



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2021

6 September 2021

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 SECOND QUARTER ENDED 30 JUNE 2021
(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		30.06.2021	30.06.2020	30.06.2021	30.06.2020
Revenue	A7	55,987	19,997	96,998	39,686
Cost of sales		(44,653)	(13,907)	(78,146)	(27,020)
Gross profit		11,334	6,090	18,852	12,666
Other income		540	894	1,121	1,633
Selling and distribution expenses		(167)	(166)	(313)	(439)
Administration expenses		(3,933)	(2,066)	(7,247)	(4,757)
Other expenses		(288)	(554)	(532)	(855)
Finance costs		(147)	(4)	(230)	(7)
Shares of loss in an associate		(26)	-	(77)	-
Profit before tax	B13	7,313	4,194	11,574	8,241
Tax expense	B5	(1,764)	(1,022)	(2,907)	(2,105)
Profit for the period		5,549	3,172	8,667	6,136
Other comprehensive income		-	-	-	-
Total comprehensive income		5,549	3,172	8,667	6,136
Profit attributable to:					
Owners of the Company		4,498	3,179	7,374	6,278
Non-controlling interests		1,051	(7)	1,293	(142)
Profit for the period		5,549	3,172	8,667	6,136
Total comprehensive income attributable to:					
Owners of the Company		4,498	3,179	7,374	6,278
Non-controlling interests		1,051	(7)	1,293	(142)
Total comprehensive income		5,549	3,172	8,667	6,136
Earnings per share attributable to owners of the Company:					
Basic (sen)	B10	1.4	1.0	2.4	2.1
Diluted (sen)	B10	1.2	0.9	1.9	1.8

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 30 JUNE 2021

RM'000	Note	As at 30.06.2021 Unaudited	As at 31.12.2020 Audited
Assets			
Property, plant and equipment		62,254	62,800
Goodwill		1,978	-
Investment property		1,052	1,063
Investment in an associate		50	127
Deferred tax assets		86	86
Non-current assets		65,420	64,076
Inventories		37,831	38,505
Trade and other receivables		48,608	41,590
Tax recoverable		337	282
Financial asset at fair value through profit or loss		3,656	3,623
Cash and cash equivalents		49,636	52,571
Current assets		140,068	136,571
Total assets		205,488	200,647
Equity and liabilities			
Share capital		70,716	70,362
Merger deficit		(41,477)	(41,477)
Retained earnings		115,183	111,683
Equity attributable to owners of the Company		144,422	140,568
Non-controlling interests		15,015	13,090
Total equity		159,437	153,658
Borrowings (secured)	B7	8,452	8,508
Deferred tax liabilities		2,412	2,397
Non-current liabilities		10,864	10,905
Trade and other payables		31,287	32,042
Borrowings (secured)	B7	2,775	2,602
Tax liabilities		1,125	1,440
Current liabilities		35,187	36,084
Total liabilities		46,051	46,989
Total equity and liabilities		205,488	200,647
Net assets per share attributable to owners of the Company (RM)		0.47	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.

DANCOMECH HOLDINGS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2021
(These figures have not been audited)

	Attributable to Owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Merger deficit	Other reserves	Retained earnings			
RM'000							
At 1 January 2021	70,362	(41,477)	-	111,683	140,568	13,090	153,658
Total comprehensive income	-	-	-	7,374	7,374	1,293	8,667
Acquisition of a subsidiary	-	-	-	-	-	632	632
Issuance of shares	354	-	-	-	354	-	354
Dividend	-	-	-	(3,874)	(3,874)	-	(3,874)
At 30 June 2021	70,716	(41,477)	-	115,183	144,422	15,015	159,437
At 1 January 2020	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)
At 30 June 2020	68,835	(41,477)	(9)	104,463	131,812	2,369	134,181

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 SECOND QUARTER ENDED 30 JUNE 2021
(These figures have not been audited)

RM'000	6 months ended	
	30.06.2021	30.06.2020
Operating activities		
Profit before tax	11,574	8,241
Adjustments for:		
Non-cash items	1,666	666
Non-operating items	-	(17)
Interest income	(292)	(916)
Interest expense	230	7
Operating profit before working capital changes	13,178	7,981
Changes in working capital:		
Inventories	2,786	1,752
Receivables	139	(5,311)
Payables	(9,676)	2,898
Cash generated from operations	6,427	7,320
Tax paid	(3,094)	(2,257)
Net cash from operating activities	3,333	5,063
Investing activities		
Interest received	292	916
Net withdrawal of fixed deposits	3,087	17,053
Placement of financial asset at fair value through profit or loss	(33)	(1,548)
Purchase of property, plant and equipment	(451)	(38)
Proceeds from disposal of property, plant and equipment	-	17
Acquisition of a subsidiary, net of cash and cash equivalents acquired	(542)	-
Net cash from investing activities	2,353	16,400
Financing activities		
Dividend paid	(3,874)	(3,040)
Interest paid	(230)	(7)
Proceeds from issuance of shares	354	-
Placement of pledged fixed deposits	(4,104)	(19)
Repayment of borrowings	(1,917)	(247)
Net cash used in financing activities	(9,771)	(3,313)
Net changes in cash and cash equivalents	(4,085)	18,150
Translation differences	133	121
Cash and cash equivalents at the beginning of financial period	29,812	25,148
Cash and cash equivalents at the end of financial period	25,860	43,419
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	25,472	43,272
Cash and bank balances	24,164	19,992
	49,636	63,264
Less: Fixed deposits pledged to licensed banks	(6,162)	(2,031)
Less: Fixed deposits as investing purposes	(17,614)	(17,814)
	25,860	43,419

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 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

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 73,000 new ordinary shares in April 2021 arising from the exercise of 73,000 warrants by a warrant holder, 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 73,000 new ordinary shares, comprises 310,278,000 ordinary shares.

A6 Dividend Paid

	30.06.2021	30.06.2020
For the financial year ended	31 December 2020	-
Declared and approved on	5 March 2021	-
Date of payment	6 April 2021	-
Number of ordinary shares on which dividends were paid	309,945,000	-
Dividend per share (single-tier)	1.25 sen	-
Net dividend paid (RM)	3,874,312	-

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"); (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); and (v) electrical, electronic and instrumentation engineering, contracting, commissioning and servicing ("E&E Engineering") (via the acquisition of 55% equity interest in UTC Engineering Sdn Bhd on 15 April 2021).

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

Current financial quarter ended 30 June 2021

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	E&E Engineering	Elimination	Total
Revenue	20,065	887	15,485	16,978	3,104	(532)	55,987
Cost of sales	(13,568)	(585)	(13,031)	(15,374)	(2,627)	532	(44,653)
Gross profit	6,497	302	2,454	1,604	477	-	11,334
Add/(Less):							
Other income							540
Selling and distribution expenses							(167)
Administration expenses							(3,933)
Other expenses							(288)
Finance costs							(147)
Share of loss in an associate							(26)
Profit before tax							<u>7,313</u>

Preceding financial year's corresponding quarter ended 30 June 2020

RM'000	Trading	Pump Manufacturing	MHS Solutions	Elimination	Total
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>

Current financial year-to-date ended 30 June 2021

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	E&E Engineering	Elimination	Total
Revenue	44,190	1,971	15,485	33,690	3,104	(1,442)	96,998
Cost of sales	(31,990)	(1,404)	(13,031)	(30,536)	(2,627)	1,442	(78,146)
Gross profit	12,200	567	2,454	3,154	477	-	18,852
Add/(Less):							
Other income							1,121
Selling and distribution expenses							(313)
Administration expenses							(7,247)
Other expenses							(532)
Finance costs							(230)
Share of loss in an associate							(77)
Profit before tax							<u>11,574</u>

Preceding financial year's corresponding year-to-date ended 30 June 2020

RM'000	Trading	Pump Manufacturing	MHS Solutions	Elimination	Total
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>

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

RM'000	3 months ended			6 months ended		
	30.06.2021	30.06.2020	Changes	30.06.2021	30.06.2020	Changes
Malaysia	35,358	13,673	21,685	70,171	27,425	42,746
Indonesia	3,168	3,536	(368)	8,790	6,456	2,334
Others	17,461	2,788	14,673	18,037	5,805	12,232
Total	55,987	19,997	35,990	96,998	39,686	57,312

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended		6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Companies in which certain Directors of the Company have interests:				
Sales of goods	12	13	54	54
Purchase of goods	-	-	74	-
Companies in which certain Directors of the subsidiaries of the Company have interests:				
Sales of goods	411	-	672	-
Management fee	3	-	6	-
Purchase of goods	5,943	-	5,961	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 30.06.2021
Approved but not contracted for	6,800
Contracted but not provided for	2,480

A11 Contingent Assets and Liabilities

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

A12 Changes in Composition of the Group

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.

The effects of the acquisition of the 55% equity interest in UTC on the Group is as follows:

	RM'000	RM'000
Purchase consideration		2,750
Provisional fair value of the identifiable net assets of UTC *	1,404	
(x) 55% equity interest	<u>55%</u>	
Share of provisional fair value of the identifiable net assets of UTC		<u>(772)</u>
Goodwill		<u>1,978</u>

Note:

* *The Group is currently undertaking a purchase price allocation exercise to determine the fair value of the identifiable assets and liabilities of UTC. In this regard, the amount of goodwill is subject to changes pending the completion of the purchase price allocation exercise.*

Save as disclosed above, there were no other changes in the composition of the Group during the current quarter under review.

A13 Material Events Subsequent to the End of the Current Quarter

There were no material events subsequent to the end of the current quarter under review.

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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

RM'000	3 months ended		6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Revenue	55,987	19,997	96,998	39,686
Profit before tax	7,313	4,194	11,574	8,241

The Group recorded an increase in revenue of 180.0% from RM20.00 million in the corresponding quarter of the preceding year to RM55.99 million in the current quarter under review. This was mainly due to the revenue contribution of RM16.98 million from our Metal Stamping business (which the Group acquired on 3 August 2020) and RM3.10 million from our E&E Engineering business (which the Group acquire on 15 April 2021), coupled with the increase in revenue contribution of RM15.48 million from our MHS Solutions business (from the progress of its project at Jurong Port, Singapore, as announced by the Company to Bursa Malaysia Securities Berhad on 7 September 2020).

Owing to the increase in revenue, the Group recorded an increase in profit before tax of 74.5% from RM4.19 million in the corresponding quarter of the preceding year to RM7.31 million in the current quarter under review.

The Group recorded an increase in revenue of 144.4% from RM39.69 million in the corresponding six (6) - month period of the preceding year to RM97.00 million in the six (6) - month period of the current year. The increase was mainly due to the revenue contribution from our Metal Stamping and E&E Engineering businesses, coupled with the higher revenue contribution from our MHS Solutions business, as mentioned above.

Similarly, the Group recorded an increase in profit before tax of 40.4% from RM8.24 million in the corresponding six (6) - month period of the preceding year to RM11.57 million in the six (6) - month period of the current year, mainly due to the increase in revenue.

B2 Comparison with Immediate Preceding Quarter

RM'000	3 months ended		Changes
	30.06.2021	31.03.2021	
Revenue	55,987	41,011	14,976
Profit before tax	7,313	4,261	3,052

The Group recorded an increase in revenue of 36.5% from RM41.01 million in the immediate preceding quarter to RM55.99 million in the current quarter under review mainly due to the increase in revenue contribution of RM15.48 million from our MHS Solutions Division, and revenue contribution of RM3.10 million from our E&E Engineering business, but this was partly offset by the decrease of RM4.06 million in the revenue of our Trading business.

Owing to the increase in revenue, coupled with the higher gross profit margin recorded by our Trading business, the Group recorded an increase in profit before tax of 71.6% from RM4.26 million in the immediate preceding quarter to RM7.31 million in the current quarter under review.

B3 Commentary on Prospects

The Covid-19 pandemic has resulted in high uncertainties in the global and domestic economic environment, and any prolonged impact of the pandemic will continue to pose uncertainties 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 acquisition of 55% equity interest in UTC (as disclosed in Note A12 above) has provided 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		6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Income tax	1,764	1,022	2,907	2,105
Total tax expense	1,764	1,022	2,907	2,105

The effective tax rate of the Group for the current quarter under review and the six (6) - month period of the current year was slightly higher than the statutory tax rate of 24% mainly due to the tax losses of certain subsidiaries for which no deferred tax asset was 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
	30.06.2021	31.12.2020
Lease liabilities	696	745
Term loans	7,756	7,763
Long term borrowings	8,452	8,508
Lease liabilities	861	879
Term loans	1,914	1,723
Short term borrowings	2,775	2,602
Total borrowings	11,227	11,110

All the borrowings are denominated in Ringgit Malaysia. Overall, the marginal increase in the borrowings of RM0.12 million was mainly due to the consolidation of the financial position of UTC, but this was partly offset by the repayment instalments of the borrowings by the Group.

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 6 September 2021, 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 2021. The dividend will be paid on 7 October 2021 to shareholders registered in the Record of Depositors as at 22 September 2021.

B10 Earnings per Share ("EPS")

	3 months ended		6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Profit attributable to owners of the Company (RM'000)	4,498	3,179	7,374	6,278
Weighted average number of ordinary shares in issue ('000)	310,273	304,010	309,820	304,010
Effect of warrants outstanding ('000)	66,433	34,152	72,112	40,844
Weighted average number of ordinary shares assumed in issue ('000)	376,706	338,162	381,932	344,854
Basic EPS (sen)	1.4	1.0	2.4	2.1
Diluted EPS (sen)	1.2	0.9	1.9	1.8

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		6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Profit before tax is arrived at after crediting/(charging):				
Interest income	249	618	292	916
Depreciation	(868)	(306)	(1,695)	(614)
Interest expense	(147)	(4)	(230)	(7)
Gain on disposal of property, plant and equipment	-	-	-	17
Provision for expected credit losses	(38)	(265)	(38)	(265)
Realised loss on foreign exchange	(33)	(84)	(29)	(69)
Unrealised gain on foreign exchange	30	39	144	213

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.