



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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021**

18 November 2021

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30.09.2021	30.09.2020	30.09.2021	30.09.2020
Revenue	A7	44,152	36,708	141,150	76,394
Cost of sales		(34,211)	(27,698)	(112,357)	(54,718)
Gross profit		9,941	9,010	28,793	21,676
Other income		747	1,886	1,868	3,519
Selling and distribution expenses		(373)	(159)	(686)	(598)
Administration expenses		(3,730)	(3,010)	(10,977)	(7,767)
Other expenses		(216)	(322)	(748)	(1,177)
Finance costs		(57)	(51)	(287)	(58)
Shares of loss in an associate		(24)	-	(101)	-
Profit before tax	B13	6,288	7,354	17,862	15,595
Tax expense	B5	(1,678)	(1,584)	(4,585)	(3,689)
Profit for the period		4,610	5,770	13,277	11,906
Other comprehensive income		-	-	-	-
Total comprehensive income		4,610	5,770	13,277	11,906
Profit attributable to:					
Owners of the Company		3,663	5,650	11,037	11,928
Non-controlling interests		947	120	2,240	(22)
Profit for the period		4,610	5,770	13,277	11,906
Total comprehensive income attributable to:					
Owners of the Company		3,663	5,650	11,037	11,928
Non-controlling interests		947	120	2,240	(22)
Total comprehensive income		4,610	5,770	13,277	11,906
Earnings per share attributable to owners of the Company:					
Basic (sen)	B10	1.1	1.9	3.5	3.9
Diluted (sen)	B10	1.0	1.6	2.9	3.4

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 30 SEPTEMBER 2021

RM'000	Note	As at 30.09.2021 Unaudited	As at 31.12.2020 Audited
Assets			
Property, plant and equipment		63,412	62,800
Goodwill		1,978	-
Investment property		1,046	1,063
Investment in an associate		26	127
Deferred tax assets		86	86
Non-current assets		66,548	64,076
Inventories		42,359	38,505
Trade and other receivables		49,532	41,590
Tax recoverable		440	282
Financial asset at fair value through profit or loss		3,605	3,623
Cash and cash equivalents		61,211	52,571
Current assets		157,147	136,571
Total assets		223,695	200,647
Equity and liabilities			
Share capital		75,821	70,362
Merger deficit		(41,477)	(41,477)
Retained earnings		116,395	111,683
Equity attributable to owners of the Company		150,739	140,568
Non-controlling interests		15,962	13,090
Total equity		166,701	153,658
Borrowings (secured)	B7	9,696	8,508
Deferred tax liabilities		2,412	2,397
Non-current liabilities		12,108	10,905
Trade and other payables		38,927	32,042
Dividend payable		2,451	-
Borrowings (secured)	B7	3,086	2,602
Tax liabilities		422	1,440
Current liabilities		44,886	36,084
Total liabilities		56,994	46,989
Total equity and liabilities		223,695	200,647
Net assets per share attributable to owners of the Company (RM)		0.46	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 THIRD QUARTER ENDED 30 SEPTEMBER 2021

(These figures have not been audited)

	Attributable to Owners of the Company					Non-controlling interests	Total equity
	Non-Distributable		Distributable				
RM'000	Share capital	Merger deficit	Other reserves	Retained earnings	Total		
At 1 January 2021	70,362	(41,477)	-	111,683	140,568	13,090	153,658
Total comprehensive income	-	-	-	11,037	11,037	2,240	13,277
Acquisition of a subsidiary	-	-	-	-	-	632	632
Issuance of shares	5,459	-	-	-	5,459	-	5,459
Dividends	-	-	-	(6,325)	(6,325)	-	(6,325)
At 30 September 2021	75,821	(41,477)	-	116,395	150,739	15,962	166,701
At 1 January 2020	68,835	(41,477)	(9)	101,225	128,574	2,511	131,085
Total comprehensive income	-	-	-	11,928	11,928	(22)	11,906
Acquisition of subsidiaries	-	-	-	-	-	10,394	10,394
Dividends	-	-	-	(5,320)	(5,320)	-	(5,320)
At 30 September 2020	68,835	(41,477)	(9)	107,833	135,182	12,883	148,065

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 THIRD QUARTER ENDED 30 SEPTEMBER 2021
(These figures have not been audited)

RM'000	9 months ended	
	30.09.2021	30.09.2020
Operating activities		
Profit before tax	17,862	15,595
Adjustments for:		
Non-cash items	2,506	868
Non-operating items	-	(1,274)
Interest income	(388)	(1,140)
Interest expense	287	58
Operating profit before working capital changes	20,267	14,107
Changes in working capital:		
Inventories	(1,742)	667
Receivables	(690)	(1,041)
Payables	(2,027)	(2,204)
Cash generated from operations	15,808	11,529
Tax paid	(5,578)	(3,012)
Net cash from operating activities	10,230	8,517
Investing activities		
Interest received	388	1,140
Net withdrawal of fixed deposits	3,040	22,610
Purchase of property, plant and equipment	(2,490)	(194)
Proceeds from disposal of property, plant and equipment	-	17
Withdrawal/(Placement) of financial asset at fair value through profit or loss	18	(1,567)
Acquisition of a subsidiary, net of cash and cash equivalents acquired	(542)	(16,936)
Net cash from investing activities	414	5,070
Financing activities		
Dividends paid	(3,874)	(5,320)
Proceeds from issuance of shares	5,459	-
Interest paid	(287)	(58)
Placement of pledged fixed deposits	(4,117)	(38)
Net repayment of borrowings	(362)	(562)
Net cash used in financing activities	(3,181)	(5,978)
Net changes in cash and cash equivalents	7,463	7,609
Translation differences	100	92
Cash and cash equivalents at the beginning of financial period	29,812	25,148
Cash and cash equivalents at the end of reporting period	37,375	32,849
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	26,126	28,687
Cash and bank balances	35,085	18,469
	61,211	47,156
Less: Fixed deposits pledged with licensed banks	(6,175)	(2,049)
Less: Fixed deposits as investing purposes	(17,661)	(12,258)
	37,375	32,849

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 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 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

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 of 17,017,600 new ordinary shares in August and September 2021 arising from the exercise of 17,017,600 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 of the said 17,017,600 new ordinary shares, comprises 327,295,600 ordinary shares.

A6 Dividends Paid

The following dividends were paid during the current quarter under review and previous year's corresponding financial quarter:

	30.09.2021	30.09.2020
For the financial year ended	-	31 December 2020
Declared and approved on	-	19 August 2020
Date of payment	-	25 September 2020
Number of ordinary shares on which dividends were paid	-	304,010,000
Dividend per share (single-tier)	-	0.75 sen
Net dividend paid (RM)	-	2,280,075

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 ("MTL") 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 ("UTC") on 15 April 2021).

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

Current financial quarter ended 30 September 2021

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	E&E Engineering	Elimination	Total
Revenue	16,592	1,198	8,698	17,607	1,130	(1,073)	44,152
Cost of sales	(11,781)	(1,001)	(6,835)	(14,965)	(702)	1,073	(34,211)
Gross profit	4,811	197	1,863	2,642	428	-	9,941
Add/(Less):							
Other income							747
Selling and distribution expenses							(373)
Administration expenses							(3,730)
Other expenses							(216)
Finance costs							(57)
Share of loss in an associate							(24)
Profit before tax							6,288

Preceding financial year's corresponding quarter ended 30 September 2020

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	Elimination	Total
Revenue	23,425	873	-	13,033	(623)	36,708
Cost of sales	(16,081)	(793)	-	(11,447)	623	(27,698)
Gross profit	7,344	80	-	1,586	-	9,010
Add/(Less):						
Other income						1,886
Selling and distribution expenses						(159)
Administration expenses						(3,010)
Other expenses						(322)
Finance costs						(51)
Profit before tax						7,354

Current financial year-to-date ended 30 September 2021

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	E&E Engineering	Elimination	Total
Revenue	60,782	3,169	24,183	51,297	4,234	(2,515)	141,150
Cost of sales	(43,771)	(2,405)	(19,866)	(45,501)	(3,329)	2,515	(112,357)
Gross profit	17,011	764	4,317	5,796	905	-	28,793
Add/(Less):							
Other income							1,868
Selling and distribution expenses							(686)
Administration expenses							(10,977)
Other expenses							(748)
Finance costs							(287)
Share of loss in an associate							(101)
Profit before tax							<u>17,862</u>

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

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	Elimination	Total
Revenue	62,695	1,993	6	13,033	(1,333)	76,394
Cost of sales	(42,970)	(1,629)	(5)	(11,447)	1,333	(54,718)
Gross profit	19,725	364	1	1,586	-	21,676
Add/(Less):						
Other income						3,519
Selling and distribution expenses						(598)
Administration expenses						(7,767)
Other expenses						(1,177)
Finance costs						(58)
Profit before tax						<u>15,595</u>

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

RM'000	3 months ended			9 months ended		
	30.09.2021	30.09.2020	Changes	30.09.2021	30.09.2020	Changes
Malaysia	30,414	32,487	(2,073)	100,585	59,912	40,673
Indonesia	4,080	3,822	258	12,870	10,278	2,592
Others	9,658	399	9,259	27,695	6,204	21,491
Total	44,152	36,708	7,444	141,150	76,394	64,756

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
Companies in which certain Directors of the Company have interests:				
Sales of goods	8	2	62	56
Purchase of goods	-	6	74	6
Companies in which certain Directors of subsidiaries of the Company have interests:				
Sales of goods	217	269	889	269
Management fee	3	2	9	2
Purchase of goods	5,049	8	11,010	13

All the 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 30.09.2021
Approved but not contracted for	6,800
Contracted but not provided for	500

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

There were no changes in the composition of the Group during the current quarter under review.

The Company has, on 15 April 2021, completed the acquisition of 82,500 ordinary shares (equivalent to 55% equity interest) in 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 as calculated above is subject to changes pending the completion of the purchase price allocation exercise.*

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 MAIN MARKET
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

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

RM'000	3 months ended			9 months ended		
	30.09.2021	30.09.2020	Changes	30.09.2021	30.09.2020	Changes
Revenue	44,152	36,708	7,444	141,150	76,394	64,756
Profit before tax	6,288	7,354	(1,066)	17,862	15,595	2,267

The Group's revenue increased by 20.3% from RM36.71 million in the corresponding quarter of the preceding year to RM44.15 million in the current quarter under review. This was mainly due to the revenue contribution of RM8.70 million from our MHS Solutions business (from the progress of our project at Jurong Port, Singapore, as announced by the Company to Bursa Malaysia Securities Berhad on 7 September 2020) and RM1.13 million from our E&E Engineering business (which the Group acquire on 15 April 2021), coupled with the increase in revenue contribution of RM4.57 million from our Metal Stamping business. However, this was partly offset by the decrease of RM6.83 million in the revenue of our Trading business which was affected by the lockdown/ movement control during the current quarter under review. The Group's profit before tax decreased by 14.4% from RM7.35 million in the corresponding quarter of the preceding year to RM6.29 million in the current quarter under review. This was mainly due to the Group recording a one-off bargain purchase gain of RM1.26 million arising from the acquisition of 70% equity interest in MTL in the corresponding quarter of the preceding year.

The Group recorded an increase in revenue of 84.8% from RM76.39 million in the corresponding nine (9) - month period of the preceding year to RM141.15 million in the nine (9) - month period of the current year, mainly due to higher revenue contribution from our Metal Stamping, MHS Solutions and Pump Manufacturing businesses, and revenue contribution from our E&E Engineering business. However, this was slightly offset by the lower revenue recorded by our Trading business (which decreased RM1.92 million (equivalent to 3.1%) from RM62.70 million in the corresponding nine (9) - month period of the preceding year to RM60.78 million in the nine (9) - month period of the current year) as a result of the lockdown/movement control. Owing to the increase in revenue, the Group showed an increase in profit before tax of RM2.27 million (equivalent to 14.5%) in the nine (9) - month period of the current year.

B2 Comparison with Immediate Preceding Quarter

RM'000	3 months ended		
	30.09.2021	30.06.2021	Changes
Revenue	44,152	55,987	(11,835)
Profit before tax	6,288	7,313	(1,025)

The Group's revenue decreased by 21.1% from RM55.99 million in the immediate preceding quarter to RM44.15 million in the current quarter under review mainly due to the lower revenue recorded by our Trading and MHS Solutions businesses. In line with the lower revenue, the Group recorded lower profit before tax in the current quarter under review vis-a-vis the immediate preceding quarter.

B3 Commentary on Prospects

The Covid-19 pandemic continues to pose uncertainties and challenges to the global and domestic markets. Despite the challenges, the Group will continue to strive hard to pursue sales in the domestic and overseas markets while taking steps to mitigate the impact of the pandemic, for the remaining period of the financial year ending 31 December 2021.

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

B4 Profit Forecast

Not applicable.

B5 Tax Expense

RM'000	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
Income tax	1,678	1,584	4,585	3,689
Total tax expense	1,678	1,584	4,585	3,689

The effective tax rate of the Group of 26.7% and 25.7% for the current quarter under review and the nine (9) - month period of the current financial year, respectively, is higher than the statutory tax rate of 24% mainly due to an under-provision of income tax of RM0.11 million in prior year.

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
	30.09.2021	31.12.2020
Lease liabilities	2,321	745
Term loans	7,375	7,763
Long term borrowings	9,696	8,508
Bankers' acceptance	138	-
Lease liabilities	1,154	879
Term loans	1,794	1,723
Short term borrowings	3,086	2,602
Total borrowings	12,782	11,110

All the borrowings are denominated in Ringgit Malaysia. Overall, the increase in the borrowings of RM1.67 million was mainly due to the consolidation of the financial position of UTC and the increase in lease liabilities to finance the purchase of machinery and equipment by MTL, but this was partly offset by the repayment installments 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

As disclosed in the Company's quarterly announcement for the second quarter ended 30 June 2021 dated 6 September 2021, the Board had, on 6 September 2021, 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 was 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		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
Profit attributable to owners of the Company (RM'000)	3,663	5,650	11,037	11,928
Weighted average number of ordinary shares in issue ('000)	319,601	304,010	313,116	304,010
Effect of warrants outstanding ('000)	53,214	51,342	68,362	44,680
Weighted average number of ordinary shares assumed in issue ("000)	372,815	355,352	381,478	348,690
Basic EPS (sen)	1.1	1.9	3.5	3.9
Diluted EPS (sen)	1.0	1.6	2.9	3.4

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 of the Group for the financial year ended 31 December 2020 was unqualified.

B13 Profit Before Tax

RM'000	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
Profit before tax is arrived at after crediting/(charging):				
Interest income	96	224	388	1,140
Interest expense	(57)	(51)	(287)	(58)
Depreciation	(887)	(721)	(2,582)	(1,335)
Gain on disposal of property, plant and equipment	-	-	-	17
Reversal/(Provision) for expected credit losses	25	563	(13)	298
Realised gain/(loss) on foreign exchange	20	(74)	(9)	(143)
Unrealised gain/(loss) on foreign exchange	46	(44)	190	169
Bargain purchase gain	-	1,257	-	1,257

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.