



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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

19 August 2020

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2020**  
(These figures have not been audited)

| RM'000                            | Note | Current quarter<br>3 months ended |              | Cumulative quarter<br>6 months ended |              |
|-----------------------------------|------|-----------------------------------|--------------|--------------------------------------|--------------|
|                                   |      | 30.06.2020                        | 30.06.2019   | 30.06.2020                           | 30.06.2019   |
| Revenue                           | A7   | 19,997                            | 19,299       | 39,686                               | 45,212       |
| Cost of sales                     |      | (13,907)                          | (12,663)     | (27,020)                             | (29,857)     |
| Gross profit                      |      | 6,090                             | 6,636        | 12,666                               | 15,355       |
| Other income                      |      | 894                               | 1,027        | 1,633                                | 1,512        |
| Selling and distribution expenses |      | (166)                             | (150)        | (439)                                | (469)        |
| Administration expenses           |      | (2,066)                           | (2,142)      | (4,757)                              | (4,542)      |
| Other expenses                    |      | (554)                             | (302)        | (855)                                | (789)        |
| Finance costs                     |      | (4)                               | (2)          | (7)                                  | (3)          |
| Profit before tax                 | B13  | 4,194                             | 5,067        | 8,241                                | 11,064       |
| Tax expense                       | B5   | (1,022)                           | (1,185)      | (2,105)                              | (2,657)      |
| <b>Profit for the period</b>      |      | <b>3,172</b>                      | <b>3,882</b> | <b>6,136</b>                         | <b>8,407</b> |
| Other comprehensive income        |      | -                                 | -            | -                                    | -            |
| <b>Total comprehensive income</b> |      | <b>3,172</b>                      | <b>3,882</b> | <b>6,136</b>                         | <b>8,407</b> |
| <b>Profit attributable to:</b>    |      |                                   |              |                                      |              |
| Owners of the Company             |      | 3,179                             | 3,757        | 6,278                                | 7,614        |
| Non-controlling interests         |      | (7)                               | 125          | (142)                                | 793          |
| <b>Profit for the period</b>      |      | <b>3,172</b>                      | <b>3,882</b> | <b>6,136</b>                         | <b>8,407</b> |
| <b>Total comprehensive income</b> |      |                                   |              |                                      |              |
| <b>attributable to:</b>           |      |                                   |              |                                      |              |
| Owners of the Company             |      | 3,179                             | 3,757        | 6,278                                | 7,614        |
| Non-controlling interests         |      | (7)                               | 125          | (142)                                | 793          |
| <b>Total comprehensive income</b> |      | <b>3,172</b>                      | <b>3,882</b> | <b>6,136</b>                         | <b>8,407</b> |
| <b>Earnings per share</b>         |      |                                   |              |                                      |              |
| <b>attributable to owners of</b>  |      |                                   |              |                                      |              |
| <b>the Company:</b>               |      |                                   |              |                                      |              |
| Basic (sen)                       | B10  | 1.0                               | 1.2          | 2.1                                  | 2.5          |
| Diluted (sen)                     | B10  | 0.9                               | 1.0          | 1.8                                  | 2.1          |

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)**  
**(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

| <b>RM'000</b>  | <b>Note</b> | <b>As at<br/>30.06.2020<br/>Unaudited</b> | <b>As at<br/>31.12.2019<br/>Audited</b> |
|--|-------------|---|---|
| <b>Assets</b>  |             |   |   |
| Property, plant and equipment  |             | 30,427                                    | 30,992                                  |
| Investment property  |             | 1,074                                     | 1,085                                   |
| Deferred tax assets  |             | 153                                       | 193                                     |
| <b>Non-current assets</b>  |             | <b>31,654</b>                             | <b>32,270</b>                           |
| Inventories  |             | 25,832                                    | 27,584                                  |
| Trade and other receivables  |             | 25,036                                    | 19,887                                  |
| Tax recoverable  |             | 210                                       | 55                                      |
| Financial asset at fair value through profit or loss                       |             | 3,586                                     | 2,038                                   |
| Cash and cash equivalents  |             | 63,264                                    | 62,027                                  |
| <b>Current assets</b>  |             | <b>117,928</b>                            | <b>111,591</b>                          |
| <b>Total assets</b>  |             | <b>149,582</b>                            | <b>143,861</b>                          |
| <b>Equity and liabilities</b>  |             |   |   |
| Share capital  |             | 68,835                                    | 68,835                                  |
| Merger deficit   |             | (41,477)                                  | (41,477)                                |
| Other reserves   |             | (9)                                       | (9)                                     |
| Retained earnings  |             | 104,463                                   | 101,225                                 |
| Equity attributable to owners of the Company                               |             | 131,812                                   | 128,574                                 |
| Non-controlling interests  |             | 2,369                                     | 2,511                                   |
| <b>Total equity</b>  |             | <b>134,181</b>                            | <b>131,085</b>                          |
| Borrowings (secured)   | B7          | 703                                       | 933                                     |
| Deferred tax liabilities   |             | 111                                       | 151                                     |
| <b>Non-current liabilities</b>   |             | <b>814</b>                                | <b>1,084</b>                            |
| Trade and other payables   |             | 12,951                                    | 10,042                                  |
| Borrowings (secured)   | B7          | 769                                       | 786                                     |
| Tax liabilities  |             | 867                                       | 864                                     |
| <b>Current liabilities</b>   |             | <b>14,587</b>                             | <b>11,692</b>                           |
| <b>Total liabilities</b>   |             | <b>15,401</b>                             | <b>12,776</b>                           |
| <b>Total equity and liabilities</b>  |             | <b>149,582</b>                            | <b>143,861</b>                          |
| <b>Net assets per share attributable to owners<br/>of the Company (RM)</b> |             | <b>0.43</b>                               | <b>0.42</b>                             |

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)**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

(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 | Total   |                           |              |
| RM'000                     |                                       |                |                |                   |         |                           |              |
| <b>At 1 January 2020</b>   | 68,835                                | (41,477)       | (9)            | 101,225           | 128,574 | 2,511                     | 131,085      |
| Total comprehensive income | -                                     | -              | -              | 6,278             | 6,278   | (142)                     | 6,136        |
| Dividend                   | -                                     | -              | -              | (3,040)           | (3,040) | -                         | (3,040)      |
| <b>At 30 June 2020</b>     | 68,835                                | (41,477)       | (9)            | 104,463           | 131,812 | 2,369                     | 134,181      |
| <b>At 1 January 2019</b>   | 67,034                                | (41,477)       | (9)            | 92,289            | 117,837 | 1,778                     | 119,615      |
| Total comprehensive income | -                                     | -              | -              | 7,614             | 7,614   | 793                       | 8,407        |
| Issuance of shares         | 1,800                                 | -              | -              | -                 | 1,800   | -                         | 1,800        |
| Dividend                   | -                                     | -              | -              | (3,040)           | (3,040) | -                         | (3,040)      |
| <b>At 30 June 2019</b>     | 68,834                                | (41,477)       | (9)            | 96,863            | 124,211 | 2,571                     | 126,782      |

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)**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2020**  
(These figures have not been audited)

| <b>RM'000</b>   | <b>6 months ended</b> |                   |
|---|-----------------------|-------------------|
|   | <b>30.06.2020</b>     | <b>30.06.2019</b> |
| <b>Operating activities</b>                                       |                       |                   |
| Profit before tax   | 8,241                 | 11,064            |
| Adjustments for:  |                       |                   |
| Non-cash items  | 666                   | 607               |
| Non-operating items   | (17)                  | (17)              |
| Interest income   | (916)                 | (859)             |
| Interest expense  | 7                     | 3                 |
| Operating profit before working capital changes                   | 7,981                 | 10,798            |
| Changes in working capital:                                       |                       |                   |
| Inventories   | 1,752                 | 3,078             |
| Receivables   | (5,311)               | 2,792             |
| Payables  | 2,898                 | (5,925)           |
| Cash generated from operations                                    | 7,320                 | 10,743            |
| Tax paid  | (2,257)               | (2,139)           |
| <b>Net cash from operating activities</b>                         | <b>5,063</b>          | <b>8,604</b>      |
| <b>Investing activities</b>                                       |                       |                   |
| Interest received   | 916                   | 859               |
| Withdrawal/(Placement) of fixed deposits                          | 17,053                | (9,328)           |
| Placement of financial asset at fair value through profit or loss | (1,548)               | -                 |
| Purchase of property, plant and equipment                         | (38)                  | (537)             |
| Proceeds from disposal of property, plant and equipment           | 17                    | 17                |
| <b>Net cash from/(used in) investing activities</b>               | <b>16,400</b>         | <b>(8,989)</b>    |
| <b>Financing activities</b>                                       |                       |                   |
| Proceeds from issuance of shares                                  | -                     | 1,800             |
| Dividend paid   | (3,040)               | (3,040)           |
| Interest paid   | (7)                   | (3)               |
| Placement of pledged fixed deposits                               | (19)                  | (23)              |
| Repayment of borrowings   | (247)                 | (233)             |
| <b>Net cash used in financing activities</b>                      | <b>(3,313)</b>        | <b>(1,499)</b>    |
| <b>Net changes in cash and cash equivalents</b>                   | <b>18,150</b>         | <b>(1,884)</b>    |
| Translation differences   | 121                   | (23)              |
| Cash and cash equivalents at the beginning of financial period    | 25,148                | 30,379            |
| <b>Cash and cash equivalents at the end of financial period</b>   | <b>43,419</b>         | <b>28,472</b>     |
| <b>Analysis of cash and cash equivalents</b>                      |                       |                   |
| Fixed deposits with licensed banks                                | 43,272                | 30,812            |
| Cash and bank balances  | 19,992                | 25,820            |
|   | 63,264                | 56,632            |
| Less: Fixed deposits pledged to licensed bank                     | (2,031)               | (1,970)           |
| Less: Fixed deposits as investing purposes                        | (17,814)              | (26,190)          |
|   | 43,419                | 28,472            |

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**

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 2019.

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 2019 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 2020:

- Amendments to MFRS 3, Business Combinations - Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures - Interest Rate Benchmark Reform

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 Dividend 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, measurement instruments and industrial pumps ("Trading"); (ii) the manufacture of industrial pumps ("Manufacturing"); and (iii) the provision of material handling system solutions ("MHS Solutions").

The segmental information of the Group by business activity is as follows:

### Current financial quarter ended 30 June 2020

| RM'000                            | MHS      |               |           |             | Total        |
|-----------------------------------|----------|---------------|-----------|-------------|--------------|
|                                   | Trading  | Manufacturing | Solutions | Elimination |              |
| Revenue                           | 19,711   | 690           | -         | (404)       | 19,997       |
| Cost of sales                     | (13,877) | (434)         | -         | 404         | (13,907)     |
| Gross profit                      | 5,834    | 256           | -         | -           | 6,090        |
| Add/(Less):                       |          |               |           |             |              |
| Other income                      |          |               |           |             | 894          |
| Selling and distribution expenses |          |               |           |             | (166)        |
| Administration expenses           |          |               |           |             | (2,066)      |
| Other expenses                    |          |               |           |             | (554)        |
| Finance costs                     |          |               |           |             | (4)          |
| Profit before tax                 |          |               |           |             | <u>4,194</u> |

### Preceding financial year's corresponding quarter ended 30 June 2019

| RM'000                            | MHS      |               |           |             | Total        |
|-----------------------------------|----------|---------------|-----------|-------------|--------------|
|                                   | Trading  | Manufacturing | Solutions | Elimination |              |
| Revenue                           | 18,299   | 1,270         | -         | (270)       | 19,299       |
| Cost of sales                     | (12,057) | (876)         | -         | 270         | (12,663)     |
| Gross profit                      | 6,242    | 394           | -         | -           | 6,636        |
| Add/(Less):                       |          |               |           |             |              |
| Other income                      |          |               |           |             | 1,027        |
| Selling and distribution expenses |          |               |           |             | (150)        |
| Administration expenses           |          |               |           |             | (2,142)      |
| Other expenses                    |          |               |           |             | (302)        |
| Finance costs                     |          |               |           |             | (2)          |
| Profit before tax                 |          |               |           |             | <u>5,067</u> |

### Current financial year-to-date ended 30 June 2020

| RM'000                            | MHS      |               |           |             | Total        |
|-----------------------------------|----------|---------------|-----------|-------------|--------------|
|                                   | Trading  | Manufacturing | Solutions | Elimination |              |
| Revenue                           | 39,270   | 1,120         | 6         | (710)       | 39,686       |
| Cost of sales                     | (26,889) | (836)         | (5)       | 710         | (27,020)     |
| Gross profit                      | 12,381   | 284           | 1         | -           | 12,666       |
| Add/(Less):                       |          |               |           |             |              |
| Other income                      |          |               |           |             | 1,633        |
| Selling and distribution expenses |          |               |           |             | (439)        |
| Administration expenses           |          |               |           |             | (4,757)      |
| Other expenses                    |          |               |           |             | (855)        |
| Finance costs                     |          |               |           |             | (7)          |
| Profit before tax                 |          |               |           |             | <u>8,241</u> |

**Preceding financial year's corresponding year-to-date ended 30 June 2019**

| <b>RM'000</b>                     | <b>MHS</b>     |                      |                  |                    | <b>Total</b>  |
|-----------------------------------|----------------|----------------------|------------------|--------------------|---------------|
|                                   | <b>Trading</b> | <b>Manufacturing</b> | <b>Solutions</b> | <b>Elimination</b> |               |
| Revenue                           | 37,820         | 2,232                | 5,746            | (586)              | 45,212        |
| Cost of sales                     | (24,632)       | (1,759)              | (4,052)          | 586                | (29,857)      |
| Gross profit                      | 13,188         | 473                  | 1,694            | -                  | 15,355        |
| Add/(Less):                       |                |                      |                  |                    |               |
| Other income                      |                |                      |                  |                    | 1,512         |
| Selling and distribution expenses |                |                      |                  |                    | (469)         |
| Administration expenses           |                |                      |                  |                    | (4,542)       |
| Other expenses                    |                |                      |                  |                    | (789)         |
| Finance costs                     |                |                      |                  |                    | (3)           |
| Profit before tax                 |                |                      |                  |                    | <u>11,064</u> |

A breakdown of the Group's revenue by geographical location of the sales derived from, is as follows:

| <b>RM'000</b> | <b>3 months ended</b> |                   |                | <b>6 months ended</b> |                   |                |
|---------------|-----------------------|-------------------|----------------|-----------------------|-------------------|----------------|
|               | <b>30.06.2020</b>     | <b>30.06.2019</b> | <b>Changes</b> | <b>30.06.2020</b>     | <b>30.06.2019</b> | <b>Changes</b> |
| Malaysia      | 13,673                | 16,861            | (3,188)        | 27,425                | 31,822            | (4,397)        |
| Indonesia     | 3,536                 | 2,445             | 1,091          | 6,456                 | 7,117             | (661)          |
| Others        | 2,788                 | (7)               | 2,795          | 5,805                 | 6,273             | (468)          |
| <b>Total</b>  | <b>19,997</b>         | <b>19,299</b>     | <b>698</b>     | <b>39,686</b>         | <b>45,212</b>     | <b>(5,526)</b> |

**A8 Related Party Disclosures**

Related party transactions of the Group are as follows:

| <b>RM'000</b>   | <b>3 months ended</b> |                   | <b>6 months ended</b> |                   |
|---|-----------------------|-------------------|-----------------------|-------------------|
|   | <b>30.06.2020</b>     | <b>30.06.2019</b> | <b>30.06.2020</b>     | <b>30.06.2019</b> |
| Companies in which certain Directors of the Company have interests:                     |                       |                   |                       |                   |
| Sales of goods  | 13                    | 80                | 54                    | 119               |
| Companies in which certain Directors of the subsidiaries of the Company have interests: |                       |                   |                       |                   |
| Sales of goods  | -                     | -                 | -                     | 5,746             |
| Purchase of goods   | -                     | -                 | 5                     | 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, as follows:

| <b>Contingent liability</b>                                     | <b>As at</b>      |
|---|-------------------|
| <b>RM'000</b>   | <b>30.06.2020</b> |
| 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**

The Company has, on 3 August 2020, completed the acquisition of 1,400,000 ordinary shares (equivalent to 70% equity interest) in MTL Engineering Sdn Bhd.

Save as disclosed above, there were no other material events subsequent to the end of the current quarter under review.

**DANCOMECH HOLDINGS BERHAD**  
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**PART B: EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET  
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1 Performance Review - Comparison with Preceding Year Corresponding Quarter**

| <b>RM'000</b>     | <b>3 months ended</b> |                   | <b>6 months ended</b> |                   |
|-------------------|-----------------------|-------------------|-----------------------|-------------------|
|                   | <b>30.06.2020</b>     | <b>30.06.2019</b> | <b>30.06.2020</b>     | <b>30.06.2019</b> |
| Revenue           | 19,997                | 19,299            | 39,686                | 45,212            |
| Profit before tax | 4,194                 | 5,067             | 8,241                 | 11,064            |

The Group recorded a marginal increase in revenue of 3.6% from RM19.30 million in the corresponding quarter of the preceding year to RM20.00 million in the current quarter under review, which was mainly due to the higher demand for our products from the overseas customers in the oil and gas and palm oil and oleochemicals industries. Notwithstanding the marginal increase in revenue, the Group recorded a lower profit before tax in the current quarter under review (i.e. decreased by 17.4% from RM5.07 million in the corresponding quarter of the preceding year to RM4.19 million in the current quarter under review). The decrease in profit before tax was mainly due to the lower gross profit margin recorded by the Group (Current quarter: 30.5%; Corresponding quarter: 34.4%) arising from lower margin derived from sales to our customers in the oil and gas industry.

The Group recorded a decrease in revenue of 12.2% from RM45.21 million in the corresponding six (6) - month period of the preceding year to RM39.69 million in the six (6) - month period of the current year. The decrease in revenue was mainly due to the lower revenue derived by our MHS Solutions Division as it had completed delivery for an overseas project in the corresponding six (6) - month period of the preceding year while new projects have yet to be obtained. Our Manufacturing Division also recorded lower revenue due to the imposition of the Movement Control Order. In line with the decrease in revenue and gross profit margin, the Group recorded lower profit before tax in the six (6) - month period of the current year vis-a-vis that of the corresponding six (6) - month period of the preceding year (a drop of RM2.82 million, equivalent to 25.5%).

**B2 Comparison with Immediate Preceding Quarter**

| <b>RM'000</b>     | <b>3 months ended</b> |                   |                |
|-------------------|-----------------------|-------------------|----------------|
|                   | <b>30.06.2020</b>     | <b>31.03.2020</b> | <b>Changes</b> |
| Revenue           | 19,997                | 19,689            | 308            |
| Profit before tax | 4,194                 | 4,047             | 147            |

The Group recorded a marginal increase in revenue of 1.6% in the current quarter under review vis-à-vis the immediate preceding quarter mainly due to the increase in revenue contribution from our Manufacturing Division and Trading Division in the current quarter. The Group's profit before tax increased by 3.6% in the current quarter under review vis-à-vis the immediate preceding quarter mainly due to lower expenses incurred and higher other income, but this was partly offset by lower gross profit arising from lower margins.

### B3 Commentary on Prospects

The Covid-19 pandemic has resulted in high uncertainties in the global and domestic economic and financial conditions, and any prolonged impact of the pandemic will only cause greater uncertainties to the global and domestic markets.

Nonetheless, the Group will continue to strive hard to pursue sales in the domestic and overseas markets, where circumstances permit. In addition, the Company's acquisition of 70% equity interest in MTL Engineering Sdn Bhd is expected to contribute positively to the Group moving forward, barring any unforeseen circumstances. Further to that, 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, given the uncertainties we are currently facing.

### B4 Profit Forecast

Not applicable.

### B5 Tax Expense

| RM'000                   | 3 months ended |              | 6 months ended |              |
|--------------------------|----------------|--------------|----------------|--------------|
|                          | 30.06.2020     | 30.06.2019   | 30.06.2020     | 30.06.2019   |
| Income tax               | 1,022          | 1,185        | 2,105          | 2,657        |
| <b>Total tax expense</b> | <b>1,022</b>   | <b>1,185</b> | <b>2,105</b>   | <b>2,657</b> |

The effective tax rate of the Group for the current quarter under review and the six (6) - month period of the current financial year is higher than the statutory tax rate of 24% mainly due to tax losses for which no deferred tax asset is provided.

### B6 Status of Corporate Proposals and Utilisation of Proceeds

As at the date of this report:

- (i) there are no corporate proposals announced but not completed by the Company; and
- (ii) all proceeds from corporate proposals implemented by the Company in the past have been fully utilised.

### B7 Borrowings (secured)

| RM'000                       | As at        | As at        |
|------------------------------|--------------|--------------|
|                              | 30.06.2020   | 31.12.2019   |
| Lease liabilities            | 252          | 335          |
| Term loan                    | 451          | 598          |
| <b>Long term borrowings</b>  | <b>703</b>   | <b>933</b>   |
| Lease liabilities            | 181          | 198          |
| Term loan                    | 588          | 588          |
| <b>Short term borrowings</b> | <b>769</b>   | <b>786</b>   |
| <b>Total borrowings</b>      | <b>1,472</b> | <b>1,719</b> |

All the borrowings are denominated in Ringgit Malaysia. Overall, the decrease in the borrowings of RM0.25 million was due to the repayment instalments of the borrowings.

The weighted average interest rate of the hire purchases based on fixed interest rate is approximately 1.88%. No interest was incurred for the term loan which is under a 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 Adjudication 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 Dividend

On 19 August 2020, the Board has declared and approved the payment of a first single-tier dividend of 0.75 sen per ordinary share in respect of the financial year ending 31 December 2020. The dividend will be paid on 25 September 2020 to shareholders registered in the Record of Depositors as at 8 September 2020.

## B10 Earnings per Share ("EPS")

|  | 3 months ended |            | 6 months ended |            |
|--|----------------|------------|----------------|------------|
|  | 30.06.2020     | 30.06.2019 | 30.06.2020     | 30.06.2019 |
| Profit attributable to owners of the Company (RM'000)              | 3,179          | 3,757      | 6,278          | 7,614      |
| Weighted average number of ordinary shares in issue ('000)         | 304,010        | 301,038    | 304,010        | 299,530    |
| Effect of warrants outstanding ('000)                              | 34,152         | 72,846     | 40,844         | 67,919     |
| Weighted average number of ordinary shares assumed in issue ('000) | 338,162        | 373,884    | 344,854        | 367,449    |
| <b>Basic EPS (sen)</b>   | <b>1.0</b>     | <b>1.2</b> | <b>2.1</b>     | <b>2.5</b> |
| <b>Diluted EPS (sen)</b>   | <b>0.9</b>     | <b>1.0</b> | <b>1.8</b>     | <b>2.1</b> |

**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 of the Group for the financial year ended 31 December 2019 was unqualified.

**B13 Profit Before Tax**

| RM'000   | 3 months ended |            | 6 months ended |            |
|--|----------------|------------|----------------|------------|
|  | 30.06.2020     | 30.06.2019 | 30.06.2020     | 30.06.2019 |
| <b>Profit before tax is arrived at after crediting/(charging):</b> |                |            |                |            |
| Interest income  | 618            | 671        | 916            | 859        |
| Depreciation   | (306)          | (281)      | (614)          | (543)      |
| Interest expense   | (4)            | (2)        | (7)            | (3)        |
| Gain on disposal of property, plant and equipment                  | -              | -          | 17             | 17         |
| (Provision for)/Reversal of expected credit losses                 | (265)          | 50         | (265)          | (23)       |
| Realised (loss)/gain on foreign exchange                           | (84)           | 24         | (69)           | (14)       |
| Unrealised gain/(loss) on foreign exchange                         | 39             | 34         | 213            | (41)       |

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.