2019

RM'000	Note	As at 31.03.2019 Unaudited	As at 31.12.2018 Audited
Assets			
Property, plant and equipment		30,835	30,958
Investment property		1,102	1,107
Deferred tax assets		187	187
Non-current assets		32,124	32,252
Inventories		25,319	28,217
Trade and other receivables		23,922	25,521
Tax recoverable		106	226
Cash and cash equivalents		54,109	49,188
Current assets		103,456	103,152
Total assets		135,580	135,404
Equity and liabilities			
Share capital		67,034	67,034
Merger deficit		(41,477)	(41,477)
Other reserves		(9)	(9)
Retained earnings		96,146	92,289
Equity attributable to owners of the Company		121,694	117,837
Non-controlling interests		2,446	1,778
Total equity		124,140	119,615
Borrowings (secured)	B8	1,039	1,210
Deferred tax liabilities		101	101
Non-current liabilities		1,140	1,311
Trade and other payables		7,978	12,398
Borrowings (secured)	B8	715	725
Tax liabilities		1,607	1,355
Current liabilities		10,300	14,478
Total liabilities		11,440	15,789
Total equity and liabilities		135,580	135,404
Net assets per share attributable to owners of the Company (RM)		0.41	0.40

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 FIRST QUARTER ENDED 31 MARCH 2019
(These figures have not been audited)

RM'000	Attributable to owners of the Company		Share capital	Merger deficit	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Non-Distributable	Distributable							
At 1 January 2019	67,034	(41,477)	(9)	92,289	117,837	1,778	119,615		
Total comprehensive income	-	-	-	3,857	3,857	668	4,525		
At 31 March 2019	67,034	(41,477)	(9)	96,146	121,694	2,446	124,140		
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		

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 FIRST QUARTER ENDED 31 MARCH 2019
(These figures have not been audited)

RM'000	3 months ended	
	31.03.2019	31.03.2018
Cash flows from operating activities		
Profit before tax	5,997	4,001
Adjustments for:		
Non-cash items	410	290
Non-operating items	(17)	-
Interest income	(188)	(224)
Interest expense	1	3
Operating profit before working capital changes	6,203	4,070
Changes in working capital:		
Inventories	2,898	1,273
Receivables	1,487	(1,657)
Payables	(4,430)	(1,337)
Cash generated from operations	6,158	2,349
Tax paid	(1,100)	(906)
Net cash from operating activities	5,058	1,443
Cash flows from investing activities		
Interest received	188	224
Placement of fixed deposits	(11,795)	(199)
Purchase of property, plant and equipment	(134)	(197)
Proceeds from disposal of property, plant and equipment	17	-
Net cash used in investing activities	(11,724)	(172)
Cash flows from financing activities		
Interest paid	(1)	(3)
Placement of pledged fixed deposits	(6)	(6)
Repayment of borrowings	(181)	(180)
Net cash used in financing activities	(188)	(189)
Net changes in cash and cash equivalents	(6,854)	1,082
Translation differences	(26)	(81)
Cash and cash equivalents at the beginning of financial period	30,379	21,216
Cash and cash equivalents at the end of financial period	23,499	22,217
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	34,491	28,591
Cash and bank balances	19,618	21,595
	54,109	50,186
Less: Fixed deposits pledged to licensed bank	(1,953)	(1,888)
Less: Fixed deposits as investing purposes	(28,657)	(26,081)
	23,499	22,217

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)
(Incorporated in Malaysia)

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 2018.

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 2018 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 Seasonal or Cyclicity of Operations

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 during 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		
	31.03.2019	31.03.2018	Changes
Malaysia	15,112	13,639	1,473
Indonesia	4,675	3,678	997
Others	6,295	478	5,817
Total	26,082	17,795	8,287

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended	
	31.03.2019	31.03.2018
Companies in which certain Directors of the Company have interests:		
Sales of goods	39	1
Companies in which certain Directors of the subsidiaries of the Company have interests:		
Sales of goods	5,746	-
Purchase of goods	3,859	-

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 current 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	31.03.2019
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.

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

**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
	31.03.2019	31.03.2018	
Revenue	26,082	17,795	8,287
Profit before tax	5,997	4,001	1,996

The Group recorded a higher revenue of RM26.1 million for the current quarter under review as compared to RM17.8 million recorded for the same quarter of the preceding year. The increase in revenue was mainly due to the revenue contribution of RM5.7 million from our 55%-owned subsidiary, Arah Edar (M) Sdn Bhd ("Arah Edar"), which was acquired by us on 18 July 2018, and higher sales to the water industry in Malaysia and the palm oil/oleochemicals industry in Indonesia.

The Group's profit before tax increased by RM2.0 million in the current quarter as compared to that of the preceding year's corresponding quarter, in line with the increase in revenue but partly offset by marginally lower gross profit margin recorded by the Group (Current quarter: 33.4%; Corresponding quarter: 34.5%), higher expenses incurred arising from increase in staff headcount, and the consolidation of Arah Edar's expenses.

B2 Comparison with Immediate Preceding Quarter

RM'000	3 months ended		Changes
	31.03.2019	31.12.2018	
Revenue	26,082	22,059	4,023
Profit before tax	5,997	6,147	(150)

The Group's revenue showed an increase of RM4.0 million for the current quarter under review as compared to that of the immediate preceding quarter. The increase in revenue was mainly due to the higher revenue contribution from Arah Edar, which increased from RM1.1 million in the immediate preceding quarter to RM5.7 million in the current quarter.

However, notwithstanding the increase in revenue, the Group recorded a marginal decrease in profit before tax of RM0.2 million for the current quarter under review as compared to that of the immediate preceding quarter. This was mainly due to the lower gross profit margin recorded by the Group (Current quarter: 33.4%; Immediate preceding quarter: 37.4%), and increase in expenses in tandem with the growth in the Group's business.

B3 Commentary on Prospects

On the backdrop of the positive outlook expected of the Malaysian economy for 2019, albeit with a downside risk, the Group will continue to strive hard to sustain and increase our sales in the domestic and overseas markets, especially Indonesia, by supplying quality and a wide range of products and services to our customers. In addition, the Group will continue to seek and explore acquisition and collaboration opportunities in order to grow our sales and profits. The Group will also focus on further improving the operational efficiency of our 70%-owned subsidiary, Dancomech Pumps Sdn Bhd, and tendering for projects for material handling system solutions via Arah Edar.

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	
	31.03.2019	31.03.2018
Income tax	1,472	961
Total tax expense	1,472	961

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

B6 Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report.

B7 Utilisation of Proceeds from Listing

The Company was listed on the Main Market of Bursa Malaysia Securities Berhad on 21 July 2016, raising a gross proceeds of RM18.0 million from the Public Issue. The Public Issue proceeds have been fully utilised as proposed, as at the date of this report.

B8 Borrowings (secured)

RM'000	As at	As at
	31.03.2019	31.12.2018
	Unaudited	Audited
Hire purchase	-	24
Term loan	1,039	1,186
Long term borrowings	1,039	1,210
Hire purchase	127	137
Term loan	588	588
Short term borrowings	715	725
Total borrowings	1,754	1,935

All borrowings are denominated in Ringgit Malaysia. Overall, the decrease in borrowings of RM0.2 million was due to the repayment of the 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 a 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. 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, since then, numerous hearing sessions have been held. As at the date of this report, the Arbitrator has yet to fix the next hearing date(s). DESB's solicitors are of the view that DESB has a 50:50 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 date of this report.

B10 Dividend

A final single tier dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2018 has been approved by the shareholders at the Annual General Meeting held on 29 May 2019 and the dividend will be paid on 24 June 2019.

B11 Earnings per Share ("EPS")

	3 months ended	
	31.03.2019	31.03.2018
Profit attributable to owners of the Company (RM'000)	3,857	3,002
Weighted average number of ordinary shares in issue ('000)	298,005	298,005
Effect of warrants outstanding ('000)	64,006	40,400
Weighted average number of ordinary shares assumed in issue ('000)	362,011	338,405
Basic EPS (sen)	1.3	1.0
Diluted EPS (sen)	1.1	0.9

B12 Financial Instruments

As at the date of this report, 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 2018 was unqualified.

B14 Profit Before Tax

RM'000	3 months ended	
	31.03.2019	31.03.2018
Profit before tax is arrived at after crediting/(charging):		
Interest income	188	224
Depreciation	(262)	(223)
Interest expense	(1)	(3)
Gain on disposal of property, plant and equipment	17	-
Provision for expected credit losses	(73)	(53)
Realised loss in foreign exchange	(38)	(90)
Unrealised loss in foreign exchange	(75)	(67)

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.