



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2023

24 August 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 SECOND QUARTER ENDED 30 JUNE 2023

(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		30.06.2023	30.06.2022	30.06.2023	30.06.2022
Revenue	A7	54,872	47,414	104,884	94,523
Cost of sales		(42,927)	(37,896)	(82,324)	(76,961)
Gross profit		11,945	9,518	22,560	17,562
Other income		1,216	811	1,775	1,455
Selling and distribution expenses		(180)	(249)	(441)	(419)
Administration expenses		(5,209)	(4,004)	(9,639)	(7,887)
Other expenses		(167)	(199)	(513)	(285)
Finance costs		(169)	(119)	(352)	(233)
Shares of loss in an associate		-	-	(23)	-
Profit before tax	B13	7,436	5,758	13,367	10,193
Tax expense	B5	(1,867)	(1,423)	(3,428)	(2,647)
Profit for the period		5,569	4,335	9,939	7,546
Other comprehensive income		-	-	-	-
Total comprehensive income		5,569	4,335	9,939	7,546
Profit attributable to:					
Owners of the Company		5,166	3,780	9,198	6,809
Non-controlling interests		403	555	741	737
Profit for the period		5,569	4,335	9,939	7,546
Total comprehensive income attributable to:					
Owners of the Company		5,166	3,780	9,198	6,809
Non-controlling interests		403	555	741	737
Total comprehensive income		5,569	4,335	9,939	7,546
Earnings per share attributable to owners of the Company:					
Basic (sen)	B10	1.2	0.9	2.1	1.8
Diluted (sen)	B10	n/a	n/a	n/a	n/a

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 JUNE 2023

RM'000	Note	As at 30.06.2023 Unaudited	As at 31.12.2022 Audited
Assets			
Property, plant and equipment		76,901	76,532
Goodwill on consolidation		1,978	1,978
Investment property		1,008	1,019
Investment in an associate		-	23
Deferred tax assets		11	11
Fixed deposits with licensed banks		407	407
Non-current assets		80,305	79,970
Inventories		48,073	46,555
Trade and other receivables		52,363	58,395
Amount due from an associate		508	468
Tax recoverable		879	686
Financial asset at fair value through profit or loss		3,842	3,774
Cash and cash equivalents		100,746	100,744
Current assets		206,411	210,622
Total assets		286,716	290,592
Equity and liabilities			
Share capital		110,397	110,397
Merger deficit		(41,477)	(41,477)
Retained earnings		135,892	132,226
Equity attributable to owners of the Company		204,812	201,146
Non-controlling interests		18,608	17,913
Total equity		223,420	219,059
Borrowings (secured)	B7	14,209	15,098
Deferred tax liabilities		2,297	2,294
Non-current liabilities		16,506	17,392
Trade and other payables		38,475	47,315
Borrowings (secured)	B7	4,062	3,690
Tax liabilities		4,253	3,136
Current liabilities		46,790	54,141
Total liabilities		63,296	71,533
Total equity and liabilities		286,716	290,592
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
Registration No. 201301020455 (1050285-U)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2023
(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 2023	110,397	(41,477)	-	132,226	201,146	17,913	219,059
Total comprehensive income	-	-	-	9,198	9,198	741	9,939
Acquisition of a subsidiary	-	-	-	-	-	(46)	(46)
Dividend	-	-	-	(5,532)	(5,532)	-	(5,532)
At 30 June 2023	110,397	(41,477)	-	135,892	204,812	18,608	223,420
At 1 January 2022	77,302	(41,477)	-	121,948	157,773	17,114	174,887
Total comprehensive income	-	-	-	6,809	6,809	737	7,546
Issuance of shares by the Company	33,095	-	-	-	33,095	-	33,095
Dividend	-	-	-	(4,599)	(4,599)	-	(4,599)
At 30 June 2022	110,397	(41,477)	-	124,158	193,078	17,851	210,929

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 SECOND QUARTER ENDED 30 JUNE 2023
(These figures have not been audited)

RM'000	6 months ended	
	30.06.2023	30.06.2022
Cash flows from operating activities		
Profit before tax	13,367	10,193
Adjustments for:		
Non-cash items	1,834	1,554
Non-operating items	110	(31)
Interest income	(851)	(319)
Interest expense	352	233
Operating profit before working capital changes	14,812	11,630
Changes in working capital:		
Inventories	(1,393)	(1,321)
Receivables	6,560	7,929
Payables	(10,435)	(5,183)
Cash generated from operations	9,544	13,055
Tax paid	(2,501)	(2,773)
Net cash from operating activities	7,043	10,282
Cash flows from investing activities		
Interest received	851	319
Net placement of fixed deposits	(9,183)	(14,029)
Placement of financial asset at fair value through profit or loss	(68)	(35)
Purchase of property, plant and equipment	(1,649)	(11,480)
Proceeds from disposal of property, plant and equipment	11	31
Net cash inflow from acquisition of a subsidiary	224	-
Net cash used in investing activities	(9,814)	(25,194)
Cash flows from financing activities		
Dividend paid	(5,532)	(4,599)
Interest paid	(352)	(233)
Proceeds from issuance of shares	-	33,095
Net withdrawal / (placement) of pledged fixed deposits	352	(3,081)
Net repayment of borrowings	(740)	(1,748)
Net cash (used in) / from financing activities	(6,272)	23,434
Net changes in cash and cash equivalents	(9,043)	8,522
Translation differences	(9)	85
Cash and cash equivalents at the beginning of financial period	43,457	38,878
Cash and cash equivalents at the end of financial period	34,405	47,485
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	64,972	50,850
Cash and bank balances	36,181	46,104
	101,153	96,954
Less: Bank overdraft	(223)	(859)
Less: Fixed deposits pledged to licensed banks	(6,391)	(6,267)
Less: Fixed deposits as investing purposes	(60,134)	(42,343)
	34,405	47,485

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 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 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 Dividend Paid

There was no dividend paid by the Company during the current quarter under review.

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 the 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 ended 30 June 2023

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	E&E Engineering	Elimination	Total
Revenue	25,502	1,390	621	21,753	6,737	(1,131)	54,872
Cost of sales	(17,729)	(1,152)	(374)	(19,354)	(5,449)	1,131	(42,927)
Gross profit	7,773	238	247	2,399	1,288	-	11,945
Add/(Less):							
Other income							1,216
Selling and distribution expenses							(180)
Administration expenses							(5,209)
Other expenses							(167)
Finance costs							(169)
Share of loss in an associate							-
Profit before tax							<u>7,436</u>

Preceding financial year's corresponding quarter ended 30 June 2022

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	E&E Engineering	Elimination	Total
Revenue	16,478	1,172	-	28,779	1,984	(999)	47,414
Cost of sales	(10,956)	(865)	-	(25,839)	(1,235)	999	(37,896)
Gross profit	5,522	307	-	2,940	749	-	9,518
Add/(Less):							
Other income							811
Selling and distribution expenses							(249)
Administration expenses							(4,004)
Other expenses							(199)
Finance costs							(119)
Share of loss in an associate							-
Profit before tax							<u>5,758</u>

Current financial year-to-date ended 30 June 2023

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	E&E Engineering	Elimination	Total
Revenue	45,880	2,430	621	48,303	9,652	(2,002)	104,884
Cost of sales	(31,355)	(2,021)	(374)	(42,856)	(7,720)	2,002	(82,324)
Gross profit	14,525	409	247	5,447	1,932	-	22,560
Add/(Less):							
Other income							1,775
Selling and distribution expenses							(441)
Administration expenses							(9,639)
Other expenses							(513)
Finance costs							(352)
Share of loss in an associate							(23)
Profit before tax							<u>13,367</u>

Preceding financial year's corresponding year-to-date ended 30 June 2022

RM'000	Trading	Pump Manufacturing	MHS Solutions	Metal Stamping	E&E Engineering	Elimination	Total
Revenue	33,469	1,987	-	56,350	4,493	(1,776)	94,523
Cost of sales	(22,365)	(1,768)	-	(51,560)	(3,044)	1,776	(76,961)
Gross profit	11,104	219	-	4,790	1,449	-	17,562
Add/(Less):							
Other income							1,455
Selling and distribution expenses							(419)
Administration expenses							(7,887)
Other expenses							(285)
Finance costs							(233)
Share of loss in an associate							-
Profit before tax							<u>10,193</u>

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

RM'000	3 months ended			6 months ended		
	30.06.2023	30.06.2022	Changes	30.06.2023	30.06.2022	Changes
Malaysia	42,693	42,593	100	84,854	86,245	(1,391)
Indonesia	7,946	4,097	3,849	12,260	7,261	4,999
Others	4,233	724	3,509	7,770	1,017	6,753
Total	54,872	47,414	7,458	104,884	94,523	10,361

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended		6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Companies in which certain Directors of the Company have interests:				
Sales of goods	7	22	106	164
Purchase of goods	-	-	-	1
Companies in which certain Directors of the subsidiaries of the Company have interests:				
Sales of goods	209	66	312	112
Purchase of goods	6	12	8	30
Management fee received	-	3	-	6
Rental paid to certain Directors of a subsidiary of the Company	105	104	209	208

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 30.06.2023
Approved but not contracted for	-
Contracted but not provided for	508

A11 Contingent Assets and Liabilities

There were no contingent assets and contingent liabilities 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.

Nevertheless, 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.

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 THE MAIN MARKET
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

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

RM'000	3 months ended		6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Revenue	54,872	47,414	104,884	94,523
Profit before tax	7,436	5,758	13,367	10,193

The Group's revenue increased from RM47.41 million in the corresponding quarter of the preceding year ("Q2 FYE 2022") to RM54.87 million in the current quarter under review ("Q2 FYE 2023"), mainly due to higher revenue recorded by our Trading business (Q2 FYE 2023 - RM25.50 million; Q2 FYE 2022 - RM16.48 million) and E&E Engineering business (Q2 FYE 2023 - RM6.74 million; Q2 FYE 2022 - RM1.98 million) in line with the recovery of the local and overseas markets post the Covid-19 pandemic. However, this was partly offset by the lower revenue recorded by our Metal Stamping business (Q2 FYE 2023 - RM21.75 million; Q2 FYE 2022 - RM28.78 million) due to lower demand from its customers in the air-conditioning industry.

Given the increase in revenue, coupled with the higher gross profit margin recorded (Q2 FYE 2023 - 21.8%; Q2 FYE 2022 - 20.1%), the Group recorded an increase in profit before tax in Q2 FYE 2023 vis-à-vis Q2 FYE 2022, notwithstanding the increase in operating expenses (Q2 FYE 2023 - RM5.56 million; Q2 FYE 2022 - RM4.45 million) mainly due to higher manpower costs.

The Group's revenue increased from RM94.52 million in the corresponding six (6) - month period of the preceding year ("1H FYE 2022") to RM104.88 million in the six (6) - month period of the current year ("1H FYE 2023"), and its profit before tax increased from RM10.19 million in 1H FYE 2022 to RM13.37 million in 1H FYE 2023, mainly due to the reasons mentioned above.

B2 Comparison with Immediate Preceding Quarter

RM'000	3 months ended		
	30.06.2023	31.03.2023	Changes
Revenue	54,872	50,012	4,860
Profit before tax	7,436	5,931	1,505

The Group's revenue increased from RM50.01 million in the immediate preceding quarter ("Q1 FYE 2023") to RM54.87 million in Q2 FYE 2023, mainly due to higher revenue recorded by our Trading business (Q2 FYE 2023 - RM25.50 million; Q1 FYE 2023 - RM20.38 million) and E&E Engineering business (Q2 FYE 2023 - RM6.74 million; Q1 FYE 2023 - RM2.92 million) in line with the recovery of the local and overseas markets post the Covid-19 pandemic. However, this was partly offset by the lower revenue recorded by our Metal Stamping business (Q2 FYE 2023 - RM21.75 million; Q1 FYE 2023 - RM26.55 million) due to lower demand from its customers in the air-conditioning industry.

With the increase in revenue, coupled with the higher gross profit margin recorded (Q2 FYE 2023 - 21.8%; Q1 FYE 2023 - 21.2%), the Group recorded an increase in profit before tax in Q2 FYE 2023 vis-à-vis Q1 FYE 2023, notwithstanding the increase in operating expenses (Q2 FYE 2023 - RM5.56 million; Q1 FYE 2023 - RM5.04 million).

B3 Commentary on Prospects

The Group has recorded growth in revenue and profits in 1H FYE 2023 despite the challenging market conditions, owing to the efforts put in by the Group to pursue sales and control costs. The market conditions are expected to remain challenging in the second half of 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, the Group will continue to seek and explore potential opportunities for acquisitions and collaborations in order to enhance our financial performance.

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		6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Income tax	1,867	1,423	3,428	2,647
Total tax expense	1,867	1,423	3,428	2,647

The effective tax rate of the Group for the current quarter under review and the six (6) - month period of the current year was higher than the statutory tax rate of 24% mainly due to the tax losses of certain subsidiaries for which no deferred tax asset was provided.

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
	30.06.2023	31.12.2022
Lease liabilities	2,457	2,221
Term loans	11,752	12,877
Non-current borrowings	14,209	15,098
Bank overdraft	223	-
Bankers' acceptance	1,219	805
Lease liabilities	596	1,115
Term loans	2,024	1,770
Current borrowings	4,062	3,690
Total borrowings	18,271	18,788

All the borrowings are denominated in Ringgit Malaysia. Overall, the decrease in the borrowings of RM0.52 million was mainly due to the repayment instalments of the term loans and lease liabilities.

B8 Changes in Material Litigation

Save as disclosed below, the Group is not involved in any material litigation as at the date of this report:

The Company's 55%-owned subsidiary, Arah Edar (M) Sdn Bhd ("Arah Edar"), had, on 15 June 2023, lodged an adjudication application with the Singapore Mediation Centre ("SMC") for the amount of Singapore Dollar ("SGD") 1,233,506.74 against SH Design & Build Pte Ltd ("SHDB") ("Adjudication Application").

The Adjudication Application is in relation to the design, supply, assembly (off-site) and delivery of the material handling equipment (Package 2) for the proposed ready mixed concrete ecosystem project at Jurong Port, Singapore, for a fixed priced lump sum contract value of SGD12,010,901.00, excluding goods and services tax, accepted by Arah Edar from SHDB on 7 September 2020.

Based on the adjudication determination dated 14 August 2023 ("Adjudication Determination"), the adjudicator had determined that, among others, the Adjudication Application is disallowed and there is no adjudicated amount to be paid by SHDB to Arah Edar.

Arah Edar has, on 21 August 2023, lodged an application for an adjudication review of the Adjudication Determination with SMC. The adjudication review is currently pending as at the date of this report.

Please refer to the Company's announcements dated 16 June 2023, 15 August 2023 and 21 August 2023 for further details on the above matter.

B9 Proposed Dividend

On 24 August 2023, the Board of Directors of the Company 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 2023. The dividend will be paid on 26 September 2023 to shareholders registered in the Record of Depositors as at 11 September 2023.

B10 Earnings per Share ("EPS")

	3 months ended		6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Profit attributable to owners of the Company (RM'000)	5,166	3,780	9,198	6,809
Weighted average number of ordinary shares in issue ('000)	442,550	418,450	442,550	380,688
Basic EPS (sen)	1.2	0.9	2.1	1.8

Diluted EPS per share was not computed for the current quarter under review and the six (6) - month period of the current financial year as the Company did not have any potential dilutive ordinary shares in issue as at 30 June 2023.

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		6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Profit before tax is arrived at after crediting/(charging):				
Interest income	662	279	851	319
Depreciation	(880)	(833)	(1,716)	(1,663)
Interest expense	(169)	(119)	(352)	(233)
Gain on disposal of property, plant and equipment	11	31	11	31
(Provision for) / Reversal of expected credit losses	(47)	52	(47)	255
Realised loss on foreign exchange	(75)	(41)	(87)	(22)
Unrealised gain / (loss) on foreign exchange	113	(111)	(48)	(146)
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.