

MERCURY INDUSTRIES BERHAD
(Company No. 105550 - K)

The Board of Directors is pleased to announce the following :

UNAUDITED INTERIM REPORT OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 3/31/2017 RM'000	Preceding Year Corresponding Quarter 3/31/2016 RM'000	Current Period To Date 3/31/2017 RM'000	Preceding Year Corresponding Period 3/31/2016 RM'000
<u>Continuing Operations</u>				
Revenue	13,546	14,335	13,546	14,335
Cost of sales	(11,395)	(11,811)	(11,395)	(11,811)
Gross Profit	2,151	2,524	2,151	2,524
<u>Other income</u>				
Impairment loss no longer required:				
- other investments	36	-	36	-
Other incomes	100	82	100	82
	136	82	136	82
<u>Operating expenses</u>				
Depreciation & amortisation				
- total incurred	319	324	319	324
Impairment loss on:				
- other investments	-	22	-	22
Loss on sale of property, plant and equipment	-	5	-	5
Other operating expenses	1,170	540	1,170	540
	1,489	891	1,489	891
Results From Operating Activities	798	1,715	798	1,715
Interest income	63	-	63	-
Interest expense	(596)	(600)	(596)	(600)
Net Finance Costs	(533)	(600)	(533)	(600)
Profit Before Taxation	265	1,115	265	1,115
Income Tax Expense	(307)	(407)	(307)	(407)
Profit From Continuing Operations	(42)	708	(42)	708
<u>Discontinued Operation</u>				
Profit from discontinued operations, net of tax	1,194	930	1,194	930
Profit For The Period	1,152	1,638	1,152	1,638
Other Comprehensive Income, Net Of Tax	-	-	-	-
Total comprehensive income for the period	1,152	1,638	1,152	1,638
Total comprehensive income attributable to:				
Owners of the Company - continuing operations	(312)	303	(312)	303
Owners of the Company - discontinued operation	1,194	930	1,194	930
Non-controlling interests	270	405	270	405
Total comprehensive income for the period	1,152	1,638	1,152	1,638
Earnings per share (Sen)				
- Continuing Operations	(0.78)	0.75	(0.78)	0.75
- Discontinued Operation	2.97	2.31	2.97	2.31
	2.19	3.06	2.19	3.06

The Condensed Consolidated Statements of Profit or Loss And Other Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As At 3/31/2017 RM'000	Audited As At 12/31/2016 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	3,246	3,525
Goodwill on consolidation	28,438	28,438
Investment properties	2,899	2,914
Deferred tax assets	63	63
	<u>34,646</u>	<u>34,940</u>
Current Assets		
Trade receivables	44,187	50,165
Others receivables	649	366
Amount due from customers on contracts	9,363	9,457
Other Investments	175	139
Tax recoverable	11	-
Short term deposits	9,011	9,017
Cash and bank balances	850	838
	<u>64,246</u>	<u>69,982</u>
Assets classified as held for sale	<u>47,013</u>	<u>47,461</u>
	<u>111,259</u>	<u>117,443</u>
TOTAL ASSETS	<u>145,905</u>	<u>152,383</u>
EQUITY AND LIABILITIES		
Equity		
Share Capital	40,182	40,182
Share Premium	81,819	81,819
Accumulated losses	(60,619)	(61,501)
Equity attributable to owners of the Company	<u>61,382</u>	<u>60,500</u>
Non-controlling interests	<u>9,272</u>	<u>9,002</u>
Total Equity	<u>70,654</u>	<u>69,502</u>
Non-Current Liabilities		
Term loan > 12 months	26,996	28,302
Finance lease liabilities	960	1,072
	<u>27,956</u>	<u>29,374</u>
Current Liabilities		
Trade payables	23,772	29,505
Others payables	7,463	5,546
Amount due to customers on contracts	392	-
Amount due to a director	2,952	2,412
Finance lease liabilities	868	924
Term loan < 12 months	3,004	1,698
Bank overdrafts	987	998
Bank borrowings	1,636	1,984
Tax payable	225	562
Proposed Dividend	-	2,411
	<u>41,299</u>	<u>46,040</u>
Liabilities classified as held for sale	<u>5,996</u>	<u>7,467</u>
	<u>47,295</u>	<u>53,507</u>
TOTAL EQUITY AND LIABILITIES	<u>145,905</u>	<u>152,383</u>
Net assets per share (RM)	1.53	1.51

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<----- Attributable To Owners Of The Company ----->

	Issued Capital RM'000	Share Premium RM'000	Accumulated Loss RM'000	Total Equity RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
Balance as of 1.1.2017	40,182	81,819	(61,501)	60,500	9,002	69,502
Total Comprehensive Income For The Period	-	-	882	882	270	1,152
Balance as of 31.03.2017	<u>40,182</u>	<u>81,819</u>	<u>(60,619)</u>	<u>61,382</u>	<u>9,272</u>	<u>70,654</u>
Balance as of 1.1.2016	40,182	81,819	(63,249)	58,752	6,901	65,653
Total Comprehensive Income For The Period	-	-	1,232	1,232	406	1,638
Balance as of 31.03.2016	<u>40,182</u>	<u>81,819</u>	<u>(62,017)</u>	<u>59,984</u>	<u>7,307</u>	<u>67,291</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The Group	3 months ended 3/31/2017 RM'000	3 months ended 3/31/2016 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation from continuing operations	265	1,198
Profit before taxation from discontinued operations	1,624	1,118
	<u>1,889</u>	<u>2,316</u>
Adjustment for non-cash items	1,098	1,372
Operating Profit Before Working Capital Changes	<u>2,987</u>	<u>3,688</u>
Changes in working capital:		
Inventories	(20)	(1,658)
Receivables	6,488	(2,083)
Customers on contract	485	-
Payables	(5,066)	(1,973)
Bills payable	(348)	1,376
Income tax paid	(1,084)	(1,288)
Net Cash From/(Used in) Operating Activities	<u>3,442</u>	<u>(1,938)</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(56)	(166)
Placement of fixed deposits pledged	(30)	-
Proceeds from disposal of property, plant & equipment	-	4
Interest received	93	39
Net Cash From/(Used in) Investing Activities	<u>7</u>	<u>(123)</u>
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		
Dividend paid to shareholders	(2,411)	-
Finance costs paid	(595)	(600)
Repayment of finance lease liabilities	(260)	(145)
Advance from a director	539	1,099
Net Cash (Used In)/From Financing Activities	<u>(2,727)</u>	<u>354</u>
CASH AND CASH EQUIVALENTS		
Net changes	722	(1,707)
Effect of exchange rate changes	(11)	(385)
Reclassified to assets held for sale	(724)	-
Balance as of 1 January	8,240	12,281
Balance as at end of financial period	<u>8,227</u>	<u>10,189</u>

Cash and cash equivalents at the end of the financial period comprise the following balance amount:

	As at 31/03/2017 RM'000	As at 31/03/2016 RM'000
Cash and bank balances	850	4,865
Bank overdrafts	(987)	(937)
Short term deposits with licensed financial institutions	9,011	6,261
Less: Fixed deposits pledged	(647)	-
	<u>8,227</u>	<u>10,189</u>

The Condensed Consolidated statement of Cash Flow should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.

Part A - Explanatory Notes Pursuant To Financial Reporting Standard 134

1. Basis of Preparation

The interim financial report is unaudited and have been prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134 - Interim Financial Reporting, issued by the Malaysian Accounting Standards Board ("MASB") and Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

The same accounting policies and methods of computation are followed in the quarterly financial statements as compared with the annual financial statements of the Group for the year ended 31 December 2016.

Apart from the above, the quarterly financial statements are to be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.

2. Financial Reporting Standards

Significant accounting policies adopted by the Group in these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2016.

The Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by MASB with effect from 1 January 2012. This MFRS framework was introduced by MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board. There has been no material impact upon the adoption of the MFRS on the financial statements of the Group.

The Group has also adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2017. The adoption of these new and revised MFRS and IC Interpretations have not resulted in any material impact upon the financial statements of the Group.

MFRSs and IC Interpretations that were issued but are not yet effective have not been early adopted by the Group.

3. Auditors' Report on Preceding Annual Financial Statements

There was no qualification of the Group audited financial statements for the year ended 31 December 2016.

4. Segmental Reporting

Segmental report for the financial period ended 31 March 2017 is as follows:

	<i>Discontinue Operation</i>	<i><- Continuing Operations -></i>			
	Manufacturing & Trading	Construction	Investment Holding	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>3 Months Ended 31/03/2017</u>					
Revenue					
External revenue	10,293	13,546	-	-	23,839
Inter-segment revenue	4,861	-	-	(4,861)	-
Total revenue	<u>15,154</u>	<u>13,546</u>	<u>-</u>	<u>(4,861)</u>	<u>23,839</u>
Results					
Segment profit	1,595	1,269	(472)	-	2,392
Interest income	29	5	59	-	93
Finance cost	-	(66)	(529)	-	(595)
Profit before tax	<u>1,624</u>	<u>1,208</u>	<u>(942)</u>	<u>-</u>	<u>1,890</u>
<u>3 Months Ended 31/03/2016</u>					
Revenue					
External revenue	9,162	14,335	-	-	23,497
Inter-segment revenue	4,858	-	-	(4,858)	-
Total revenue	<u>14,020</u>	<u>14,335</u>	<u>-</u>	<u>(4,858)</u>	<u>23,497</u>
Results					
Segment profit	1,162	1,809	(94)	-	2,877
Interest income	39	-	-	-	39
Finance cost	-	(50)	(550)	-	(600)
Profit before tax	<u>1,201</u>	<u>1,759</u>	<u>(644)</u>	<u>-</u>	<u>2,316</u>

Sales Revenue By Geographical Market

	3 months ended 31/03/2017 RM'000	3 months ended 31/03/2016 RM'000
Malaysia - continuing operations	13,546	14,335
Malaysia - discontinued operation	<u>7,597</u>	<u>7,330</u>
	21,143	21,664
Other Countries - discontinued operation*	<u>2,696</u>	<u>1,833</u>
	<u><u>23,839</u></u>	<u><u>23,497</u></u>

* less than 5% for each of the components.

5. Unusual Item Affecting Assets, Liabilities, Equity, Net Income Or Cash Flow

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial quarter under review.

6 Change Of Estimates Used

There was no material change in estimates for the financial quarter under review.

7 Seasonality Or Cyclicity Of Interim Operations

The Group's operations are not significantly affected by any seasonal or cyclical factors.

8 Dividends Paid

A Second Single Tier Interim Dividend of 6.0 sen (6.0%) per ordinary share of RM1.00 each, for the financial year ended 31 December 2016, amounting to RM2,410,920 was paid on 12 January 2017.

9. Issuance, Cancellation, Repurchases, Resale and Repayments Of Debt and Equity Securities

There were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities for the current quarter ended 31 March 2017.

10. Material Events Not Reflected In The Financial Statements

There were no material events in the financial quarter under review that have not been reflected in the financial statements for the said period.

11. Changes In The Composition Of The Group

There were no changes in the composition of the Group for the financial quarter ended 31 March 2017, as the proposed disposal of Silverlight Prospects Sdn Bhd ("SPSB") is still pending completion.

12. Capital Commitments

There is a capital commitment of RM1.7 million for the purchase of property, plant and equipment, which has not been reflected in the interim financial statements for the financial quarter ended 31 March 2017.

13. Contingent Liabilities / Assets

The Company has issued unsecured corporate guarantees totalling RM25.74 million to certain financial institutions and building materials suppliers for credit facilities granted to certain of its subsidiary companies. Accordingly, the Company is contingently liable to such financial institutions and suppliers to the extent of the amount of credit facilities utilised. There is no contingent assets as at the date of this report.

14. Recurrent Related Party Transactions

Details of the relationship between the Group and its related party are as described below.

Name of Related Party

Leow Lai Ching

Relationship

Leow Lai Ching is the wife of Chow Kit Loong, who is a director and major shareholder of PBSB and holds the balance 30% equity interest in PBSB.

The information on the transactions which have been entered into with PBSB during the period is as follows:

	Current Quarter 31/03/2017 RM'000	Corresponding Quarter 31/03/2016 RM'000
Rental of office space	<u>12</u>	<u>12</u>

15. Material Subsequent Event

There were no material events subsequent to the end of the financial period under review that have not been reflected in the financial statements for the said period.

Part B - Explanatory Notes Pursuant To Appendix 9B Of The Listing Requirements Of Bursa Malaysia Securities Berhad

16. Review Of Performance

The review of performance for the current quarter will cover only the continuing operations as the disposal of the Paints Division is now pending completion. Group's revenue which is solely from the Construction Division decreased by RM0.79 million (-5.5%) to RM13.55 million during the current quarter as compared to RM14.34 million achieved in the corresponding quarter in 2016, while Group's pretax profit decreased by RM0.85 million (-76.2%) to RM0.27 million as compared to RM1.12 million achieved in the corresponding quarter of 2016.

For the Construction Division, the progress of construction works during the quarter was affected by the inclement weather which resulted in the decrease in revenue while pretax profit decreased by RM0.55 million (-31.3%) to RM1.21 million in the current quarter as compared to the corresponding quarter in 2016. The decrease in pretax profit was due to the lower revenue, higher mobilisation expenses and lower profit margin construction works. In the corresponding quarter in 2016, the pretax profit included contribution from higher profit margin renovation works.

For the Investment Holding Division, it recorded a pretax loss of RM0.94 million in the current quarter due to the financing cost on the RM30.0 million loan utilised for the acquisition of PBSB and the expenses incurred in the proposed disposal of SPSB. In the corresponding quarter in 2016, the pretax loss of RM0.64 million was mainly attributed to the financing cost on the RM30.0 million term loan.

17. Comparison With Previous Quarter's Results

	Current Quarter	Previous Quarter	Variance	
	31/03/17	31/12/16	RM'000	%
<u>Continuing Operations</u>	RM'000	RM'000	RM'000	%
Revenue	13,546	17,339	(3,793)	(21.9)
Profit Before Tax	265	1,484	(1,219)	(82.1)
Profit After Tax	(42)	782	(824)	(105.3)
<u>Discontinued Operation</u>				
Revenue	10,293	9,874	419	4.2
Profit Before Tax	1,624	1,532	92	6.0
Profit After Tax	1,194	1,273	(79)	(6.2)

For the Continuing Operations in the current quarter, revenue decreased by RM3.79 million (-21.9%) while pretax profit decreased by RM1.22 million (-82.1%) to RM13.55 million and RM0.27 million respectively as compared to the previous quarter. The decrease in revenue was mainly due to the inclement weather in the current quarter which affected construction works. The decrease in pretax profit was due to the lower revenue from construction works and the corporate exercise expenses incurred for the proposed disposal of SPSB.

18. Prospects For 2017

The Malaysian economy is showing tentative signs of economic recovery led by the construction works on public transportation infrastructure networks and expressways. However, in the residential property sector where the Group operates, it is still experiencing a slowdown in sales and construction of residential and commercial properties. In spite of the poorer performance by the Construction Division in the first quarter due to the inclement weather, and barring unforeseen circumstances, the Board is optimistic that the Group will continue to remain profitable in 2017 due to the new construction contract of RM238 million obtained in February 2017, which replenished the orderbook of construction works in hand of PBSB. Moreover, the interest savings from the repayment of the RM30 million term loan and the one-time gain from the disposal of SPSB will more than adequately compensate for the loss of profit contribution from the Paints Division after its disposal.

19. Variance From Profit Forecast

This note is not applicable.

20. Discontinued Operation (Manufacturing and Trading)

The results of the discontinued operation is as summarised below:

	Current Quarter 31/03/2017	Corresponding Quarter 31/03/2016
	RM'000	RM'000
Revenue	10,293	9,162
Cost of goods sold	(6,432)	(5,684)
Other incomes	156	169
Operating	<u>(2,393)</u>	<u>(2,446)</u>
Profit before tax	1,624	1,201
Income Tax	(430)	(271)
Profit for the period	<u>1,194</u>	<u>930</u>

21. Income Tax Expense

	Current Quarter 3/31/2017	Year to date 3/31/2017
	RM'000	RM'000
Provision for current taxation		
- Current year	<u>307</u>	<u>307</u>

22. Gain or Loss On Derivatives

This is not applicable as the Group does not deal in derivatives.

23. Exceptional Items

There were no exceptional items during the financial quarter under review.

24. Status Of Corporate Proposals

Except for the proposed disposal of SPSB which is pending completion after the approval by the non-interested shareholders at the Extraordinary General Meeting held on 27 February 2017, there is no other outstanding corporate proposal.

25. Group Borrowings And Debt Securities

(a) The Group's borrowings as of 31 March 2017 is as follows:

	As At 31/03/2017	As At 31/03/2016
	RM'000	RM'000
Current		
Unsecured:-		
Bank overdrafts	987	998
Bankers' acceptance	1,636	1,984
Secured:-		
Term loan	<u>3,004</u>	<u>1,698</u>
	<u>5,627</u>	<u>4,680</u>
Non-Current		
Secured:-		
Term loan	<u>26,996</u>	<u>28,302</u>
	<u>32,623</u>	<u>32,982</u>

(b) There were no borrowings or debt securities denominated in foreign currencies.

26. Accumulated Loss

The breakdown of the accumulated loss of the Group as at the reporting date is as follows:

	As At 31/03/2017	As At 31/03/2016
	RM'000	RM'000
Analysed By:		
- Realised Loss	(61,172)	(62,904)
- Unrealised Gain	553	887
	<u>(60,619)</u>	<u>(62,017)</u>

27. Changes In Material Litigation

There is no material litigation as of the date of this report.

28. Dividend Payable

The Board has not declared any dividend payment for the financial quarter ended 31 March 2017.

29. Profit Guarantee

In the acquisition of the 70% equity interest in PBSB, the Vendor has guaranteed that PBSB will achieve an audited profit after tax ("PAT") of RM6.6 million per annum for each of the financial year ending 31 December 2015, 31 December 2016 and 31 December 2017.

The guaranteed PAT for the financial year ended 31 December 2016 has been fulfilled.

30. Earnings Per Ordinary share

The basic earnings per share is calculated by dividing the profit for the period attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period:-

	Current Quarter		Year to date	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Profit attributable to owners of the Company (RM'000)				
- continuing operations	(312)	303	(312)	303
- discontinued operation	1,194	930	1,194	930
	<u>882</u>	<u>1,233</u>	<u>882</u>	<u>1,233</u>
Weighted average number of ordinary shares in issue ('000)	40,182	40,182	40,182	40,182
Basic earnings per share (Sen)				
- continuing operations	(0.78)	0.75	(0.78)	0.75
- discontinued operation	2.97	2.31	2.97	2.31
	<u>2.19</u>	<u>3.06</u>	<u>2.19</u>	<u>3.06</u>