



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2023

26 May 2023

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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 2023

(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		31.03.2023	31.03.2022	31.03.2023	31.03.2022
Revenue	A7	50,012	47,109	50,012	47,109
Cost of sales		(39,397)	(39,065)	(39,397)	(39,065)
Gross profit		10,615	8,044	10,615	8,044
Other income		559	644	559	644
Selling and distribution expenses		(261)	(170)	(261)	(170)
Administration expenses		(4,430)	(3,883)	(4,430)	(3,883)
Other expenses		(346)	(86)	(346)	(86)
Finance costs		(183)	(114)	(183)	(114)
Share of loss in an associate		(23)	-	(23)	-
Profit before tax	B13	5,931	4,435	5,931	4,435
Tax expense	B5	(1,561)	(1,224)	(1,561)	(1,224)
Profit for the period		4,370	3,211	4,370	3,211
Other comprehensive income		-	-	-	-
Total comprehensive income		4,370	3,211	4,370	3,211
Profit attributable to:					
Owners of the Company		4,032	3,029	4,032	3,029
Non-controlling interests		338	182	338	182
Profit for the period		4,370	3,211	4,370	3,211
Total comprehensive income attributable to:					
Owners of the Company		4,032	3,029	4,032	3,029
Non-controlling interests		338	182	338	182
Total comprehensive income		4,370	3,211	4,370	3,211
Earnings per share attributable to owners of the Company:					
Basic (sen)	B10	0.9	0.9	0.9	0.9
Diluted (sen)	B10	n/a	0.8	n/a	0.8

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
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

RM'000	Note	As at 31.03.2023 Unaudited	As at 31.12.2022 Audited
Assets			
Property, plant and equipment		76,610	76,532
Goodwill on consolidation		1,978	1,978
Investment property		1,013	1,019
Investment in an associate		-	23
Deferred tax assets		11	11
Fixed deposits with licensed banks		407	407
Non-current assets		80,019	79,970
Inventories		48,238	46,555
Trade and other receivables		50,010	58,395
Amount due from an associate		513	468
Tax recoverable		850	686
Financial asset at fair value through profit or loss		3,809	3,774
Cash and cash equivalents		97,889	100,744
Current assets		201,309	210,622
Total assets		281,328	290,592
Equity and liabilities			
Share capital		110,397	110,397
Merger deficit		(41,477)	(41,477)
Retained earnings		130,726	132,226
Equity attributable to owners of the Company		199,646	201,146
Non-controlling interests		18,205	17,913
Total equity		217,851	219,059
Borrowings (secured)	B7	14,927	15,098
Deferred tax liabilities		2,297	2,294
Non-current liabilities		17,224	17,392
Trade and other payables		38,919	47,315
Borrowings (secured)	B7	3,687	3,690
Tax liabilities		3,647	3,136
Current liabilities		46,253	54,141
Total liabilities		63,477	71,533
Total equity and liabilities		281,328	290,592
Net assets per share attributable to owners of the Company (RM)		0.45	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 FIRST QUARTER ENDED 31 MARCH 2023
(These figures have not been audited)

	Attributable to owners of the Company		Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Non-Distributable	Distributable					
RM'000	Share capital	Merger deficit					
At 1 January 2023	110,397	(41,477)	-	132,226	201,146	17,913	219,059
Acquisition of a subsidiary	-	-	-	-	-	(46)	(46)
Total comprehensive income	-	-	-	4,032	4,032	338	4,370
Dividend	-	-	-	(5,532)	(5,532)	-	(5,532)
At 31 March 2023	110,397	(41,477)	-	130,726	199,646	18,205	217,851
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
Dividend	-	-	-	(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

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 2023
(These figures have not been audited)

RM'000	3 months ended	
	31.03.2023	31.03.2022
Cash flows from operating activities		
Profit before tax	5,931	4,435
Adjustments for:		
Non-cash items	1,020	662
Non-operating items	121	-
Interest income	(189)	(40)
Interest expense	183	114
Operating profit before working capital changes	7,066	5,171
Changes in working capital:		
Inventories	(1,558)	1,466
Receivables	8,724	4,406
Payables	(9,803)	(7,407)
Cash generated from operations	4,429	3,636
Tax paid	(1,211)	(1,439)
Net cash from operating activities	3,218	2,197
Cash flows from investing activities		
Interest received	189	40
Placement of fixed deposits	(6,645)	(820)
Net cash inflow from acquisition of a subsidiary	224	-
Placement of financial asset at fair value through profit or loss	(35)	(17)
Purchase of property, plant and equipment	(483)	(400)
Net cash used in investing activities	(6,750)	(1,197)
Cash flows from financing activities		
Proceeds from issuance of shares	-	12,764
Dividend paid	(5,532)	(4,599)
Interest paid	(183)	(114)
Withdrawal/(Placement) of pledged fixed deposits	397	(3,043)
Net repayment of borrowings	(174)	(702)
Net cash (used in)/from financing activities	(5,492)	4,306
Net changes in cash and cash equivalents	(9,024)	5,306
Translation differences	(79)	36
Cash and cash equivalents at the beginning of financial period	43,457	38,878
Cash and cash equivalents at the end of financial period	34,354	44,220
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	62,410	37,593
Cash and bank balances	35,886	41,990
	98,296	79,583
Less: Fixed deposits pledged to licensed banks	(6,346)	(6,229)
Less: Fixed deposits as investing purposes	(57,596)	(29,134)
	34,354	44,220

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 2022.

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 2022 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 2023.

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 the Group's 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 on the Group 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

	31.03.2023	31.03.2022
For the financial year ended	31 December 2022	31 December 2021
Declare and approved on	27 February 2023	25 February 2022
Date of payment	31 March 2023	31 March 2022
Number of ordinary shares on which dividends were paid	442,550,214	367,928,244
Dividend per share (single-tier)	1.25 sen	1.25 sen
Net dividend paid (RM)	5,531,878	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, and provision of electrical vehicle supply equipment for home, public and commercial segments ("E&E Engineering").

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

Current financial quarter/year-to-date ended 31 March 2023

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	E&E Engineering	Elimination	Total
Revenue	20,378	1,040	-	26,550	2,915	(871)	50,012
Cost of sales	(13,626)	(869)	-	(23,502)	(2,271)	871	(39,397)
Gross profit	6,752	171	-	3,048	644	-	10,615
Add/(Less):							
Other income							559
Selling and distribution expenses							(261)
Administration expenses							(4,430)
Other expenses							(346)
Finance costs							(183)
Share of loss in an associate							(23)
Profit before tax							<u>5,931</u>

Preceding financial year's corresponding 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>

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

RM'000	3 months ended		
	31.03.2023	31.03.2022	Changes
Malaysia	42,161	43,652	(1,491)
Indonesia	4,314	3,164	1,150
Others	3,537	293	3,244
Total	50,012	47,109	2,903

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended	
	31.03.2023	31.03.2022
Companies in which certain Directors of the Company have interests:		
Sales of goods	99	142
Purchase of goods	-	1
Companies in which certain Directors of the subsidiaries of the Company have interests:		
Sales of goods	103	46
Purchase of goods	2	18
Management fee	-	3
Rental paid to certain Directors of a subsidiary of the Company	104	104

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 31.03.2023
Approved but not contracted for	-
Contracted but not provided for	303

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 and its 55%-owned subsidiary, UTC Engineering Sdn Bhd, have, on 1 March 2023, completed the acquisition of 51,000 ordinary shares (representing 51% equity interest) and 19,000 ordinary shares (representing 19% equity interest) in JusEV Charging Network Sdn Bhd ("JusEV") for a cash consideration of RM51,000 and RM19,000, respectively. In this regard, JusEV has become a 61.45% (effective interest)-owned subsidiary of the Company with effect from 1 March 2023.

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 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
	31.03.2023	31.03.2022	
Revenue	50,012	47,109	2,903
Profit before tax	5,931	4,435	1,496

The Group's revenue increased from RM47.11 million in the corresponding quarter of the preceding year ("Q1 FYE 2022") to RM50.01 million in the current quarter under review ("Q1 FYE 2023"), mainly due to higher revenue recorded by our Trading business (Q1 FYE 2023 - RM20.38 million; Q1 FYE 2022 - RM16.99 million) in line with the recovery of the local and overseas markets post the Covid-10 pandemic. However, this was partly offset by the decrease in revenue recorded by our Metal Stamping business (Q1 FYE 2023 - RM26.55 million; Q1 FYE 2022 - RM27.57 million) due to lower demand from customers in the air-conditioning industry.

Given the increase in revenue, coupled with the higher gross profit margin recorded, the Group showed an increase in profit before tax in Q1 FYE 2023 vis-à-vis Q1 FYE 2022, notwithstanding the increase in operating expenses (Q1 FYE 2023 - RM5.04 million; Q1 FYE 2022 - RM4.14 million) mainly due to higher manpower costs.

B2 Comparison with Immediate Preceding Quarter

RM'000	3 months ended		Changes
	31.03.2023	31.12.2022	
Revenue	50,012	61,030	(11,018)
Profit before tax	5,931	9,384	(3,453)

The Group's revenue showed a decrease of RM11.02 million (equivalent to 18.1%) in Q1 FYE 2023 as compared to that of the immediate preceding quarter ("Q4 FYE 2022"), mainly due to the lower revenue contribution from our Metal Stamping business (Q1 FYE 2023 - RM26.55 million; Q4 FYE 2022 - RM33.79 million) and our Trading business (Q1 FYE 2023 - RM20.38 million; Q4 FYE 2022 - RM23.71 million). The lower revenue recorded by our Metal Stamping and Trading businesses was due to lower customer demand.

Given the decrease in revenue, the Group recorded a decrease in profit before tax in Q1 FYE 2023 vis-à-vis Q4 FYE 2022 notwithstanding the decrease in operating expenses (Q1 FYE 2023 - RM5.04 million; Q4 FYE 2022 - RM8.33 million). The higher operating expenses in Q4 FYE 2022 was mainly due to the net provision for expected credit losses of trade receivables of RM2.09 million and impairment of contract asset of RM1.53 million.

B3 Commentary on Prospects

The Group foresees the domestic and overseas market conditions to remain challenging in the current financial year ending 31 December 2023 ("FYE 2023"). Nonetheless, the Group will continue to strive hard to pursue sales while taking steps to address the market uncertainties and challenges. In addition, driven by the encouraging post-acquisition performances shown by our Metal Stamping and E&E Engineering businesses, the Group will continue to seek and explore potential opportunities for acquisitions and collaborations in order to enhance our profitability. In this aspect, the acquisition of JusEV on 1 March 2023 (as mentioned in Note A12 above) has provided the Group with the opportunity to venture into the electrical vehicle supply equipment industry.

Premised on the above and barring any unforeseen circumstances, the Group expects our prospects and performance for FYE 2023 to be satisfactory.

B4 Profit Forecast

Not applicable.

B5 Tax Expense

RM'000	3 months ended	
	31.03.2023	31.03.2022
Income tax	1,561	1,224
Total tax expense	1,561	1,224

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) 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
	31.03.2023	31.12.2022
Lease liabilities	2,495	2,221
Term loans	12,432	12,877
Non-current borrowings	14,927	15,098
Bankers' acceptance	1,210	805
Lease liabilities	700	1,115
Term loans	1,777	1,770
Current borrowings	3,687	3,690
Total borrowings	18,614	18,788

All borrowings are denominated in Ringgit Malaysia. Overall, the decrease in borrowings of RM0.17 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 27 February 2023, 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 2022. The dividend was paid on 31 March 2023. Please refer to Note A6 above for details on the dividend paid.

B10 Earnings per Share ("EPS")

	3 months ended	
	31.03.2023	31.03.2022
Profit attributable to owners of the Company (RM'000)	4,032	3,029
Weighted average number of ordinary shares in issue ('000)	442,550	342,508
Effect of warrants outstanding ('000)	n/a	46,027
Weighted average number of ordinary shares assumed in issue ('000)	n/a	388,535
Basic EPS (sen)	0.9	0.9
Diluted EPS (sen)	n/a	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 2022 was unqualified.

B13 Profit Before Tax

RM'000	3 months ended	
	31.03.2023	31.03.2022
Profit before tax is arrived at after crediting/(charging):		
Interest income	189	40
Depreciation	(836)	(830)
Interest expense	(183)	(114)
Reversal of provision for expected credit losses	-	203
Realised (loss)/gain on foreign exchange	(12)	19
Unrealised loss on foreign exchange	(161)	(35)
Goodwill written off	(121)	-

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.