



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2021

25 May 2021

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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 FIRST QUARTER ENDED 31 MARCH 2021

(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		31.03.2021	31.03.2020	31.03.2021	31.03.2020
Revenue	A7	41,011	19,689	41,011	19,689
Cost of sales		(33,493)	(13,113)	(33,493)	(13,113)
Gross profit		7,518	6,576	7,518	6,576
Other income		581	739	581	739
Selling and distribution expenses		(146)	(273)	(146)	(273)
Administration expenses		(3,314)	(2,691)	(3,314)	(2,691)
Other expenses		(244)	(301)	(244)	(301)
Finance costs		(83)	(3)	(83)	(3)
Share of loss in an associate		(51)	-	(51)	-
Profit before tax	B13	4,261	4,047	4,261	4,047
Tax expense	B5	(1,143)	(1,083)	(1,143)	(1,083)
Profit for the period		3,118	2,964	3,118	2,964
Other comprehensive income		-	-	-	-
Total comprehensive income		3,118	2,964	3,118	2,964
Profit attributable to:					
Owners of the Company		2,876	3,099	2,876	3,099
Non-controlling interests		242	(135)	242	(135)
Profit for the period		3,118	2,964	3,118	2,964
Total comprehensive income attributable to:					
Owners of the Company		2,876	3,099	2,876	3,099
Non-controlling interests		242	(135)	242	(135)
Total comprehensive income		3,118	2,964	3,118	2,964
Earnings per share attributable to owners of the Company:					
Basic (sen)	B10	0.9	1.0	0.9	1.0
Diluted (sen)	B10	0.8	0.9	0.8	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
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

RM'000	Note	As at 31.03.2021 Unaudited	As at 31.12.2020 Audited
Assets			
Property, plant and equipment		62,315	62,800
Investment property		1,057	1,063
Investment in an associate		76	127
Deferred tax assets		86	86
Non-current assets		63,534	64,076
Inventories		36,254	38,505
Trade and other receivables		62,119	41,590
Tax recoverable		398	282
Financial asset at fair value through profit or loss		4,055	3,623
Cash and cash equivalents		49,551	52,571
Current assets		152,377	136,571
Total assets		215,911	200,647
Equity and liabilities			
Share capital		70,694	70,362
Merger deficit		(41,477)	(41,477)
Retained earnings		110,685	111,683
Equity attributable to owners of the Company		139,902	140,568
Non-controlling interests		13,332	13,090
Total equity		153,234	153,658
Borrowings (secured)	B7	7,933	8,508
Deferred tax liabilities		2,397	2,397
Non-current liabilities		10,330	10,905
Trade and other payables		48,613	32,042
Borrowings (secured)	B7	2,607	2,602
Tax liabilities		1,127	1,440
Current liabilities		52,347	36,084
Total liabilities		62,677	46,989
Total equity and liabilities		215,911	200,647
Net assets per share attributable to owners of the Company (RM)		0.45	0.45

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2021

(These figures have not been audited)

RM'000	Attributable to owners of the Company				Total	Non- controlling interests	Total equity
	Share capital	Merger deficit	Other reserves	Retained earnings			
At 1 January 2021	70,362	(41,477)	-	111,683	140,568	13,090	153,658
Total comprehensive income	-	-	-	2,876	2,876	242	3,118
Dividend	-	-	-	(3,874)	(3,874)	-	(3,874)
Issuance of shares by the Company	332	-	-	-	332	-	332
At 31 March 2021	70,694	(41,477)	-	110,685	139,902	13,332	153,234
At 1 January 2020	68,835	(41,477)	(9)	101,225	128,574	2,511	131,085
Total comprehensive income	-	-	-	3,099	3,099	(135)	2,964
Dividend	-	-	-	(3,040)	(3,040)	-	(3,040)
At 31 March 2020	68,835	(41,477)	(9)	101,284	128,633	2,376	131,009

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
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2021

(These figures have not been audited)

RM'000	3 months ended	
	31.03.2021	31.03.2020
Cash flows from operating activities		
Profit before tax	4,261	4,047
Adjustments for:		
Non-cash items	764	134
Non-operating items	-	(17)
Interest income	(43)	(298)
Interest expense	83	3
Operating profit before working capital changes	5,065	3,869
Changes in working capital:		
Inventories	2,251	3,778
Receivables	(20,372)	(6,088)
Payables	12,605	2,718
Cash (used in)/generated from operations	(451)	4,277
Tax paid	(1,572)	(1,202)
Net cash (used in)/from operating activities	(2,023)	3,075
Cash flows from investing activities		
Interest received	43	298
Withdrawal of fixed deposits	239	16,430
Placement of financial asset at fair value through profit or loss	(432)	(1,524)
Purchase of property, plant and equipment	(336)	(5)
Proceeds from disposal of property, plant and equipment	-	17
Net cash (used in)/from investing activities	(486)	15,216
Cash flows from financing activities		
Proceeds from issuance of shares	332	-
Dividend paid	-	(3,040)
Interest paid	(83)	(3)
Placement of pledged fixed deposits	(4,064)	-
Repayment of borrowings	(570)	(205)
Net cash used in financing activities	(4,385)	(3,248)
Net changes in cash and cash equivalents	(6,894)	15,043
Translation differences	49	99
Cash and cash equivalents at the beginning of financial period	29,812	25,148
Cash and cash equivalents at the end of financial period	22,967	40,290
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	27,469	33,619
Cash and bank balances	22,082	27,120
	49,551	60,739
Less: Fixed deposits pledged to licensed banks	(6,122)	(2,011)
Less: Fixed deposits for investing purposes	(20,462)	(18,438)
	22,967	40,290

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 2020.

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 2020 except for the adoption of the new MFRS, Amendments to MFRS and IC Interpretations that are mandatory for annual financial periods beginning on or after 1 January 2021.

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

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

Save as disclosed in this report, 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

Save for the issuance and listing of a total of 1,105,000 new ordinary shares in February and March 2021 arising from the exercise of 1,105,000 warrants by certain warrant holders, there were no other issuances, repurchases or repayments of debt and equity securities by the Company during the current quarter under review. The enlarged share capital of the Company pursuant to the issuance and listing of the said 1,105,000 new ordinary shares, comprises 310,205,000 ordinary shares.

A6 Dividends Paid

	31.03.2021	31.03.2020
For the financial year ended	-	31 December 2019
Approved and declared on	-	27 February 2020
Date of payment	-	31 March 2020
Number of ordinary shares on which dividends were paid	-	304,010,000
Dividend per share (single-tier)	-	1 sen
Net dividend paid (RM)	-	3,040,100

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 ("Pump Manufacturing"); (iii) the provision of material handling system solutions ("MHS Solutions"); and (iv) the production of metal stamping parts and components, and design and manufacture of tools and dies ("Metal Stamping") (via the acquisition of 70% equity interest in MTL Engineering Sdn Bhd on 3 August 2020).

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

Current financial quarter/year-to-date ended 31 March 2021

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	Elimination	Total
Revenue	24,125	1,084	-	16,712	(910)	41,011
Cost of sales	(18,422)	(819)	-	(15,162)	910	(33,493)
Gross profit	5,703	265	-	1,550	-	7,518
Add/(Less):						
Other income						581
Selling and distribution expenses						(146)
Administration expenses						(3,314)
Other expenses						(244)
Finance costs						(83)
Share of loss in an associate						(51)
Profit before tax						<u>4,261</u>

Preceding financial year's corresponding quarter/year-to-date ended 31 March 2020

RM'000	Trading	Pump Manufacturing	MHS Solutions	Elimination	Total
Revenue	19,559	430	6	(306)	19,689
Cost of sales	(13,012)	(402)	(5)	306	(13,113)
Gross profit	6,547	28	1	-	6,576
Add/(Less):					
Other income					739
Selling and distribution expenses					(273)
Administration expenses					(2,691)
Other expenses					(301)
Finance costs					(3)
Profit before tax					<u>4,047</u>

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

RM'000	3 months ended		Changes
	31.03.2021	31.03.2020	
Malaysia	34,813	13,752	21,061
Indonesia	5,622	2,920	2,702
Others	576	3,017	(2,441)
Total	41,011	19,689	21,322

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended	
	31.03.2021	31.03.2020
Companies in which certain Directors of the Company have interests:		
Sales of goods	42	41
Purchase of goods	74	-
Companies in which certain Directors of the subsidiaries of the Company have interests:		
Sales of goods	257	-
Management fee	3	-
Purchase of goods	-	5

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

Save as disclosed below, there were no material capital commitments in respect of property, plant and equipment as at the end of the current quarter under review:

RM'000	As at 31.03.2021
Approved but not contracted for	7,300
Contracted but not provided for	1,980

A11 Contingent Assets and Liabilities

There were no contingent assets and contingent liabilities during the current quarter under review.

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 15 April 2021, completed the acquisition of 82,500 ordinary shares (equivalent to 55% equity interest) in UTC Engineering Sdn Bhd ("UTC") for a cash consideration of RM2,750,000. UTC is principally involved in the electrical, electronic and instrumentation engineering business.

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

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

B1 Performance Review - Comparison with Preceding Year's Corresponding Quarter

RM'000	3 months ended		Changes
	31.03.2021	31.03.2020	
Revenue	41,011	19,689	21,322
Profit before tax	4,261	4,047	214

The Group's revenue increased from RM19.69 million in the corresponding quarter of the preceding year to RM41.01 million in the current quarter under review, mainly due to the revenue contribution of RM16.71 million from our Metal Stamping business (which the Group acquired on 3 August 2020), coupled with higher sales to the palm oil and oleochemicals, and water and waste water industries by our Trading business.

In spite of the increase in revenue, the Group showed a marginal increase in profit before tax of RM0.2 million (equivalent to 5.3%) in the current quarter under review due to lower gross profit margin recorded by our Trading business (as some of the projects had lower margins) and the low gross profit margin of our Metal Stamping business (given the nature of the business), coupled with the consolidation of the expenses of our Metal Stamping business.

B2 Comparison with Immediate Preceding Quarter

RM'000	3 months ended		Changes
	31.03.2021	31.12.2020	
Revenue	41,011	42,378	(1,367)
Profit before tax	4,261	5,823	(1,562)

The Group's revenue showed a marginal decrease of RM1.37 million (equivalent to 3.2%) for the current quarter under review as compared to that of the immediate preceding quarter, mainly due to lower revenue recorded by our Metal Stamping business, which was affected by the imposition of the movement control order.

In line with the decrease in revenue, the Group recorded a decrease in profit before tax of RM1.56 million (equivalent to 26.8%) for the current quarter under review as compared to that of the immediate preceding quarter.

B3 Commentary on Prospects

The Covid-19 pandemic has resulted in high uncertainty in the global and domestic economic environment, and any prolonged impact of the pandemic will continue to pose uncertainty and challenges to the global and domestic markets.

Despite the challenges ahead, the Group will continue to strive hard to pursue sales in the domestic and overseas markets, where circumstances permit. In addition, the Group will continue to seek and explore potential opportunities for acquisitions and collaborations in order to enhance our profitability. Our recent acquisition of 55% equity interest in UTC (as disclosed in Note A13 above) will provide the Group with the opportunity to venture into the business undertaken by UTC and generate an additional income stream to the Group.

Premised on the above and barring any unforeseen circumstances, the Group expects our prospects and performance for the financial year ending 31 December 2021 to be satisfactory.

B4 Profit Forecast

Not applicable.

B5 Tax Expense

RM'000	3 months ended	
	31.03.2021	31.03.2020
Income tax	1,143	1,083
Total tax expense	1,143	1,083

The effective tax rate of the Group for the current quarter under review is higher than the statutory tax rate of 24% mainly due to the tax losses of certain subsidiaries 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
	31.03.2021	31.12.2020
	Unaudited	Audited
Lease liabilities	600	745
Term loans	7,333	7,763
Non-current borrowings	7,933	8,508
Lease liabilities	870	879
Term loans	1,737	1,723
Current borrowings	2,607	2,602
Total borrowings	10,540	11,110

All borrowings are denominated in Ringgit Malaysia. Overall, the decrease in borrowings of RM0.6 million was due to the repayment instalments of the borrowings.

B8 Changes in Material Litigation

As at the date of this report, the Group is not involved in any material litigation.

B9 Proposed Dividend

On 5 March 2021, the Board of Directors of the Company declared and approved the payment of a second single-tier dividend of 1.25 sen per ordinary share in respect of the financial year ended 31 December 2020. The dividend was paid on 6 April 2021.

B10 Earnings per Share ("EPS")

	3 months ended	
	31.03.2021	31.03.2020
Profit attributable to owners of the Company (RM'000)	2,876	3,099
Weighted average number of ordinary shares in issue ('000)	309,361	304,010
Effect of warrants outstanding ('000)	73,824	46,400
Weighted average number of ordinary shares assumed in issue ('000)	383,185	350,410
Basic EPS (sen)	0.9	1.0
Diluted EPS (sen)	0.8	0.9

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 2020 was unqualified.

B13 Profit Before Tax

RM'000	3 months ended	
	31.03.2021	31.03.2020
Profit before tax is arrived at after crediting/(charging):		
Interest income	43	298
Depreciation	(827)	(308)
Interest expense	(83)	(3)
Gain on disposal of property, plant and equipment	-	17
Realised gain in foreign exchange	4	15
Unrealised gain in foreign exchange	114	174

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.