



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

25 February 2022

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021
(These figures have not been audited)

RM'000	Note	Current quarter		Cumulative quarter	
		3 months ended	3 months ended	12 months ended	12 months ended
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
Revenue	A7	64,241	42,378	205,391	118,772
Cost of sales		(51,953)	(33,450)	(164,310)	(88,168)
Gross profit		12,288	8,928	41,081	30,604
Other income		1,241	1,592	3,109	5,111
Selling and distribution expenses		(103)	(143)	(789)	(741)
Administration expenses		(3,762)	(4,330)	(14,739)	(12,097)
Other expenses		(724)	(58)	(1,472)	(1,235)
Finance costs		(211)	(133)	(498)	(191)
Shares of loss in an associate		(26)	(33)	(127)	(33)
Profit before tax	B13	8,703	5,823	26,565	21,418
Tax expense	B5	(1,863)	(1,766)	(6,448)	(5,455)
Profit for the period / year		6,840	4,057	20,117	15,963
Other comprehensive income		-	-	-	-
Total comprehensive income for the period / year		6,840	4,057	20,117	15,963
Profit attributable to:					
Owners of the Company		5,553	3,850	16,590	15,778
Non-controlling interests		1,287	207	3,527	185
Profit for the period / year		6,840	4,057	20,117	15,963
Total comprehensive income attributable to:					
Owners of the Company		5,553	3,850	16,590	15,778
Non-controlling interests		1,287	207	3,527	185
Total comprehensive income for the period / year		6,840	4,057	20,117	15,963
Earnings per share attributable to owners of the Company:					
Basic (sen)	B10	1.7	1.3	5.2	5.2
Diluted (sen)	B10	1.4	1.0	4.3	4.4

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

DANCOMECH HOLDINGS BERHAD
Registration No. 201301020455 (1050285-U)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

RM'000	Note	As at 31.12.2021 Unaudited	As at 31.12.2020 Audited
Assets			
Property, plant and equipment		62,500	62,800
Goodwill		1,978	-
Investment property		1,041	1,063
Investment in an associate		-	127
Deferred tax assets		119	86
Non-current assets		65,638	64,076
Inventories		40,988	38,505
Trade and other receivables		52,894	41,590
Tax recoverable		586	282
Financial asset at fair value through profit or loss		3,690	3,623
Cash and cash equivalents		70,378	52,571
Current assets		168,536	136,571
Total assets		234,174	200,647
Equity and liabilities			
Share capital		77,302	70,362
Merger deficit		(41,477)	(41,477)
Retained earnings		121,948	111,683
Equity attributable to owners of the Company		157,773	140,568
Non-controlling interests		17,114	13,090
Total equity		174,887	153,658
Borrowings (secured)	B7	8,951	8,508
Deferred tax liabilities		2,442	2,397
Non-current liabilities		11,393	10,905
Trade and other payables		43,490	32,042
Borrowings (secured)	B7	3,470	2,602
Tax liabilities		934	1,440
Current liabilities		47,894	36,084
Total liabilities		59,287	46,989
Total equity and liabilities		234,174	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
Registration No. 201301020455 (1050285-U)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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 for the year	-	-	-	16,590	16,590	3,527	20,117
Acquisition of a subsidiary	-	-	-	-	-	632	632
Issuance of shares by the Company	6,940	-	-	-	6,940	-	6,940
Dividends	-	-	-	(6,325)	(6,325)	(135)	(6,460)
At 31 December 2021	77,302	(41,477)	-	121,948	157,773	17,114	174,887
At 1 January 2020	68,835	(41,477)	(9)	101,225	128,574	2,511	131,085
Total comprehensive income for the year	-	-	-	15,778	15,778	185	15,963
Acquisition of a subsidiary	-	-	-	-	-	10,394	10,394
Disposal of a subsidiary	-	-	9	-	9	-	9
Issuance of shares by the Company	1,527	-	-	-	1,527	-	1,527
Dividends	-	-	-	(5,320)	(5,320)	-	(5,320)
At 31 December 2020	70,362	(41,477)	-	111,683	140,568	13,090	153,658

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 YEAR ENDED 31 DECEMBER 2021
(These figures have not been audited)

RM'000	31.12.2021	31.12.2020
Cash flows from operating activities		
Profit before tax	26,565	21,418
Adjustments for:		
Non-cash items	3,764	1,859
Non-operating items	-	(1,273)
Interest income	(624)	(1,322)
Interest expense	498	191
Operating profit before working capital changes	30,203	20,873
Changes in working capital:		
Inventories	(371)	(2,110)
Receivables	(4,387)	(7,789)
Payables	2,561	7,755
Cash generated from operations	28,006	18,729
Net tax paid	(7,078)	(5,259)
Net cash from operating activities	20,928	13,470
Cash flows from investing activities		
Interest received	624	1,322
Net (placement) / withdrawal of fixed deposits	(8,430)	14,166
Placement of financial asset at fair value through profit or loss	(67)	(1,585)
Acquisition of a subsidiary, net of cash and cash equivalents acquired	(542)	(16,936)
Net cash outflow from disposal of a subsidiary	-	(292)
Purchase of property, plant and equipment	(2,475)	(312)
Proceeds from disposal of property, plant and equipment	-	17
Net cash used in investing activities	(10,890)	(3,620)
Cash flows from financing activities		
Subscription of new shares in a subsidiary by a non-controlling interest	-	130
Proceeds from issuance of shares	6,940	1,527
Dividends paid	(6,460)	(5,320)
Interest paid	(498)	(191)
Placement of pledged fixed deposits	(4,162)	(47)
Net repayment of borrowings	(723)	(1,348)
Net cash used in financing activities	(4,903)	(5,249)
Net changes in cash and cash equivalents	5,135	4,601
Translation differences	80	63
Cash and cash equivalents at the beginning of financial year	29,812	25,148
Cash and cash equivalents at the end of financial year	35,027	29,812
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	37,574	28,791
Cash and bank balances	32,804	23,780
	70,378	52,571
Less: Fixed deposits pledged with licensed banks	(6,220)	(2,058)
Less: Fixed deposits as investing purposes	(29,131)	(20,701)
	35,027	29,812

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 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 4,938,200 new ordinary shares in October 2021 to December 2021 arising from the exercise of 4,938,200 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 4,938,200 new ordinary shares, comprises 332,233,800 ordinary shares.

A6 Dividends Paid

The following dividends were paid during the current quarter under review:

	31.12.2021	31.12.2020
For the financial year ended	31 December 2021	-
Declared and approved on	6 September 2021	-
Date of payment	7 October 2021	-
Number of ordinary shares on which dividends were paid	326,807,700	-
Dividend per share (single-tier)	0.75 sen	-
Net dividend paid (RM)	2,451,058	-

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 31 December 2021

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	E&E Engineering	Elimination	Total
Revenue	21,919	1,137	12,080	26,170	3,712	(777)	64,241
Cost of sales	(15,782)	(863)	(10,245)	(23,428)	(2,412)	777	(51,953)
Gross profit	6,137	274	1,835	2,742	1,300	-	12,288
Add/(Less):							
Other income							1,241
Selling and distribution expenses							(103)
Administration expenses							(3,762)
Other expenses							(724)
Finance costs							(211)
Share of loss in an associate							(26)
Profit before tax							<u>8,703</u>

Preceding financial year's corresponding quarter ended 31 December 2020

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	Elimination	Total
Revenue	22,926	793	-	19,223	(564)	42,378
Cost of sales	(16,708)	(761)	-	(16,545)	564	(33,450)
Gross profit	6,218	32	-	2,678	-	8,928
Add/(Less):						
Other income						1,592
Selling and distribution expenses						(143)
Administration expenses						(4,330)
Other expenses						(58)
Finance costs						(133)
Share of loss in an associate						(33)
Profit before tax						<u>5,823</u>

Current financial year-to-date ended 31 December 2021

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	E&E Engineering	Elimination	Total
Revenue	82,701	4,306	36,263	77,467	7,946	(3,292)	205,391
Cost of sales	(59,553)	(3,268)	(30,111)	(68,929)	(5,741)	3,292	(164,310)
Gross profit	23,148	1,038	6,152	8,538	2,205	-	41,081
Add/(Less):							
Other income							3,109
Selling and distribution expenses							(789)
Administration expenses							(14,739)
Other expenses							(1,472)
Finance costs							(498)
Share of loss in an associate							(127)
Profit before tax							<u>26,565</u>

Preceding financial year's corresponding year-to-date ended 31 December 2020

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	Elimination	Total
Revenue	85,621	2,786	6	32,256	(1,897)	118,772
Cost of sales	(59,678)	(2,390)	(5)	(27,992)	1,897	(88,168)
Gross profit	25,943	396	1	4,264	-	30,604
Add/(Less):						
Other income						5,111
Selling and distribution expenses						(741)
Administration expenses						(12,097)
Other expenses						(1,235)
Finance costs						(191)
Share of loss in an associate						(33)
Profit before tax						<u>21,418</u>

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

RM'000	3 months ended			12 months ended		
	31.12.2021	31.12.2020	Changes	31.12.2021	31.12.2020	Changes
Malaysia	47,548	38,593	8,955	148,133	98,505	49,628
Indonesia	3,624	3,432	192	16,494	13,710	2,784
Singapore	11,846	1	11,845	36,228	(24)	36,252
Others	1,223	352	871	4,536	6,581	(2,045)
Total	64,241	42,378	21,863	205,391	118,772	86,619

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Companies in which certain Directors of the Company have interests:				
Sales of goods and services	571	74	633	130
Purchase of goods	-	-	74	6
Companies in which certain Directors of subsidiaries of the Company have interests:				
Sales of goods	198	340	1,095	609
Management fee	3	3	12	5
Purchase of goods	4,577	3	15,587	16

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 31.12.2021
Approved but not contracted for	6,920
Contracted but not provided for	300

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

Save as disclosed in Note B6 below, there were no material events subsequent to the end of the current quarter.

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

B1 Performance Review - Comparison with Preceding Year Corresponding Quarter

RM'000	3 months ended			12 months ended		
	31.12.2021	31.12.2020	Changes	31.12.2021	31.12.2020	Changes
Revenue	64,241	42,378	21,863	205,391	118,772	86,619
Profit before tax	8,703	5,823	2,880	26,565	21,418	5,147

The Group's revenue increased by 51.6% from RM42.38 million in the corresponding quarter of the preceding year ("Q4 FYE 2020") to RM64.24 million in the current quarter under review ("Q4 FYE 2021"). The increase was mainly due to the revenue contribution of RM12.08 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 RM3.71 million from our E&E Engineering business (which the Group acquire on 15 April 2021), coupled with the increase in revenue contribution of RM6.95 million from our Metal Stamping business due to pent up demand. Our Pump Manufacturing business also recorded an increase in revenue of RM0.35 million due to higher demand. Our Trading business recorded a decrease in revenue of RM1.01 million from RM22.93 million in Q4 FYE 2020 to RM21.92 million in Q4 FYE 2021, mainly due to the effects of the restrictive measures implemented by our Government to address the Covid-19 pandemic. In line with the increase in revenue, the Group recorded an increase of 49.5% in profit before tax, from RM5.82 million in Q4 FYE 2020 to RM8.70 million in Q4 FYE 2021.

The Group's revenue increased by 72.9% from RM118.77 million in the financial year ended 31 December 2020 ("FYE 2020") to RM205.39 million in the financial year ended 31 December 2021 ("FYE 2021"), 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 RM2.92 million (equivalent to 3.4%) from RM85.62 million in FYE 2020 to RM82.70 million in FYE 2021) due to the Covid-19 pandemic. In line with the increase in revenue, the Group recorded an increase of 24.0% in profit before tax, from RM21.42 million in FYE 2020 to RM26.57 million in FYE 2021.

B2 Comparison with Immediate Preceding Quarter

RM'000	3 months ended		
	31.12.2021	30.09.2021	Changes
Revenue	64,241	44,152	20,089
Profit before tax	8,703	6,288	2,415

The Group's revenue increased by 45.5% from RM44.15 million in the immediate preceding quarter ("Q3 FYE 2021") to RM64.24 million in Q4 FYE 2021, mainly due to higher revenue contribution from our Trading, MHS Solutions, Metal Stamping and E&E Engineering businesses, with the relaxation of some of the Covid-19 pandemic measures by our Government in Q4 FYE 2021. Arising from the increase in revenue, the Group's profit before tax increased by 38.3% from RM6.29 million in Q3 FYE 2021 to RM8.70 million in Q4 FYE 2021.

B3 Commentary on Prospects

Despite the challenges posed by the Covid-19 pandemic, the Group has managed to continue recording growth in revenue and profits in FYE 2021, mainly due to the strong performances showed by our businesses, save for our Trading business.

The Group foresees that the Covid-19 pandemic will continue to pose uncertainties and challenges to the Group. Nonetheless, 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. In addition, given the good performances showed by our acquiree companies, i.e. MTL and UTC, post acquisition, the Group will continue to seek and explore 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 2022 to be satisfactory.

B4 Profit Forecast

Not applicable.

B5 Tax Expense

RM'000	3 months ended		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Income tax	1,865	1,650	6,450	5,339
Deferred tax	(2)	116	(2)	116
Total tax expense	1,863	1,766	6,448	5,455

The effective tax rate of the Group for FYE 2021 approximates the statutory tax rate of 24%.

B6 Corporate Proposals

As at the date of this report:

(i) Proposed Acquisition of Property

MTL has, on 25 January 2022, entered into a sale and purchase agreement ("SPA") with Ng Lye Heng to acquire a parcel of freehold agricultural land held under Geran Mukim 1047, Lot 22226, Mukim Klang, Tempat Sungai Rasau Ulu, Daerah Klang, Negeri Selangor, measuring approximately 9,106 square meters (equivalent to 98,016.17 square feet), for a total cash consideration of RM8,821,000, subject to the terms and conditions in the SPA ("Proposed Acquisition of Property"). The Proposed Acquisition of Property is currently pending completion.

(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
	31.12.2021	31.12.2020
Lease liabilities	1,820	745
Term loans	7,131	7,763
Long term borrowings	8,951	8,508
Bankers' acceptance	830	-
Lease liabilities	1,018	879
Term loans	1,622	1,723
Short term borrowings	3,470	2,602
Total borrowings	12,421	11,110

All the borrowings are denominated in Ringgit Malaysia. Overall, the increase in the borrowings of RM1.31 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 Dividends

On 25 February 2022, the Board has 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 2021. The dividend will be paid on 31 March 2022 to shareholders registered in the Record of Depositors as at 18 March 2022. With this payment of second dividend, the total payment of dividends by the Company for the financial year ended 31 December 2021 amounts to 2.00 sen per ordinary share.

B10 Earnings Per Share ("EPS")

	3 months ended		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Profit attributable to owners of the Company (RM'000)	5,553	3,850	16,590	15,778
Weighted average number of ordinary shares in issue ('000)	330,127	304,515	317,403	304,137
Effect of warrants outstanding ('000)	58,830	74,014	65,626	53,372
Weighted average number of ordinary shares assumed in issue ('000)	388,957	378,529	383,029	357,509
Basic EPS (sen)	1.7	1.3	5.2	5.2
Diluted EPS (sen)	1.4	1.0	4.3	4.4

B11 Financial Instruments

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

B12 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements of the Group for the financial year ended 31 December 2020 was unqualified.

B13 Profit Before Tax

RM'000	3 months ended		12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Profit before tax is arrived at after crediting/(charging):				
Interest income	236	182	624	1,322
Interest expense	(211)	(133)	(498)	(191)
Depreciation	(902)	(956)	(3,484)	(2,291)
Net (provision)/reversal for expected credit losses	(310)	43	(323)	341
Realised gain/(loss) on foreign exchange	26	(134)	17	(277)
Unrealised (loss)/gain on foreign exchange	(20)	(45)	170	124
Gain on disposal of property, plant and equipment	-	-	-	17
Gain on dilution of shares in a subsidiary	-	30	-	30
Bargain purchase gain	-	-	-	1,257
Loss on disposal of investment in a subsidiary	-	(31)	-	(31)

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.