



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022

24 May 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 FIRST QUARTER ENDED 31 MARCH 2022

(These figures have not been audited)

RM'000	Note	Current quarter		Cumulative quarter	
		31.03.2022	31.03.2021	31.03.2022	31.03.2021
Revenue	A7	47,109	41,011	47,109	41,011
Cost of sales		(39,065)	(33,493)	(39,065)	(33,493)
Gross profit		8,044	7,518	8,044	7,518
Other income		644	581	644	581
Selling and distribution expenses		(170)	(146)	(170)	(146)
Administration expenses		(3,883)	(3,314)	(3,883)	(3,314)
Other expenses		(86)	(244)	(86)	(244)
Finance costs		(114)	(83)	(114)	(83)
Shares of loss in an associate		-	(51)	-	(51)
Profit before tax	B13	4,435	4,261	4,435	4,261
Tax expense	B5	(1,224)	(1,143)	(1,224)	(1,143)
Profit for the period		3,211	3,118	3,211	3,118
Other comprehensive income		-	-	-	-
Total comprehensive income		3,211	3,118	3,211	3,118
Profit attributable to:					
Owners of the Company		3,029	2,876	3,029	2,876
Non-controlling interests		182	242	182	242
Profit for the period		3,211	3,118	3,211	3,118
Total comprehensive income attributable to:					
Owners of the Company		3,029	2,876	3,029	2,876
Non-controlling interests		182	242	182	242
Total comprehensive income		3,211	3,118	3,211	3,118
Earnings per share attributable to owners of the Company:					
Basic (sen)	B10	0.9	0.9	0.9	0.9
Diluted (sen)	B10	0.8	0.8	0.8	0.8

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
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

RM'000	Note	As at 31.03.2022 Unaudited	As at 31.12.2021 Audited
Assets			
Property, plant and equipment		62,076	62,500
Goodwill		1,978	1,978
Investment property		1,035	1,041
Investment in an associate		-	-
Deferred tax assets		119	119
Fixed deposits with licensed banks		400	400
Non-current assets		65,608	66,038
Inventories		39,522	40,988
Trade and other receivables		49,541	54,117
Amount due from an associate		564	184
Tax recoverable		633	586
Financial asset at fair value through profit or loss		3,707	3,690
Cash and cash equivalents		79,183	69,978
Current assets		173,150	169,543
Total assets		238,758	235,581
Equity and liabilities			
Share capital		90,066	77,302
Merger deficit		(41,477)	(41,477)
Retained earnings		120,378	121,948
Equity attributable to owners of the Company		168,967	157,773
Non-controlling interests		17,296	17,114
Total equity		186,263	174,887
Borrowings (secured)	B7	7,942	9,081
Deferred tax liabilities		2,442	2,442
Non-current liabilities		10,384	11,523
Trade and other payables		37,568	44,897
Borrowings (secured)	B7	3,777	3,340
Tax liabilities		766	934
Current liabilities		42,111	49,171
Total liabilities		52,495	60,694
Total equity and liabilities		238,758	235,581
Net assets per share attributable to owners of the Company (RM)			
		0.45	0.47

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 FIRST QUARTER ENDED 31 MARCH 2022

(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 2022	77,302	(41,477)	-	121,948	157,773	17,114	174,887
Total comprehensive income	-	-	-	3,029	3,029	182	3,211
Dividends	-	-	-	(4,599)	(4,599)	-	(4,599)
Issuance of shares by the Company	12,764	-	-	-	12,764	-	12,764
At 31 March 2022	90,066	(41,477)	-	120,378	168,967	17,296	186,263
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
Dividends	-	-	-	(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

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 2022
(These figures have not been audited)

RM'000	3 months ended	
	31.03.2022	31.03.2021
Cash flows from operating activities		
Profit before tax	4,435	4,261
Adjustments for:		
Non-cash items	662	764
Interest income	(40)	(43)
Interest expense	114	83
Operating profit before working capital changes	5,171	5,065
Changes in working capital:		
Inventories	1,466	2,251
Receivables	4,406	(20,372)
Payables	(7,407)	12,605
Cash generated from/(used in) operations	3,636	(451)
Tax paid	(1,439)	(1,572)
Net cash from/(used in) operating activities	2,197	(2,023)
Cash flows from investing activities		
Interest received	40	43
(Placement)/Withdrawal of fixed deposits	(820)	239
Placement of financial asset at fair value through profit or loss	(17)	(432)
Purchase of property, plant and equipment	(400)	(336)
Net cash used in investing activities	(1,197)	(486)
Cash flows from financing activities		
Proceeds from issuance of shares	12,764	332
Dividends paid	(4,599)	-
Interest paid	(114)	(83)
Placement of pledged fixed deposits	(3,043)	(4,064)
Net repayment of borrowings	(702)	(570)
Net cash from/(used in) financing activities	4,306	(4,385)
Net changes in cash and cash equivalents	5,306	(6,894)
Translation differences	36	49
Cash and cash equivalents at the beginning of financial period	38,878	29,812
Cash and cash equivalents at the end of financial period	44,220	22,967
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	37,593	27,469
Cash and bank balances	41,990	22,082
	79,583	49,551
Less: Fixed deposits pledged with licensed banks	(6,229)	(6,122)
Less: Fixed deposits for investing purposes	(29,134)	(20,462)
	44,220	22,967

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 2021.

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 2021 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 2022.

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 42,544,444 new ordinary shares in January 2022 to March 2022 arising from the exercise of 42,544,444 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 42,544,444 new ordinary shares, comprises 374,778,244 ordinary shares.

A6 Dividends Paid

	31.03.2022	31.03.2021
For the financial year ended	31 December 2021	-
Declared and approved on	25 February 2022	-
Date of payment	31 March 2022	-
Number of ordinary shares on which dividends were paid	367,928,244	-
Dividend per share (single-tier)	1.25 sen	-
Net dividend paid (RM)	4,599,103	-

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"); 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/year-to-date ended 31 March 2022

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	E&E Engineering	Elimination	Total
Revenue	16,991	815	-	27,571	2,509	(777)	47,109
Cost of sales	(11,409)	(903)	-	(25,721)	(1,809)	777	(39,065)
Gross profit	5,582	(88)	-	1,850	700	-	8,044
Add/(Less):							
Other income							644
Selling and distribution expenses							(170)
Administration expenses							(3,883)
Other expenses							(86)
Finance costs							(114)
Share of loss in an associate							-
Profit before tax							<u>4,435</u>

Preceding financial year's corresponding 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>

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

RM'000	3 months ended		
	31.03.2022	31.03.2021	Changes
Malaysia	43,652	34,813	8,839
Indonesia	3,164	5,622	(2,458)
Others	293	576	(283)
Total	47,109	41,011	6,098

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended	
	31.03.2022	31.03.2021
Companies in which certain Directors of the Company have interests:		
Sales of goods	142	42
Purchase of goods	1	74
Companies in which certain Directors of the subsidiaries of the Company have interests:		
Sales of goods	46	257
Purchase of goods	18	-
Management fee	3	3
Rental paid to certain Directors of a subsidiary of the Company	104	59

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
	31.03.2022
Approved but not contracted for	8,080
Contracted but not provided for	10,619

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.

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		Changes
	31.03.2022	31.03.2021	
Revenue	47,109	41,011	6,098
Profit before tax	4,435	4,261	174

The Group's revenue increased from RM41.01 million in the corresponding quarter of the preceding year ("Q1 FYE 2021") to RM47.11 million in the current quarter under review ("Q1 FYE 2022"), mainly due to higher revenue recorded by our Metal Stamping business (Q1 FYE 2022 - RM27.57 million; Q1 FYE 2021 - RM16.71 million) as a result of pent-up demand, and revenue contribution of RM2.51 million in Q1 FYE 2022 by our E&E Engineering business (which the Group acquired on 15 April 2021). However, this was partly offset by the decrease in revenue recorded by our Trading business (Q1 FYE 2022 - RM16.99 million; Q1 FYE 2021 - RM24.12 million) due to lower sales to customers in the palm oil and oleochemicals, oil and gas, and water and waste water industries.

Given the increase in revenue, while operating expenses remained relatively unchanged save for the consolidation of the expenses of our E&E Engineering business, the Group recorded an increase in profit before tax in Q1 FYE 2022 vis-à-vis Q1 FYE 2021.

B2 Comparison with Immediate Preceding Quarter

RM'000	3 months ended		Changes
	31.03.2022	31.12.2021	
Revenue	47,109	64,286	(17,177)
Profit before tax	4,435	8,703	(4,268)

The Group's revenue showed a decrease of RM17.17 million (equivalent to 26.7%) in Q1 FYE 2022 as compared to that of the immediate preceding quarter ("Q4 FYE 2021"), mainly due to the absence of revenue contribution by our MHS Solutions business (Q1 FYE 2022 - Nil; Q4 FYE 2021 - RM12.08 million) and lower revenue recorded by our Trading business (Q1 FYE 2022 - RM16.99 million; Q4 FYE 2021 - RM21.92 million).

Given the decrease in revenue, the Group recorded a decrease in profit before tax in Q1 FYE 2022 vis-à-vis Q4 FYE 2021.

B3 Commentary on Prospects

Despite the challenges posed by Covid-19, the Group has managed to continue to record growth in revenue and profits in Q1 FYE 2022 vis-à-vis Q1 FYE 2021.

Notwithstanding that our country is transitioning to endemicity, the Group foresees that Covid-19 will continue to pose uncertainties and challenges to the Group in the current financial year. Nonetheless, the Group will continue to strive hard to pursue sales in the domestic and overseas markets, while taking steps to address the uncertainties and challenges. In addition, driven by the encouraging post-acquisition performances showed by our acquiree companies, i.e. MTL Engineering Sdn Bhd ("MTL") and UTC, 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 2022 to be satisfactory.

B4 Profit Forecast

Not applicable.

B5 Tax Expense

RM'000	3 months ended	
	31.03.2022	31.03.2021
Income tax	1,224	1,143
Total tax expense	1,224	1,143

The effective tax rate of the Group for the current quarter under review is higher than the statutory rate of 24% mainly due to the tax losses of certain subsidiaries for which no deferred tax asset is provided.

B6 Corporate Proposals

As at the date of this report:

(i) Proposed Acquisition of Property

MTL, a 70%-owned subsidiary of the Company, 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 pending completion as at the date of this report.

(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
	31.03.2022	31.12.2021
	Unaudited	Audited
Lease liabilities	1,676	1,946
Term loans	6,266	7,135
Non-current borrowings	7,942	9,081
Bankers' acceptance	821	830
Lease liabilities	932	893
Term loans	2,024	1,617
Current borrowings	3,777	3,340
Total borrowings	11,719	12,421

All borrowings are denominated in Ringgit Malaysia. Overall, the decrease in borrowings of RM0.7 million was mainly 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 25 February 2022, 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 2021. The dividend was paid on 31 March 2022.

B10 Earnings per Share ("EPS")

	3 months ended	
	31.03.2022	31.03.2021
Profit attributable to owners of the Company (RM'000)	3,029	2,876
Weighted average number of ordinary shares in issue ('000)	342,508	309,361
Effect of warrants outstanding ('000)	46,027	73,824
Weighted average number of ordinary shares assumed in issue ('000)	388,535	383,185
Basic EPS (sen)	0.9	0.9
Diluted EPS (sen)	0.8	0.8

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 2021 was unqualified.

B13 Profit Before Tax

RM'000	3 months ended	
	31.03.2022	31.03.2021
Profit before tax is arrived at after crediting/(charging):		
Interest income	40	43
Depreciation	(830)	(827)
Interest expense	(114)	(83)
Reversal for expected credit losses	203	-
Realised gain on foreign exchange	19	4
Unrealised (loss)/gain on foreign exchange	(35)	114

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.