



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 2023**

26 February 2024

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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 2023
(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022
Revenue	A7	51,672	60,984	211,768	211,962
Cost of sales		(38,158)	(44,462)	(163,356)	(166,786)
Gross profit		13,514	16,522	48,412	45,176
Other income		1,559	1,029	4,249	3,094
Selling and distribution expenses		(270)	(262)	(945)	(822)
Administration expenses		(5,332)	(4,527)	(19,562)	(16,417)
Other expenses		(804)	(3,232)	(1,400)	(3,593)
Finance costs		(306)	(167)	(860)	(520)
Shares of profit/(loss) in an associate		-	21	(23)	(5)
Profit before tax	B13	8,361	9,384	29,871	26,913
Tax expense	B5	(2,128)	(3,277)	(7,525)	(7,782)
Profit for the period / year		6,233	6,107	22,346	19,131
Other comprehensive income		-	-	-	-
Total comprehensive income for the period / year		6,233	6,107	22,346	19,131
Profit attributable to:					
Owners of the Company		6,030	6,539	21,001	18,196
Non-controlling interests		203	(432)	1,345	935
Profit for the period / year		6,233	6,107	22,346	19,131
Total comprehensive income attributable to:					
Owners of the Company		6,030	6,539	21,001	18,196
Non-controlling interests		203	(432)	1,345	935
Total comprehensive income for the period / year		6,233	6,107	22,346	19,131
Earnings per share attributable to owners of the Company:					
Basic (sen)	B10	1.4	1.5	4.7	4.4
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
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

RM'000	Note	As at 31.12.2023 Unaudited	As at 31.12.2022 Audited
Assets			
Property, plant and equipment		77,146	76,532
Intangible assets		232	-
Goodwill on consolidation		1,978	1,978
Investment property		997	1,019
Investment in an associate		-	23
Deferred tax assets		103	11
Fixed deposits with licensed banks		416	407
Non-current assets		80,872	79,970
Inventories		59,714	46,555
Trade and other receivables		55,018	58,395
Amount due from an associate		1,353	468
Tax recoverable		718	686
Financial asset at fair value through profit or loss		3,906	3,774
Cash and cash equivalents		101,747	100,744
Current assets		222,456	210,622
Total assets		303,328	290,592
Equity and liabilities			
Share capital		110,397	110,397
Merger deficit		(41,477)	(41,477)
Retained earnings		144,376	132,226
Equity attributable to owners of the Company		213,296	201,146
Non-controlling interests		18,995	17,913
Total equity		232,291	219,059
Borrowings (secured)	B7	12,977	15,098
Deferred tax liabilities		2,321	2,294
Non-current liabilities		15,298	17,392
Trade and other payables		48,247	47,315
Borrowings (secured)	B7	4,379	3,690
Tax liabilities		3,113	3,136
Current liabilities		55,739	54,141
Total liabilities		71,037	71,533
Total equity and liabilities		303,328	290,592
Net assets per share attributable to owners of the Company (RM)			
		0.48	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 2023
(These figures have not been audited)

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Merger deficit	Other reserves	Retained earnings	Total		
RM'000							
At 1 January 2023	110,397	(41,477)	-	132,226	201,146	17,913	219,059
Total comprehensive income for the year	-	-	-	21,001	21,001	1,345	22,346
Acquisition of a subsidiary	-	-	-	-	-	(38)	(38)
Dividends	-	-	-	(8,851)	(8,851)	(225)	(9,076)
At 31 December 2023	110,397	(41,477)	-	144,376	213,296	18,995	232,291
At 1 January 2022	77,302	(41,477)	-	121,948	157,773	17,113	174,886
Total comprehensive income for the year	-	-	-	18,196	18,196	935	19,131
Issuance of shares by the Company	33,095	-	-	-	33,095	-	33,095
Dividends	-	-	-	(7,918)	(7,918)	(135)	(8,053)
At 31 December 2022	110,397	(41,477)	-	132,226	201,146	17,913	219,059

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 YEAR ENDED 31 DECEMBER 2023
(These figures have not been audited)

RM'000	31.12.2023	31.12.2022
Cash flows from operating activities		
Profit before tax	29,871	26,913
Adjustments for:		
Non-cash items	6,016	7,172
Non-operating items	85	(97)
Interest income	(2,194)	(1,033)
Interest expense	860	520
Operating profit before working capital changes	34,638	33,475
Changes in working capital:		
Inventories	(13,542)	(5,566)
Receivables	1,727	(8,215)
Payables	(391)	2,701
Cash generated from operations	22,432	22,395
Interest paid	(860)	(520)
Net tax paid	(7,644)	(5,721)
Net cash from operating activities	13,928	16,154
Cash flows from investing activities		
Interest received	2,194	1,033
Placement of fixed deposits	(8,531)	(22,636)
Placement of financial asset at fair value through profit or loss	(110)	(79)
Acquisition of intangible assets	(5)	-
Net cash inflows from acquisition of a subsidiary	224	-
Acquisition of additional shares in an associate	-	(28)
Purchase of property, plant and equipment	(3,579)	(8,793)
Proceeds from disposal of property, plant and equipment	169	52
Net cash used in investing activities	(9,638)	(30,451)
Cash flows from financing activities		
Proceeds from issuance of shares	-	33,095
Dividends paid	(9,076)	(8,053)
Placement of pledged fixed deposits	(154)	(3,558)
Net repayment of borrowings	(2,703)	(2,718)
Net cash (used in)/from financing activities	(11,933)	18,766
Net changes in cash and cash equivalents	(7,643)	4,469
Translation differences	(88)	111
Cash and cash equivalents at the beginning of financial year	43,458	38,878
Cash and cash equivalents at the end of financial year	35,727	43,458
Analysis of cash and cash equivalents		
Fixed deposits with licensed banks	67,106	60,256
Cash and bank balances	34,999	40,895
	102,105	101,151
Less: Fixed deposits pledged with licensed banks	(6,897)	(6,743)
Less: Fixed deposits as investing purposes	(59,481)	(50,950)
	35,727	43,458

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 new Malaysian Financial Reporting Standards ("MFRSs"), Amendments to MFRSs and IC Interpretations that are mandatory for annual financial periods beginning on or after 1 January 2023.

The adoption of the new MFRSs, Amendments to MFRSs 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 Dividends Paid

No dividend was paid 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 31 December 2023

RM'000	Trading	Pump		E&E		Elimination	Total
		Manufacturing	MHS Solutions	Metal Stamping	Engineering		
Revenue	25,285	1,464	28	23,491	2,767	(1,363)	51,672
Cost of sales	(15,917)	(1,322)	(4)	(20,507)	(1,771)	1,363	(38,158)
Gross profit	9,368	142	24	2,984	996	-	13,514
Add/(Less):							
Other income							1,559
Selling and distribution expenses							(270)
Administration expenses							(5,332)
Other expenses							(804)
Finance costs							(306)
Share of profit in an associate							-
Profit before tax							8,361

Preceding financial year's corresponding quarter ended 31 December 2022

RM'000	Trading	Pump		E&E		Elimination	Total
		Manufacturing	MHS Solutions	Metal Stamping	Engineering		
Revenue	23,655	1,300	-	33,787	3,157	(915)	60,984
Cost of sales	(13,902)	(1,160)	1,901	(30,087)	(2,129)	915	(44,462)
Gross profit	9,753	140	1,901	3,700	1,028	-	16,522
Add/(Less):							
Other income							1,029
Selling and distribution expenses							(262)
Administration expenses							(4,527)
Other expenses							(3,232)
Finance costs							(167)
Share of profit in an associate							21
Profit before tax							9,384

Current financial year-to-date ended 31 December 2023

RM'000	Trading	Pump			E&E		Total
		Manufacturing	MHS Solutions	Metal Stamping	Engineering	Elimination	
Revenue	99,788	5,142	816	94,951	15,628	(4,557)	211,768
Cost of sales	(67,588)	(4,322)	(329)	(83,935)	(11,739)	4,557	(163,356)
Gross profit	32,200	820	487	11,016	3,889	-	48,412
Add/(Less):							
Other income							4,249
Selling and distribution expenses							(945)
Administration expenses							(19,562)
Other expenses							(1,400)
Finance costs							(860)
Share of loss in an associate							(23)
Profit before tax							<u>29,871</u>

Preceding financial year's corresponding year-to-date ended 31 December 2022

RM'000	Trading	Pump			E&E		Total
		Manufacturing	MHS Solutions	Metal Stamping	Engineering	Elimination	
Revenue	76,332	4,761	-	124,707	9,998	(3,836)	211,962
Cost of sales	(48,883)	(4,128)	1,901	(112,784)	(6,728)	3,836	(166,786)
Gross profit	27,449	633	1,901	11,923	3,270	-	45,176
Add/(Less):							
Other income							3,094
Selling and distribution expenses							(822)
Administration expenses							(16,417)
Other expenses							(3,593)
Finance costs							(520)
Share of loss in an associate							(5)
Profit before tax							<u>26,913</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		
	31.12.2023	31.12.2022	Changes	31.12.2023	31.12.2022	Changes
Malaysia	48,309	58,081	(9,772)	173,577	196,719	(23,142)
Indonesia	3,739	2,285	1,454	26,552	13,168	13,384
Others	(376)	618	(994)	11,639	2,075	9,564
Total	51,672	60,984	(9,312)	211,768	211,962	(194)

A8 Related Party Disclosures

Related party transactions of the Group are as follows:

RM'000	3 months ended		12 months ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Companies in which certain Directors of the Company have interests:				
Sales of goods and services	8	17	343	236
Purchase of goods	-	-	-	1
Companies in which certain Directors of subsidiaries of the Company have interests:				
Sales of goods	57	312	431	641
Purchase of goods	297	4	352	42
Management fee received	-	-	-	7
Rental paid to certain Directors of a subsidiary of the Company	106	104	425	416

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 of the Group during the current quarter under review.

A10 Capital Commitments

Save as disclosed below, there were no material capital commitments by the Group in respect of property, plant and equipment as at the end of the current quarter under review:

RM'000	As at 31.12.2023
Approved but not contracted for	-
Contracted but not provided for	1,878

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 quarter under review.

Nevertheless, the Company and its 55%-owned subsidiary, UTC Engineering Sdn Bhd, had, 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.

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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		
	31.12.2023	31.12.2022	Changes	31.12.2023	31.12.2022	Changes
Revenue	51,672	60,984	(9,312)	211,768	211,962	(194)
Profit before tax	8,361	9,384	(1,023)	29,871	26,913	2,958

The Group recorded a drop of 15.3% in revenue from RM60.98 million in the corresponding quarter of the preceding year ("Q4 FYE 2022") to RM51.67 million in the current quarter under review ("Q4 FYE 2023"), mainly due to the lower revenue contribution from our Metal Stamping business (Q4 FYE 2023 - RM23.49 million; Q4 FYE 2022 - RM33.79 million) arising from lower demand from its customers in the air-conditioning industry. However, this was partly offset by the higher revenue recorded by our Trading business (Q4 FYE 2023 - RM25.29 million; Q4 FYE 2022 - RM23.66 million) with the recovery of the local and overseas markets post the Covid-19 pandemic.

In line with the drop in revenue, the Group recorded a drop in profit before tax in Q4 FYE 2023 vis-à-vis Q4 FYE 2022.

The Group recorded a marginal drop of 0.1% in revenue from RM211.96 million in the financial year ended 31 December 2022 ("FYE 2022") to RM211.77 million in the financial year ended 31 December 2023 ("FYE 2023"), mainly due to the lower revenue contribution from our Metal Stamping business (FYE 2023 - RM94.95 million; FYE 2022 - RM124.71 million) arising from lower demand from its customers in the air-conditioning industry. However, this was offset by higher revenue recorded by our Trading business (FYE 2023 - RM99.79 million; FYE 2022 - RM76.33 million) and E&E Engineering business (FYE 2023 - RM15.63 million; FYE 2022 - RM10.00 million) with the recovery of the local and overseas markets post the Covid-19 pandemic.

The Group recorded an increase in profit before tax in FYE 2023 vis-à-vis FYE 2022 mainly due to the higher revenue recorded by our Trading business which has a higher gross profit margin compared to that of our Metal Stamping business.

B2 Comparison with Immediate Preceding Quarter

RM'000	3 months ended		
	31.12.2023	30.09.2023	Changes
Revenue	51,672	55,212	(3,540)
Profit before tax	8,361	8,143	218

The Group recorded a drop of 6.4% in revenue from RM55.21 million in the immediate preceding quarter ("Q3 FYE 2023") to RM51.67 million in Q4 FYE 2023, mainly due to the lower revenue contribution from our Trading business (Q4 FYE 2023 - RM25.29 million; Q3 FYE 2023 - RM28.62 million). Notwithstanding the lower revenue, the Group recorded a slightly higher profit before tax in Q4 FYE 2023 vis-a-vis Q3 FYE 2023 owing to higher gross profit margin, but was mainly offset by higher operating expenses.

B3 Commentary on Prospects

The Group has shown resilience by recording a 15.4% growth in the profit attributable to owners of the Company from RM18.20 million in FYE 2022 to RM21.00 million in FYE 2023 despite the uncertainties and challenges faced by the Group in the domestic and overseas markets arising from the global economic and political headwinds. As a matter fact, FYE 2023 is a record year for the Group in terms of profitability. In this regard, the continuous hard work put in by the Group has paid off in FYE 2023.

The Group foresees the domestic and overseas market conditions to remain challenging in the financial year ending 31 Dec 2024 ("FYE 2024"). Nonetheless, the Group will continue to put in strong effort to pursue sales while taking steps to address the market uncertainties and challenges. In addition, the Group will also continue with its strategy 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 FYE 2024 to be satisfactory.

B4 Profit Forecast

Not applicable.

B5 Tax Expense

RM'000	3 months ended		12 months ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Income tax	2,193	3,317	7,590	7,822
Deferred tax	(65)	(40)	(65)	(40)
Total tax expense	2,128	3,277	7,525	7,782

The effective tax rate of the Group for the current quarter under review and the financial year ended 31 December 2023 was higher than the statutory tax rate of 24% mainly due to the non-tax deductibility of certain expenses and tax losses for which no deferred tax was 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
	31.12.2023	31.12.2022
Lease liabilities	2,067	2,221
Term loans	10,910	12,877
Long term borrowings	12,977	15,098
Bank overdraft	58	-
Bankers' acceptance	1,189	805
Lease liabilities	1,182	1,115
Term loans	1,950	1,770
Short term borrowings	4,379	3,690
Total borrowings	17,356	18,788

All the borrowings are denominated in Ringgit Malaysia. Overall, the decrease in the borrowings of RM1.43 million was mainly due to the repayment instalments of the term loans 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 Dividends

On 26 February 2024, the Board has declared and approved the payment of a second single-tier dividend of 1.50 sen per ordinary share in respect of the financial year ended 31 December 2023. The dividend will be paid on 4 April 2024 to shareholders registered in the Record of Depositors as at 20 March 2024. With this payment of second dividend, the total payment of dividends by the Company for the financial year ended 31 December 2023 amounts to 2.25 sen per ordinary share.

B10 Earnings Per Share ("EPS")

	3 months ended		12 months ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Profit attributable to owners of the Company (RM'000)	6,030	6,539	21,001	18,196
Weighted average number of ordinary shares in issue ('000)	442,550	442,550	442,550	411,874
Basic EPS (sen)	1.4	1.5	4.7	4.4

Diluted earnings per share was not computed for the current quarter under review and the current financial year as the Company did not have any potential dilutive ordinary shares in issue as at 31 December 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		12 months ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Profit before tax is arrived at after crediting/(charging):				
Interest income	1,172	611	2,194	1,033
Interest expense	(306)	(167)	(860)	(520)
Depreciation	(1,594)	(1,339)	(4,203)	(3,908)
Amortisation	(47)	-	(47)	-
Net reversal of/(provision for) expected credit losses	860	(2,088)	848	(1,833)
Bad debt written off	-	(9)	-	(9)
Impairment of contract assets	(1,757)	(1,533)	(1,757)	(1,533)
Inventories written down	(509)	-	(509)	-
(Loss)/Gain on disposal of property, plant and equipment	(1)	-	10	52
Realised gain/(loss) on foreign exchange	132	(129)	149	(195)
Unrealised (loss)/gain on foreign exchange	(252)	165	(324)	115
Goodwill written off	(9)	-	(130)	-

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.