



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

23 November 2022

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 2022
(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30.09.2022	30.09.2021	30.09.2022	30.09.2021
Revenue	A7	56,455	44,152	150,978	141,150
Cost of sales		(45,363)	(34,211)	(122,324)	(112,357)
Gross profit		11,092	9,941	28,654	28,793
Other income		610	747	2,065	1,868
Selling and distribution expenses		(141)	(373)	(560)	(686)
Administration expenses		(4,003)	(3,730)	(11,890)	(10,977)
Other expenses		(76)	(216)	(361)	(748)
Finance costs		(120)	(57)	(353)	(287)
Shares of loss in an associate		(26)	(24)	(26)	(101)
Profit before tax	B13	7,336	6,288	17,529	17,862
Tax expense	B5	(1,858)	(1,678)	(4,505)	(4,585)
Profit for the period		5,478	4,610	13,024	13,277
Other comprehensive income		-	-	-	-
Total comprehensive income		5,478	4,610	13,024	13,277
Profit attributable to:					
Owners of the Company		4,848	3,663	11,657	11,037
Non-controlling interests		630	947	1,367	2,240
Profit for the period		5,478	4,610	13,024	13,277
Total comprehensive income attributable to:					
Owners of the Company		4,848	3,663	11,657	11,037
Non-controlling interests		630	947	1,367	2,240
Total comprehensive income		5,478	4,610	13,024	13,277
Earnings per share attributable to owners of the Company:					
Basic (sen)	B10	1.1	1.1	2.9	3.5
Diluted (sen)	B10	n/a	1.0	n/a	2.9

n/a = not applicable

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 2022

RM'000	Note	As at 30.09.2022	As at 31.12.2021
		Unaudited	Audited
Assets			
Property, plant and equipment		75,429	62,500
Goodwill		1,978	1,978
Investment property		1,024	1,041
Investment in an associate		2	-
Deferred tax assets		119	119
Fixed deposits with licensed banks		407	400
Non-current assets		78,959	66,038
Inventories		42,333	40,988
Trade and other receivables		53,721	54,117
Amount due from an associate		270	184
Tax recoverable		983	586
Financial asset at fair value through profit or loss		3,746	3,690
Cash and cash equivalents		89,583	69,978
Current assets		190,636	169,543
Total assets		269,595	235,581
Equity and liabilities			
Share capital		110,397	77,302
Merger deficit		(41,477)	(41,477)
Retained earnings		125,687	121,948
Equity attributable to owners of the Company		194,607	157,773
Non-controlling interests		18,481	17,114
Total equity		213,088	174,887
Borrowings (secured)	B7	9,282	9,081
Deferred tax liabilities		2,442	2,442
Non-current liabilities		11,724	11,523
Trade and other payables		41,107	44,897
Borrowings (secured)	B7	2,324	3,340
Tax liabilities		1,352	934
Current liabilities		44,783	49,171
Total liabilities		56,507	60,694
Total equity and liabilities		269,595	235,581
Net assets per share attributable to owners of the Company (RM)			
		0.44	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
Registration No. 201301020455 (1050285-U)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

(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 2022	77,302	(41,477)	-	121,948	157,773	17,114	174,887
Total comprehensive income	-	-	-	11,657	11,657	1,367	13,024
Issuance of shares	33,095	-	-	-	33,095	-	33,095
Dividends	-	-	-	(7,918)	(7,918)	-	(7,918)
At 30 September 2022	110,397	(41,477)	-	125,687	194,607	18,481	213,088
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

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 THIRD QUARTER ENDED 30 SEPTEMBER 2022
(These figures have not been audited)

RM'000	9 months ended	
	30.09.2022	30.09.2021
Cash flows from operating activities		
Profit before tax	17,529	17,862
Adjustments for:		
Non-cash items	2,390	2,506
Non-operating items	(52)	-
Interest income	(422)	(388)
Interest expense	353	287
Operating profit before working capital changes	19,798	20,267
Changes in working capital:		
Inventories	(1,345)	(1,742)
Receivables	712	(690)
Payables	(4,086)	(2,027)
Cash generated from operations	15,079	15,808
Tax paid	(4,484)	(5,578)
Net cash from operating activities	10,595	10,230
Cash flows from investing activities		
Interest received	422	388
Net (placement)/withdrawal of fixed deposits	(21,820)	3,040
Purchase of property, plant and equipment	(15,481)	(2,490)
Proceeds from disposal of property, plant and equipment	52	-
(Placement)/Withdrawal of financial asset at fair value through profit or loss	(56)	18
Acquisition of a subsidiary, net of cash and cash equivalents acquired	-	(542)
Subscription of new shares in an associate	(28)	-
Net cash (used in)/from investing activities	(36,911)	414
Cash flows from financing activities		
Dividends paid	(7,918)	(3,874)
Proceeds from issuance of shares	33,095	5,459
Interest paid	(353)	(287)
Placement of pledged fixed deposits	(3,096)	(4,117)
Net repayment of borrowings	(815)	(362)
Net cash from/(used) in financing activities	20,913	(3,181)
Net changes in cash and cash equivalents	(5,403)	7,463
Translation differences	99	100
Cash and cash equivalents at the beginning of financial period	38,878	29,812
Cash and cash equivalents at the end of reporting period	33,574	37,375
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	54,927	26,126
Cash and bank balances	35,063	35,085
	89,990	61,211
Less: Fixed deposits pledged with licensed banks	(6,282)	(6,175)
Less: Fixed deposits as investing purposes	(50,134)	(17,661)
	33,574	37,375

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 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

There were no issuances, repurchases or repayments of debt and equity securities by the Company during the current quarter under review.

A6 Dividends Paid

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

	30.09.2022	30.09.2021
For the financial year ended	31 December 2022	-
Declared and approved on	24 August 2022	-
Date of payment	26 September 2022	-
Number of ordinary shares on which dividends were paid	442,550,214	-
Dividend per share (single-tier)	0.75 sen	-
Net dividend paid (RM)	3,319,127	-

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 ended 30 September 2022

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	E&E Engineering	Elimination	Total
Revenue	19,208	1,474	-	34,570	2,348	(1,145)	56,455
Cost of sales	(12,616)	(1,200)	-	(31,137)	(1,555)	1,145	(45,363)
Gross profit	6,592	274	-	3,433	793	-	11,092
Add/(Less):							
Other income							610
Selling and distribution expenses							(141)
Administration expenses							(4,003)
Other expenses							(76)
Finance costs							(120)
Share of loss in an associate							(26)
Profit before tax							<u>7,336</u>

Preceding financial year's corresponding 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							<u>6,288</u>

Current financial year-to-date ended 30 September 2022

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	E&E Engineering	Elimination	Total
Revenue	52,677	3,461	-	90,920	6,841	(2,921)	150,978
Cost of sales	(34,981)	(2,968)	-	(82,697)	(4,599)	2,921	(122,324)
Gross profit	17,696	493	-	8,223	2,242	-	28,654
Add/(Less):							
Other income							2,065
Selling and distribution expenses							(560)
Administration expenses							(11,890)
Other expenses							(361)
Finance costs							(353)
Share of loss in an associate							(26)
Profit before tax							<u>17,529</u>

Preceding financial year's corresponding 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>

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		
	30.09.2022	30.09.2021	Changes	30.09.2022	30.09.2021	Changes
Malaysia	52,393	30,414	21,979	138,638	100,585	38,053
Indonesia	3,622	4,080	(458)	10,883	12,870	(1,987)
Others	440	9,658	(9,218)	1,457	27,695	(26,238)
Total	56,455	44,152	12,303	150,978	141,150	9,828

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Companies in which certain Directors of the Company have interests:				
Sales of goods	55	8	219	62
Purchase of goods	-	-	1	74
Companies in which certain Directors of subsidiaries of the Company have interests:				
Sales of goods	217	217	329	889
Purchase of goods	8	5,049	38	11,010
Management fee received	1	3	7	9
Rental paid to certain Directors of a subsidiary of the Company	104	104	312	252

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 30.09.2022
Approved but not contracted for	7,363
Contracted but not provided for	330

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			9 months ended		
	30.09.2022	30.09.2021	Changes	30.09.2022	30.09.2021	Changes
Revenue	56,455	44,152	12,303	150,978	141,150	9,828
Profit before tax	7,336	6,288	1,048	17,529	17,862	(333)

The Group's revenue increased by 27.9% from RM44.15 million in the corresponding quarter of the preceding year ("Q3 FYE 2021") to RM56.46 million in the current quarter under review ("Q3 FYE 2022"), mainly due to the increase in revenue contribution from our Metal Stamping business (due to pent-up demand from its customers) as well as our Trading and E&E Engineering businesses (due to improving market conditions with the lifting of movement controls and the re-opening of markets). However, this was partly offset by the drop in the revenue contribution from our MHS Solutions business given that its project at Jurong Port, Singapore (as announced by the Company to Bursa Malaysia Securities Berhad on 7 September 2020), has been completed. Owing to the increase in revenue, the Group recorded a higher profit before tax in Q3 FYE 2022 vis-a-vis Q3 FYE 2021.

The Group's revenue increased by 7.0% from RM141.15 million in the corresponding nine (9) - month period of the preceding year ("9 months of FYE 2021") to RM150.98 million in the nine (9) - month period of the current year ("9 months of FYE 2022"), mainly due to higher revenue contribution from our Metal Stamping and E&E Engineering businesses due to the reasons mentioned above. However, this was partly offset by the lower revenue recorded by our Trading business (due to lower market demand) and the drop in the revenue of our MHS Solutions business (due to the reason mentioned above). Notwithstanding the increase in revenue, the Group recorded a marginal drop in profit before tax in the 9 months of FYE 2022 vis-a-vis 9 months of FYE 2021 mainly due to a lower gross profit margin recorded (9 months of FYE 2022 - 19.0%; 9 months of FYE 2021 - 20.4%) and higher total expenses incurred (9 months of FYE 2022 - RM12.81 million; 9 months of FYE 2021 - RM12.41 million).

B2 Comparison with Immediate Preceding Quarter

RM'000	3 months ended		
	30.09.2022	30.06.2022	Changes
Revenue	56,455	47,414	9,041
Profit before tax	7,336	5,758	1,578

The Group's revenue increased by 19.1% from RM47.41 million in the immediate preceding quarter ("Q2 FYE 2022") to RM56.46 million in Q3 FYE 2022 mainly due to the higher revenue recorded by our Trading, Metal Stamping and E&E Engineering businesses as a result of pent-up demand as well as improving market conditions. In line with the increase in revenue, the Group recorded higher profit before tax in Q3 FYE 2022 vis-a-vis Q2 FYE 2022.

B3 Commentary on Prospects

Notwithstanding the uncertainties and challenges faced by the Group in the domestic and overseas markets arising from the current global economic and political headwinds, the Group will continue to strive hard to pursue sales 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 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 remaining quarter of the financial year ending 31 December 2022 to remain satisfactory.

B4 Profit Forecast

Not applicable.

B5 Tax Expense

RM'000	3 months ended		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Income tax	1,858	1,678	4,505	4,585
Total tax expense	1,858	1,678	4,505	4,585

The effective tax rate of the Group for the current quarter under review and the nine (9) - month period of the current year was higher than the statutory tax rate of 24% mainly due to the non-tax deductibility of certain expenses, and the under-provision of income tax in prior year by a subsidiary.

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
	30.09.2022	31.12.2021
Lease liabilities	1,520	1,946
Term loans	7,762	7,135
Long term borrowings	9,282	9,081
Bankers' acceptance	213	830
Lease liabilities	830	893
Term loans	1,281	1,617
Short term borrowings	2,324	3,340
Total borrowings	11,606	12,421

All the borrowings are denominated in Ringgit Malaysia. Overall, the decrease in the borrowings of RM0.82 million was mainly due to the repayment of bankers' acceptance and lease liabilities.

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 2022 dated 24 August 2022, the Board of Directors of the Company had, on 24 August 2022, 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 2022. The dividend was paid on 26 September 2022, as disclosed in Note A6 above.

B10 Earnings Per Share ("EPS")

	3 months ended		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Profit attributable to owners of the Company (RM'000)	4,848	3,663	11,657	11,037
Weighted average number of ordinary shares in issue ('000)	442,550	319,601	401,536	313,116
Effect of warrants outstanding ('000)	n/a	53,214	n/a	68,362
Weighted average number of ordinary shares assumed in issue ('000)	n/a	372,815	n/a	381,478
Basic EPS (sen)	1.1	1.1	2.9	3.5
Diluted EPS (sen)	n/a	1.0	n/a	2.9

Diluted earnings per share was not computed for the current quarter under review and the nine (9)-month period of the current year as the Company does not have any potential dilutive ordinary shares in issue as at 30 September 2022.

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		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Profit before tax is arrived at after crediting/(charging):				
Interest income	103	96	422	388
Interest expense	(120)	(57)	(353)	(287)
Depreciation	(906)	(887)	(2,569)	(2,582)
Gain on disposal of property, plant and equipment	21	-	52	-
Reversal/(Provision) for expected credit losses	-	25	255	(13)
Realised (loss)/gain on foreign exchange	(44)	20	(66)	(9)
Unrealised gain/(loss) on foreign exchange	96	46	(50)	190

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.