



DANCOMECH HOLDINGS BERHAD
Registration No. 201301020455 (1050285-U)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2019**

27 February 2020

Dancomech Holdings Berhad
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DANCOMECH HOLDINGS BERHAD
Registration No. 201301020455 (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 2019
(These figures have not been audited)

| RM'000 | Note | Current quarter 3 months ended | | Cumulative quarter 12 months ended | |
|--|------|-----------------------------------|--------------|---------------------------------------|---------------|
| | | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| Revenue | A7 | 19,083 | 21,223 | 80,873 | 79,087 |
| Cost of sales | | (12,609) | (13,376) | (52,500) | (51,213) |
| Gross profit | | 6,474 | 7,847 | 28,373 | 27,874 |
| Other income | | 670 | 641 | 2,667 | 2,509 |
| Selling and distribution expenses | | (146) | (115) | (893) | (673) |
| Administration expenses | | (2,163) | (1,969) | (9,201) | (7,972) |
| Other expenses | | (264) | (255) | (1,009) | (1,166) |
| Finance costs | | (4) | (2) | (7) | (9) |
| Profit before tax | B13 | 4,567 | 6,147 | 19,930 | 20,563 |
| Tax expense | B5 | (1,453) | (1,707) | (4,916) | (5,141) |
| Profit for the period / year | | 3,114 | 4,440 | 15,014 | 15,422 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the period / year | | 3,114 | 4,440 | 15,014 | 15,422 |
| Profit attributable to: | | | | | |
| Owners of the Company | | 3,140 | 4,368 | 14,256 | 14,988 |
| Non-controlling interests | | (26) | 72 | 758 | 434 |
| Profit for the period / year | | 3,114 | 4,440 | 15,014 | 15,422 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 3,140 | 4,368 | 14,256 | 14,988 |
| Non-controlling interests | | (26) | 72 | 758 | 434 |
| Total comprehensive income for the period / year | | 3,114 | 4,440 | 15,014 | 15,422 |
| Earnings per share attributable to owners of the Company: | | | | | |
| Basic (sen) | B10 | 1.0 | 1.5 | 4.7 | 5.0 |
| Diluted (sen) | B10 | 0.9 | 1.2 | 4.0 | 4.4 |

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
Registration No. 201301020455 (1050285-U)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

| RM'000 | Note | As at 31.12.2019 Unaudited | As at 31.12.2018 Audited |
|--|------|----------------------------------|--------------------------------|
| Assets | | | |
| Property, plant and equipment | | 30,992 | 30,958 |
| Investment property | | 1,085 | 1,107 |
| Deferred tax assets | | 153 | 187 |
| Non-current assets | | 32,230 | 32,252 |
| Inventories | | 27,584 | 28,217 |
| Trade and other receivables | | 19,887 | 25,521 |
| Tax recoverable | | 55 | 226 |
| Cash and cash equivalents | | 64,065 | 49,188 |
| Current assets | | 111,591 | 103,152 |
| Total assets | | 143,821 | 135,404 |
| Equity and liabilities | | | |
| Share capital | | 68,835 | 67,034 |
| Merger deficit | | (41,477) | (41,477) |
| Other reserves | | (9) | (9) |
| Retained earnings | | 101,225 | 92,289 |
| Equity attributable to owners of the Company | | 128,574 | 117,837 |
| Non-controlling interests | | 2,511 | 1,778 |
| Total equity | | 131,085 | 119,615 |
| Borrowings (secured) | B7 | 933 | 1,210 |
| Deferred tax liabilities | | 111 | 101 |
| Non-current liabilities | | 1,044 | 1,311 |
| Trade and other payables | | 10,042 | 12,398 |
| Borrowings (secured) | B7 | 786 | 725 |
| Tax liabilities | | 864 | 1,355 |
| Current liabilities | | 11,692 | 14,478 |
| Total liabilities | | 12,736 | 15,789 |
| Total equity and liabilities | | 143,821 | 135,404 |
| Net assets per share attributable to owners of the Company (RM) | | 0.42 | 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
Registration No. 201301020455 (1050285-U)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

(These figures have not been audited)

| | Attributable to owners of the Company | | | | | Non-controlling interests | Total equity |
|---|---------------------------------------|-----------------|----------------|-------------------|----------------|---------------------------|----------------|
| | Share capital | Merger deficit | Other reserves | Retained earnings | Distributable | | |
| At 1 January 2019 | 67,034 | (41,477) | (9) | 92,289 | 117,837 | 1,778 | 119,615 |
| Total comprehensive income for the year | - | - | - | 14,256 | 14,256 | 758 | 15,014 |
| Issuance of shares by the Company | 1,801 | - | - | - | 1,801 | - | 1,801 |
| Issuance of shares by a subsidiary | - | - | - | - | - | 200 | 200 |
| Dividends paid | - | - | - | (5,320) | (5,320) | (225) | (5,545) |
| At 31 December 2019 | 68,835 | (41,477) | (9) | 101,225 | 128,574 | 2,511 | 131,085 |
| At 1 January 2018 | 67,034 | (41,477) | (9) | 82,057 | 107,605 | 1,510 | 109,115 |
| Effects of adoption of 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 |
| Dividends paid | - | - | - | (4,470) | (4,470) | (225) | (4,695) |
| At 31 December 2018 | 67,034 | (41,477) | (9) | 92,289 | 117,837 | 1,778 | 119,615 |

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
Registration No. 201301020455 (1050285-U)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(These figures have not been audited)

| RM'000 | 31.12.2019 | 31.12.2018 |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Profit before tax | 19,930 | 20,563 |
| Adjustments for: | | |
| Non-cash items | 989 | 927 |
| Non-operating items | (17) | (1) |
| Interest income | (1,260) | (1,059) |
| Interest expense | 7 | 9 |
| Operating profit before working capital changes | 19,649 | 20,439 |
| Changes in working capital: | | |
| Inventories | 633 | (4,874) |
| Receivables | 5,773 | (8,122) |
| Payables | (2,357) | 3,234 |
| Cash generated from operations | 23,698 | 10,677 |
| Interest paid | - | - |
| Net tax paid | (5,192) | (4,286) |
| Net cash from operating activities | 18,506 | 6,391 |
| Cash flows from investing activities | | |
| Interest received | 1,260 | 1,059 |
| (Placement) / Withdrawal of fixed deposits | (18,005) | 1,385 |
| Acquisition of a subsidiary, net of cash and cash equivalents acquired | - | (134) |
| Purchase of property, plant and equipment | (1,123) | (613) |
| Purchase of investment property | - | (1,109) |
| Proceeds from disposal of property, plant and equipment | 17 | 3 |
| Net cash (used in) / from investing activities | (17,851) | 591 |
| Cash flows from financing activities | | |
| Subscription of new shares in a subsidiary by a non-controlling interest | 200 | - |
| Proceeds from issuance of shares | 1,801 | - |
| Dividends paid | (5,545) | (4,695) |
| Interest paid | (7) | (9) |
| Placement of pledged fixed deposits | (64) | (65) |
| Net repayment of borrowings | (216) | (720) |
| Net cash used in financing activities | (3,831) | (5,489) |
| Net changes in cash and cash equivalents | (3,176) | 1,493 |
| Translation differences | (16) | 35 |
| Cash and cash equivalents at the beginning of financial year | 30,379 | 28,851 |
| Cash and cash equivalents at the end of financial year | 27,187 | 30,379 |
| Analysis of cash and cash equivalents | | |
| Fixed deposits with licensed banks | 40,232 | 32,192 |
| Cash and bank balances | 23,833 | 16,996 |
| | 64,065 | 49,188 |
| Less: Fixed deposits pledged with licensed banks | (2,011) | (1,947) |
| Less: Fixed deposits as investing purposes | (34,867) | (16,862) |
| | 27,187 | 30,379 |

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
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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 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 adoption of the following new MFRS, Amendments to MFRS and IC Interpretations that are mandatory for annual financial periods beginning on or after 1 January 2019:

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)
Amendments to MFRS 119, Employee Benefits (Plan Amendment, Curtailment or Settlement)

The adoption of the above MFRS, Amendments and IC Interpretations does not have any material impact on the financial statements of the Group.

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 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 any 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 | | |
|--------------|----------------|---------------|----------------|-----------------|---------------|--------------|
| | 31.12.2019 | 31.12.2018 | Changes | 31.12.2019 | 31.12.2018 | Changes |
| Malaysia | 14,732 | 13,740 | 992 | 60,022 | 56,923 | 3,099 |
| Indonesia | 3,575 | 5,395 | (1,820) | 13,658 | 16,946 | (3,288) |
| Others | 776 | 2,088 | (1,312) | 7,193 | 5,218 | 1,975 |
| Total | 19,083 | 21,223 | (2,140) | 80,873 | 79,087 | 1,786 |

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

| RM'000 | 3 months ended | | 12 months ended | |
|--|----------------|------------|-----------------|------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| Companies in which certain Directors of the Company have interests: | | | | |
| Sales of goods | 6 | 2 | 189 | 4 |
| Professional fees | - | - | - | 6 |
| Companies in which certain Directors of subsidiaries have interests: | | | | |
| Sales of goods | - | 1,061 | 5,746 | 1,061 |
| Purchase of goods | - | 587 | 4,089 | 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 RM'000 | As at 31.12.2019 |
|---|-----------------------------|
| 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.

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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 | | |
|-------------------|----------------|------------|---------|-----------------|------------|---------|
| | 31.12.2019 | 31.12.2018 | Changes | 31.12.2019 | 31.12.2018 | Changes |
| Revenue | 19,083 | 21,223 | (2,140) | 80,873 | 79,087 | 1,786 |
| Profit before tax | 4,567 | 6,147 | (1,580) | 19,930 | 20,563 | (633) |

The Group's revenue decreased from RM21.22 million in the corresponding quarter of the preceding year to RM19.08 million in the current quarter under review, mainly due to lower sales orders from the water and waste water industry, and the palm oil and oleochemicals industry. In line with the lower revenue and higher operating expenses, the Group recorded lower profit before tax in the current quarter under review.

The Group's revenue increased from RM79.09 million in the financial year ended 31 December 2018 to RM80.87 million in the financial year ended 31 December 2019, mainly due to higher revenue contribution from our 55%-owned subsidiary, Arah Edar (M) Sdn Bhd, which is involved in the provision of material handling system solutions (*Note: Arah Edar's revenue grew from RM1.09 million in the financial year ended 31 December 2018 to RM6.05 million in the financial year ended 31 December 2019*). This was, however, partly offset by lower sales orders from the water and waste water industry and the palm oil and oleochemicals industry. Despite the increase in revenue, the Group recorded a marginal decrease in profit before tax for the financial year ended 31 December 2019 mainly due to higher operating expenses (staff costs).

B2 Comparison with Immediate Preceding Quarter

| RM'000 | 3 months ended | | |
|-------------------|----------------|------------|---------|
| | 31.12.2019 | 30.09.2019 | Changes |
| Revenue | 19,083 | 16,548 | 2,535 |
| Profit before tax | 4,567 | 4,299 | 268 |

The Group's revenue increased by 15.3% in the current quarter under review vis-à-vis the immediate preceding quarter mainly due to higher sales orders from the palm oil industry. In line with the increase in revenue, the Group's profit before tax increased by 6.2% to RM4.57 million in the current quarter under review.

B3 Commentary on Prospects

Notwithstanding the economic uncertainty brought about by the coronavirus outbreak and the political uncertainty in our country at present, the Group will continue to strive hard to pursue 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 our profitability.

Premised on the above and barring any unforeseen circumstances, the Group expects our prospects and performance for the financial year ending 31 December 2020 to be satisfactory.

B4 Profit Forecast

Not applicable.

B5 Tax Expense

| RM'000 | 3 months ended | | 12 months ended | |
|--------------------------|----------------|--------------|-----------------|--------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| Income tax | 1,453 | 1,707 | 4,916 | 5,141 |
| Total tax expense | 1,453 | 1,707 | 4,916 | 5,141 |

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 by the Company as at the date of this report.

B7 Borrowings (secured)

| RM'000 | As at | As at |
|------------------------------|--------------|--------------|
| | 31.12.2019 | 31.12.2018 |
| Lease liabilities | 335 | 24 |
| Term loan | 598 | 1,186 |
| Long term borrowings | 933 | 1,210 |
| Lease liabilities | 198 | 137 |
| Term loan | 588 | 588 |
| Short term borrowings | 786 | 725 |
| Total borrowings | 1,719 | 1,935 |

All borrowings are denominated in Ringgit Malaysia. Overall, the decrease in borrowings of RM0.2 million was mainly due to the repayment instalments of the term loan.

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.

B8 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 was held for a total of 31 days between the period from 26 April 2016 to 12 February 2020. 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 pending arbitration award 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.

B9 Proposed Dividends

On 27 February 2020, the Board has declared and approved the payment of a second single-tier dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2019. The dividend will be paid on 31 March 2020 to shareholders registered in the Record of Depositors as at 16 March 2020. With this payment of second dividend, the total payment of dividends by the Company for the financial year ended 31 December 2019 amounts to 1.75 sen per ordinary share.

B10 Earnings Per Share ("EPS")

| | 3 months ended | | 12 months ended | |
|--|----------------|------------|-----------------|------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| Profit attributable to owners of the Company (RM'000) | 3,140 | 4,368 | 14,256 | 14,988 |
| Weighted average number of ordinary shares in issue ('000) | 304,010 | 298,005 | 301,788 | 298,005 |
| Effect of warrants outstanding ('000) | 61,123 | 51,656 | 53,951 | 44,136 |
| Weighted average number of ordinary shares assumed in issue ('000) | 365,133 | 349,661 | 355,739 | 342,141 |
| Basic EPS (sen) | 1.0 | 1.5 | 4.7 | 5.0 |
| Diluted EPS (sen) | 0.9 | 1.2 | 4.0 | 4.4 |

B11 Financial Instruments

As at the date of this report, the Group has not entered into any derivatives.

B12 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2018 was unqualified.

B13 Profit Before Tax

| RM'000 | 3 months ended | | 12 months ended | |
|--|----------------|------------|-----------------|------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| Profit before tax is arrived at after crediting/(charging): | | | | |
| Interest income | 148 | 189 | 1,260 | 1,059 |
| Interest expense | (4) | (2) | (7) | (9) |
| Depreciation | (289) | (288) | (1,111) | (974) |
| Reversal of allowance for expected credit losses | 231 | 437 | 208 | 273 |
| Bad debt written off | - | (253) | - | (253) |
| Realised gain/(loss) on foreign exchange | (1) | 43 | 8 | (51) |
| Unrealised (loss)/gain on foreign exchange | (114) | (23) | (86) | 29 |
| Gain on disposal of property, plant and equipment | - | 3 | 17 | 3 |
| Goodwill written off | - | - | - | (2) |
| Property, plant and equipment written off | - | - | - | (2) |

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.