

MERCURY INDUSTRIES BERHAD
(Company No. 105550 - K)

The Board of Directors is pleased to announce the following :
UNAUDITED INTERIM REPORT OF THE GROUP FOR THESECOND QUARTER ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | INDIVIDUAL PERIOD | | | | CUMULATIVE PERIOD | | | |
|--|--|--|------------------|---------------|---|---|------------------|---------------|
| | Current Quarter Ended 30/6/2018 RM'000 | Preceding Year Quarter Ended 30/6/2017 RM'000 | Changes | | Current Year To Date 30/6/2018 RM'000 | Preceding Year To Date 30/6/2017 RM'000 | Changes | |
| | | | Amount RM'000 | % | | | Amount RM'000 | % |
| Continuing Operations | | | | | | | | |
| Revenue | 21,401 | 19,671 | 1,730 | 8.8% | 43,173 | 33,217 | 9,955 | 30.0% |
| Cost of Sales | (19,319) | (16,408) | (2,911) | 17.7% | (38,403) | (27,803) | (10,600) | 38.1% |
| Gross Profit | 2,082 | 3,263 | (1,181) | -36.2% | 4,770 | 5,414 | (644) | -11.9% |
| Other Income | 165 | 9,392 | (9,227) | -98.2% | 377 | 9,563 | (9,186) | -96.1% |
| Operating Expenses | (1,065) | (1,022) | (43) | 4.2% | (2,579) | (2,483) | (96) | 3.9% |
| Profit from Operations | 1,182 | 11,633 | (10,451) | -89.8% | 2,568 | 12,494 | (9,926) | -79.4% |
| Finance Costs | (631) | (438) | (193) | 44.1% | (1,122) | (1,033) | (89) | 8.6% |
| Profit Before Tax | 551 | 11,195 | (10,644) | -95.1% | 1,446 | 11,461 | (10,015) | -87.4% |
| Income Tax | (218) | (648) | 430 | -66.4% | (583) | (955) | 372 | -39.0% |
| Profit From Continuing Operations | 333 | 10,547 | (10,214) | -96.8% | 863 | 10,506 | (9,643) | -91.8% |
| Discontinued Operation | | | | | | | | |
| Profit from discontinued operation, net of tax | - | 795 | (795) | -100.0% | - | 1,988 | (1,988) | -100.0% |
| Profit For The Period | 333 | 11,342 | (11,009) | -97.1% | 863 | 12,494 | (11,631) | -93.1% |
| Other Comprehensive Income, Net Of Tax | - | - | - | | - | - | - | |
| Total comprehensive income for the period | 333 | 11,342 | (11,009) | -97.1% | 863 | 12,494 | (11,631) | -93.1% |
| Total comprehensive income attributable to: | | | | | | | | |
| Owners of the Company - continuing operations | 199 | 9,976 | (9,777) | -98.0% | 504 | 9,665 | (9,161) | -94.8% |
| Owners of the Company - discontinued operation | - | 795 | (795) | -100.0% | - | 1,988 | (1,988) | -100.0% |
| Non-controlling interests | 134 | 571 | (437) | -76.6% | 359 | 841 | (482) | -57.4% |
| Total comprehensive income for the period | 333 | 11,342 | (11,009) | -97.1% | 863 | 12,494 | (11,631) | -93.1% |
| Earnings per share (Sen) | | | | | | | | |
| - Continuing Operations | 0.50 | 24.83 | | | 1.25 | 24.05 | | |
| - Discontinued Operation | - | 1.98 | | | - | 4.95 | | |
| | 0.50 | 26.81 | | | 1.25 | 29.00 | | |

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 2017.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Unaudited As At 30/6/2018 RM'000 | Audited As At 31/12/2017 RM'000 |
|---|---|--|
| ASSETS | | |
| Non-current Assets | | |
| Property, plant and equipment | 5,671 | 6,123 |
| Goodwill on consolidation | 31,509 | 31,509 |
| Investment properties | 5,680 | 5,680 |
| Deferred tax assets | 74 | 74 |
| | <u>42,934</u> | <u>43,386</u> |
| Current Assets | | |
| Inventories | 1,564 | - |
| Trade receivables | 97,276 | 85,782 |
| Other receivables | 1,855 | 1,853 |
| Amount due from customers on contracts | 7,720 | 12,663 |
| Other investments | 117 | 143 |
| Short term deposits | 1,598 | 1,862 |
| Cash and bank balances | 3,738 | 467 |
| | <u>113,868</u> | <u>102,770</u> |
| TOTAL ASSETS | <u>156,802</u> | <u>146,156</u> |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 122,001 | 122,001 |
| Accumulated losses | <u>(48,969)</u> | <u>(47,866)</u> |
| Equity attributable to owners of the Company | 73,032 | 74,135 |
| Non-controlling interests | <u>11,131</u> | <u>10,772</u> |
| Total Equity | <u>84,163</u> | <u>84,907</u> |
| Non-current Liabilities | | |
| Term loan > 12 months | 1,678 | 171 |
| Finance lease liabilities | <u>2,302</u> | <u>2,466</u> |
| | <u>3,980</u> | <u>2,637</u> |
| Current Liabilities | | |
| Trade payables | 26,166 | 34,941 |
| Others payables | 5,543 | 5,155 |
| Amount due to customers on contracts | 6,812 | 215 |
| Finance lease liabilities | 1,344 | 1,207 |
| Term loan < 12 months | 634 | 57 |
| Bank overdrafts | 688 | 1,214 |
| Bank borrowings | 25,865 | 15,385 |
| Tax payable | - | 438 |
| Dividend payable | <u>1,607</u> | <u>-</u> |
| | <u>68,659</u> | <u>58,612</u> |
| TOTAL EQUITY AND LIABILITIES | <u>156,802</u> | <u>146,156</u> |
| Net assets per share (RM) | 1.82 | 1.84 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2017.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | <i><-- Attributable To Owners Of The Company --></i> | | | | Non- Controlling Interest | Total Equity |
|--|--|--------------------------|-----------------------------|-------------------------|--|-------------------------|
| | Issued Capital | Share Premium | Accumulated Loss | Total Equity | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance as of 1.1.2018 | 122,001 | - | (47,866) | 74,135 | 10,772 | 84,907 |
| Total Comprehensive Income For The Period | - | - | 504 | 504 | 359 | 863 |
| Final Dividend - FY 2017 | - | - | (1,607) | (1,607) | - | (1,607) |
| Balance as of 30.6.2018 | <u>122,001</u> | <u>-</u> | <u>(48,969)</u> | <u>73,032</u> | <u>11,131</u> | <u>84,163</u> |
| Balance as of 1.1.2017 | 40,182 | 81,819 | (61,501) | 60,500 | 9,002 | 69,502 |
| Total Comprehensive Income For The Period | - | - | 11,653 | 11,653 | 841 | 12,494 |
| Balance as of 30.6.2017 | <u>40,182</u> | <u>81,819</u> | <u>(49,848)</u> | <u>72,153</u> | <u>9,843</u> | <u>81,996</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 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| The Group | 6 months ended 30/6/2018 RM'000 | 6 months ended 30/6/2017 RM'000 |
|---|--|--|
| CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | | |
| Profit before taxation from continuing operations | 1,446 | 11,461 |
| Profit before taxation from discontinued operation | - | 2,653 |
| | <u>1,446</u> | <u>14,114</u> |
| Adjustment for non-cash items | 1,980 | (9,678) |
| Operating Profit Before Working Capital Changes | <u>3,426</u> | <u>4,436</u> |
| Changes in working capital: | | |
| Inventories | (1,564) | - |
| Receivables | (11,323) | 1,375 |
| Customers on contract | 11,540 | (2,299) |
| Payables | (8,385) | (5,196) |
| Bills payable | - | 44 |
| Income tax paid | (1,193) | (1,053) |
| Net Cash Used in Operating Activities | <u>(7,499)</u> | <u>(2,693)</u> |
| CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | | |
| Acquisition of subsidiary company, net of cash acquired | - | (7,192) |
| Purchase of property, plant and equipment | (395) | (1,938) |
| Purchase of investment properties | - | (42) |
| Placement of fixed deposits pledged | (300) | (59) |
| Proceeds from disposal of property, plant & equipment | - | 57 |
| Proceeds from disposal of subsidiary | - | 50,500 |
| Interest received | 14 | 131 |
| Net Cash (Used in)/From Investing Activities | <u>(681)</u> | <u>41,457</u> |
| CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES | | |
| Dividend paid to shareholders | - | (2,411) |
| Drawdown of bankers' acceptance | 6,400 | - |
| Drawdown of finance lease | 518 | 3,080 |
| Drawdown of factoring facility | 30,675 | - |
| Drawdown of term loan | 2,000 | - |
| Finance costs paid | (1,122) | (1,033) |
| Repayment of finance lease liabilities | (597) | (3,952) |
| Repayment of factoring facility | (25,028) | - |
| Repayment for term loan | (1,483) | (30,005) |
| Net Cash From/(Used In) Financing Activities | <u>11,363</u> | <u>(34,321)</u> |
| CASH AND CASH EQUIVALENTS | | |
| Net changes | 3,183 | 4,443 |
| Balance as of 1 January | (122) | 8,240 |
| Balance as at end of financial period | <u>3,061</u> | <u>12,683</u> |

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

| | As at 30/6/2018 RM'000 | As at 30/6/2017 RM'000 |
|------------------------------|---------------------------------------|---------------------------------------|
| Cash and bank balances | 3,738 | 530 |
| Bank overdrafts | (688) | (1,160) |
| Short term deposits | 1,598 | 13,989 |
| Less: Fixed deposits pledged | <u>(1,587)</u> | <u>(676)</u> |
| | <u>3,061</u> | <u>12,683</u> |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2017.

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 2017.

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 2017.

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 2017.

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 2018. 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 2017.

4. Segmental Reporting

Segmental report for the financial period ended 30 June 2018 is as follows:

| | <i>Discontinued Operation</i> | | <i><----- Continuing Operations -----></i> | | | <i>Consolidated</i> |
|---------------------------------|------------------------------------|---------------------------|--|---------------------------|---------------------|---------------------|
| | <i>Manufacturing & Trading</i> | <i>Building Materials</i> | <i>Construction</i> | <i>Investment Holding</i> | <i>Eliminations</i> | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 6 Months Ended 30/6/2018 | | | | | | |
| Revenue | | | | | | |
| External revenue | - | 5,721 | 37,452 | - | - | 43,173 |
| Inter-segment revenue | - | 6,916 | - | - | (6,916) | - |
| Total revenue | <u>-</u> | <u>12,637</u> | <u>37,452</u> | <u>-</u> | <u>(6,916)</u> | <u>43,173</u> |
| Results | | | | | | |
| Segment profit | - | 1,126 | 2,405 | (977) | - | 2,554 |
| Interest income | - | - | 12 | 2 | - | 14 |
| Finance cost | - | (271) | (844) | (7) | - | (1,122) |
| Profit before tax | <u>-</u> | <u>855</u> | <u>1,573</u> | <u>(982)</u> | <u>-</u> | <u>1,446</u> |
| 6 Months Ended 30/6/2017 | | | | | | |
| Revenue | | | | | | |
| External revenue | 17,083 | 645 | 32,572 | - | - | 50,300 |
| Inter-segment revenue | 8,100 | 509 | - | - | (8,609) | - |
| Total revenue | <u>25,183</u> | <u>1,154</u> | <u>32,572</u> | <u>-</u> | <u>(8,609)</u> | <u>50,300</u> |
| Results | | | | | | |
| Segment profit | 2,599 | 114 | 3,855 | 39,972 | (31,578) | 14,962 |
| Interest income | 54 | - | 9 | 121 | - | 184 |
| Finance cost | - | (6) | (134) | (893) | - | (1,033) |
| Profit before tax | <u>2,653</u> | <u>108</u> | <u>3,730</u> | <u>39,200</u> | <u>(31,578)</u> | <u>14,113</u> |

Sales Revenue By Geographical Market

| | 6 months ended 30/6/2018 | 6 months ended 30/6/2017 |
|--|---------------------------------|---------------------------------|
| | RM'000 | RM'000 |
| Malaysia - continuing operations | 43,173 | 33,217 |
| Malaysia - discontinued operation | - | 12,811 |
| | <u>43,173</u> | <u>46,028</u> |
| Other Countries - discontinued operation * | - | 4,272 |
| | <u>43,173</u> | <u>50,300</u> |

* less than 5% for each of the components.

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

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

There was no dividend paid during the financial quarter under review.

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 30 June 2018.

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 current quarter ended 30 June 2018.

12. Capital Commitments

There is a capital commitment of RM0.31 million for the purchase of property, plant and equipment, which has not been reflected in the interim financial statements for the current quarter ended 30 June 2018.

13. Contingent Liabilities/Assets

The Company has issued unsecured corporate guarantees totalling RM99.63 million to certain financial institutions and building materials suppliers for credit facilities granted to 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

(a) Pujian Development Sdn Bhd ("Pujian")

Relationship

* Pujian is a subsidiary of Ecofirst Consolidated Berhad in which Dato' Tiong Kwing Hee ("Dato' Tiong") is the Group Chief Executive Officer, Director and major shareholder. Dato' Tiong is also the Managing Director and major shareholder of Mercury.

* Shareholders' mandate has already been obtained at the last Annual General Meeting held on 24 May 2018.

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

| | | Current Quarter 30/6/2018 RM'000 | Year to date 30/6/2018 RM'000 |
|------------|---|---|--|
| (a) Pujian | (i) Civil & construction works for Pujian | 16,628 | 38,343 |
| | (ii) Rental of office space from Pujian | 57 | 113 |

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

During the quarter under review, Group's revenue of the Continuing Operations increased by RM1.73 million (+8.8%) to RM21.4 million as compared to RM19.67 million achieved in the corresponding quarter in 2017, while Group's pretax profit decreased by RM10.64 million (-95.1%) to RM0.55 million as compared to RM11.2 million achieved in the corresponding quarter of 2017. The explanation for the variances is as stated in the segmental review below.

For the Construction Segment, in spite of the accelerated pace of construction works in its Ampang project, revenue decreased by RM0.49 million (-2.6%) to RM18.53 million while pretax profit decreased by RM2.0 million (-79.1%) to RM0.53 million as compared to RM19.03 million and RM2.52 million respectively in the corresponding quarter of 2017. The decrease in revenue was attributable to no revenue contribution from the Bangi project which was completed in 2017 and the suspension of construction work in its Tg. Kling project during the quarter. The decrease in pretax profit was attributable to the adjustment in profit margin arising from the increase in construction costs, and higher depreciation charge and higher interest cost incurred in financing the projects.

For the Building Materials Segment, revenue increased by RM4.88 million (+422.5%) to RM6.03 million while pretax profit increased by RM0.42 million (+390.7%) to RM0.53 million as compared to RM1.15 million and RM0.11 million respectively in the corresponding quarter of 2017. The substantial increase in both revenue and pretax profit was because the wholly-owned subsidiary, Mercury Building Supplies Sdn Bhd ("MBS") (formerly known as Andaman Marketing Sdn Bhd), was only acquired in June 2017.

For the Investment Holding Segment, it recorded a pretax loss of RM0.51 million during the current quarter as compared to the pretax profit of RM8.62 million in the corresponding quarter of 2017, whereby the pretax profit was boosted by a one-off gain of RM9.06 million arising from the disposal of its wholly-owned subsidiary, Silverlight Prospects Sdn Bhd ("SPSB") in June 2017. Excluding this gain, the pretax loss in the corresponding quarter of 2017 would be RM0.44 million.

For the current year to date period, Group revenue of the Continuing Operations increased by RM9.96 million (+30.0%) to RM43.17 million while pretax profit decreased by RM10.0 million (-87.4%) to RM1.45 million as compared to the corresponding period in 2017. The decrease in pretax profit was mainly due to a gain of RM9.06 million arising from the disposal of its wholly-owned subsidiary, SPSB in 2017.

17. Comparison With Previous Quarter's Results

| | Current Quarter | Previous Quarter | Changes | |
|--|-----------------|------------------|---------|--------|
| | 30/6/2018 | 31/3/2018 | RM'000 | % |
| Continuing Operations | RM'000 | RM'000 | RM'000 | % |
| Revenue | 21,401 | 21,772 | (371) | (1.7) |
| Operating Profit | 1,182 | 1,386 | (203) | (14.7) |
| Profit Before Interest and Tax | 1,182 | 1,386 | (203) | (14.7) |
| Profit Before Tax | 551 | 895 | (344) | (38.4) |
| Profit After Tax | 333 | 530 | (196) | (37.1) |
| Profit Attributable to Owners of the Company | 199 | 305 | (105) | (34.6) |

The comparison of the performance over the two quarters can be explained by the following breakdown:

| | Building Materials | Construction | Investment Holding | Total |
|--|--------------------|---------------|--------------------|---------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| a) Turnover | | | | |
| i) For the current quarter ended 30/6/2018 | 2,873 | 18,528 | - | 21,401 |
| ii) For the previous quarter ended 31/3/2018 | 2,853 | 18,919 | - | 21,772 |
| Variance (value) | 20 | (391) | - | (371) |
| Variance (%) | 0.7% | -2.1% | 0.0% | -1.7% |
| b) Pretax Profit/ (Loss) | | | | |
| i) For the current quarter ended 30/6/2018 | 530 | 526 | (505) | 551 |
| ii) For the previous quarter ended 31/3/2018 | 325 | 1,046 | (476) | 895 |
| Variance (value) | 205 | (520) | (29) | (344) |
| Variance (%) | 63.1% | -49.7% | 6.1% | -38.4% |

For the current quarter, revenue decreased by RM0.37 million (-1.7%) while pretax profit decreased by RM0.34 million (-38.4%) as compared to the previous quarter. The decrease in both revenue and pretax profit was mainly attributed to the Construction Segment and the reasons for the decreases are as explained in the performance review above.

18. Prospects For 2018

With the uncertainties arising from the changes in policies by the new government and the strengthening US Dollar, the sluggish growth and challenging operating conditions in the residential property sector is expected to prolong into 2019. New project launches planned by our developer clients are being deferred until there is more clarity in government policies and in the global economic environment. However, Paramount Bounty Sdn Bhd, the construction subsidiary is still tendering and hopefully will win some new construction contracts in 2018 to replenish its orderbook. In March 2018, it secured an earthworks contract amounting to RM25.0 million. As for the Group's construction subsidiary, in spite of the slowdown in the residential property sector, it is still expected to contribute positively to the Group's revenue and profitability based on its existing orderbook in hand.

Given the circumstances, the Board is reasonably optimistic that the Group will continue to remain profitable in 2018 due to the existing unbilled orderbook of construction works in hand, the profit contribution from Mercury Building Supplies Sdn Bhd and the interest savings from the repayment of the RM30 million term loan.

19. Variance From Profit Forecast

This note is not applicable.

20. Profit For The Period

Profit for the period is arrived at:

| | Current Quarter 30/6/2018 RM'000 | Corresponding Quarter 30/6/2017 RM'000 | Year to date 30/6/2018 RM'000 | Year to date 30/6/2017 RM'000 |
|---|---|---|--|--|
| After charging: | | | | |
| Depreciation & amortisation | 425 | 336 | 847 | 655 |
| Fair value adjustment on other investments | 8 | 28 | 25 | (7) |
| Interest expenses | 631 | 438 | 1,122 | 1,033 |
| And after crediting: | | | | |
| Interest income | 6 | 67 | 14 | 131 |
| Rental income | 53 | - | 105 | - |
| Gain on sale of property, plant and equipment | - | 58 | - | 58 |
| Gain on sale of subsidiary company | - | 9,062 | - | 9,062 |

21. Discontinued Operation

The results of the discontinued operation is as summarised below:

| | Current Quarter 30/6/2018 RM'000 | Corresponding Quarter 30/6/2017 RM'000 | Year to date 30/6/2018 RM'000 | Year to date 30/6/2017 RM'000 |
|-----------------------|---|---|--|--|
| Revenue | - | 6,790 | - | 17,083 |
| Cost of goods sold | - | (4,256) | - | (10,688) |
| Other income | - | 44 | - | 200 |
| Operating expenses | - | (1,549) | - | (3,942) |
| | - | 1,029 | - | 2,653 |
| Income Tax | - | (234) | - | (665) |
| Profit for the period | - | 795 | - | 1,988 |

22. Income Tax Expense

| | Current Quarter 30/6/2018 RM'000 | Year to date 30/6/2018 RM'000 |
|--------------------------------|---|--|
| Provision for current taxation | | |
| - Current year | - | (583) |

23. Gain or Loss On Derivatives

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

24. Exceptional Items

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

25. Status Of Corporate Proposals

There is no outstanding corporate proposal in the financial quarter under review.

26. Status of Utilisation of Proceeds From Disposal of SPSB

| Purpose | Proposed Utilisation RM'000 | Actual Utilisation As At 30 June 2018 RM'000 | Initial Timeframe For Utilisation Of Proceeds From Date of Disposal (22 June 2017) | Balance Of Unutilised Proceeds RM'000 |
|---|--|---|--|--|
| (a) Repayment of bank borrowings | 30,000 | 30,000 | Within 12 months | Nil |
| (b) Working capital purposes | 19,650 | 17,249 | Within 24 months | 2,401 |
| (c) Defray expenses on disposal of SPSB # | 850 | 759 | Within 3 months | 91 |
| Total | 50,500 | 48,008 | | 2,492 |

Remaining balance of RM91,000 will be channeled as working capital purposes of the Company.

27. Group Borrowings And Debt Securities

(a) The Group's borrowings as of 30 June 2018 are as follows:

| | As At Period Ended 30/6/2018 | | |
|---------------------|-------------------------------------|-------------------|-------------------------|
| | Long term | Short term | Total borrowings |
| | RM'000 | RM'000 | RM'000 |
| Secured:- | | | |
| Term loan | 1,678 | 406 | 2,084 |
| Bank overdraft | - | 688 | 688 |
| Bankers' acceptance | - | 6,400 | 6,400 |
| | <u>1,678</u> | <u>7,494</u> | <u>9,172</u> |
| Unsecured:- | | | |
| Term loan | - | 228 | 228 |
| Factoring loan | - | 19,465 | 19,465 |
| | <u>-</u> | <u>19,693</u> | <u>19,693</u> |
| Total | <u>1,678</u> | <u>27,187</u> | <u>28,865</u> |

| | As At Period Ended 30/6/2017 | | |
|---------------------|-------------------------------------|-------------------|-------------------------|
| | Long term | Short term | Total borrowings |
| | RM'000 | RM'000 | RM'000 |
| Secured:- | | | |
| Term loan | - | 255 | 255 |
| Unsecured:- | | | |
| Bank overdraft | - | 1,160 | 1,160 |
| Bankers' acceptance | - | 2,789 | 2,789 |
| | <u>-</u> | <u>3,949</u> | <u>3,949</u> |
| Total | <u>-</u> | <u>4,204</u> | <u>4,204</u> |

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

28. Changes In Material Litigation

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

29. Dividend Payable

The Board has not proposed any dividend for the financial quarter under review.

30. Profit Guarantee

In the acquisition of the 100% equity interest in MBS, the vendors have guaranteed that MBS will achieve an audited Profit After Tax of RM1.0 million per annum for each of the financial year ending 31 December 2018, 2019 and 2020.

31. 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 | |
|--|------------------------|------------------|---------------------|------------------|
| | 30/6/2018 | 30/6/2017 | 30/6/2018 | 30/6/2017 |
| Profit attributable to Owners of the Company (RM'000) | | | | |
| - continuing operations | 199 | 9,976 | 504 | 9,665 |
| - discontinued operation | - | 795 | - | 1,988 |
| | <u>199</u> | <u>10,771</u> | <u>504</u> | <u>11,653</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 | 0.50 | 24.83 | 1.25 | 24.05 |
| - discontinued operation | - | 1.98 | - | 4.95 |
| | <u>0.50</u> | <u>26.81</u> | <u>1.25</u> | <u>29.00</u> |