

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 THIRD QUARTER ENDED 30 SEPTEMBER 2019

A) CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD				CUMULATIVE PERIOD			
	Current Quarter Ended 30/9/2019 RM'000	Preceding Year Quarter Ended 30/9/2018 RM'000	Changes		Current Year To Date 30/9/2019 RM'000	Preceding Year To Date 30/9/2018 RM'000	Changes	
			Amount	%			Amount	%
Revenue	14,212	25,562	(11,350)	-44.4%	80,719	68,735	11,984	17.4%
Cost of Sales	(12,280)	(22,044)	9,764	-44.3%	(70,015)	(60,447)	(9,568)	15.8%
Gross Profit	1,932	3,518	(1,586)	-45.1%	10,704	8,288	2,416	29.2%
Other Income	140	178	(38)	-21.5%	494	556	(62)	-11.1%
Operating Expenses	(1,224)	(1,477)	253	-17.1%	(3,825)	(4,056)	231	-5.7%
Profit from Operations	848	2,219	(1,371)	-61.8%	7,373	4,788	2,585	54.0%
Finance Costs	(336)	(685)	349	-50.9%	(1,573)	(1,807)	234	-12.9%
Profit Before Tax	512	1,534	(1,022)	-66.6%	5,800	2,981	2,819	94.6%
Income Tax	(191)	(592)	401	-67.8%	(1,633)	(1,175)	(458)	39.0%
Profit For The Period	321	942	(621)	-66.0%	4,167	1,806	2,361	130.7%
Other Comprehensive Income, Net Of Tax	-	-	-		-	-	-	
Total comprehensive income for the period	321	942	(621)	-66.0%	4,167	1,806	2,361	130.7%
Total comprehensive income attributable to:								
Owners of the Company	321	613	(292)	-47.7%	3,289	1,252	2,037	162.7%
Non-controlling interests	-	329	(329)	-100.0%	878	554	324	58.5%
Total comprehensive income for the period	321	942	(621)	-66.0%	4,167	1,806	2,361	130.7%
Earnings per share (Sen)	0.80	1.53			8.18	3.12		

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 2018.

B) CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As At 30/9/2019 RM'000	Audited As At 31/12/2018 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	3,821	5,024
Goodwill on consolidation	36,726	31,509
Investment properties	5,680	5,680
Deferred tax assets	800	800
	<u>47,027</u>	<u>43,013</u>
Current Assets		
Inventories	-	2,079
Trade receivables	102,764	114,704
Other receivables	3,221	3,185
Contract assets	3,142	49
Other investments	96	104
Tax recoverable	136	279
Short term deposits	2,987	2,275
Cash and bank balances	119	4,699
	<u>112,465</u>	<u>127,374</u>
TOTAL ASSETS	<u>159,492</u>	<u>170,387</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	122,001	122,001
Accumulated losses	(45,115)	(48,404)
Equity attributable to owners of the Company	<u>76,886</u>	<u>73,597</u>
Non-controlling interests	-	11,005
Total Equity	<u>76,886</u>	<u>84,602</u>
Non current Liabilities		
Term loan > 12 months	1,157	1,468
Finance lease liabilities	1,269	1,700
	<u>2,426</u>	<u>3,168</u>
Current Liabilities		
Trade payables	26,242	28,752
Others payables	12,712	7,741
Contract liabilities	471	6,708
Finance lease liabilities	917	1,167
Term loan < 12 months	420	424
Bank overdrafts	3,004	949
Bank borrowings	36,225	36,876
Tax payable	189	-
	<u>80,180</u>	<u>82,617</u>
TOTAL EQUITY AND LIABILITIES	<u>159,492</u>	<u>170,387</u>
Net assets per share (RM)	1.91	1.83

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018

C) CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable To Owners</i>			Non- Controlling Interest	Total Equity
	<i>Of The Company</i>				
	Issued Capital	Accumulated Loss	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as of 1.1.2019	122,001	(48,404)	73,597	11,005	84,602
Total Comprehensive Income					
For The Period	-	3,289	3,289	878	4,167
Acquisition of 30% Equity in Subsidiary (Note 11)	-	-	-	(11,883)	(11,883)
Balance as of 30.9.2019	<u>122,001</u>	<u>(45,115)</u>	<u>76,886</u>	<u>-</u>	<u>76,886</u>
Balance as of 1.1.2018	122,001	(47,866)	74,135	10,772	84,907
Total Comprehensive Income					
For The Period	-	1,252	1,252	554	1,806
First Interim Dividend (Note 8)	-	(1,607)	(1,607)	-	(1,607)
Balance as of 30.9.2018	<u>122,001</u>	<u>(48,221)</u>	<u>73,780</u>	<u>11,326</u>	<u>85,106</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 2018

D) CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The Group	9 months ended 30/9/2019 RM'000	9 months ended 30/9/2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation	5,800	2,981
Adjustment for non-cash items	(2,560)	3,078
Operating Profit Before Working Capital Changes	<u>3,240</u>	<u>6,059</u>
Changes in working capital:		
Inventories	2,079	-
Receivables	11,904	(1,552)
Customers on contract	(9,330)	(15,229)
Payables	2,461	13,801
Bills payable	3,385	(11,273)
Income tax paid	(1,300)	(1,476)
Net Cash From/(Used In) Operating Activities	<u>12,439</u>	<u>(9,670)</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Acquisition of subsidiary company, net of cash acquired	(11,883)	-
Purchase of property, plant and equipment	(52)	(438)
Placement of fixed deposits pledged	(712)	(600)
Proceeds from disposal of property, plant & equipment	30	-
Interest received	148	24
Net Cash (Used In) Investing Activities	<u>(12,469)</u>	<u>(1,014)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Dividend paid to shareholders	-	(1,607)
Drawdown of finance lease	-	518
Drawdown of factoring facility	-	8,047
Drawdown of term loan	-	1,765
Finance costs paid	(1,573)	(1,807)
Repayment of finance lease liabilities	(681)	5,887
Repayment of factoring facility	(4,036)	(880)
Repayment for term loan	(315)	(1,567)
Net Cash (Used In)/From Financing Activities	<u>(6,605)</u>	<u>10,356</u>
CASH AND CASH EQUIVALENTS		
Net changes	(6,635)	(328)
Balance as of 1 January	3,750	(122)
Balance as at end of financial period	<u>(2,885)</u>	<u>(450)</u>

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

	As at 30/9/2019 RM'000	As at 30/9/2018 RM'000
Cash and bank balances	119	78
Bank overdrafts	(3,004)	(621)
Short term deposits	2,987	1,929
Less: Fixed deposits pledged	(2,987)	(1,836)
	<u>(2,885)</u>	<u>(450)</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 2018

Part A - Explanatory Notes Pursuant To Malaysian 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 2018.

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 2018.

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 2018.

The Group has adopted the Malaysian Financial Reporting Standards ("MFRSs") 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 ("FRSs") framework with the International Financial Reporting Standards ("IFRSs") framework issued by the International Accounting Standards Board. There has been no material impact upon the adoption of the MFRSs 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 2019. 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 2018.

4. Segmental Reporting

Segmental report for the financial period ended 30 September 2019 is as follows:

	Building Materials	Construction	Investment Holding	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
9 Months Ended 30/9/2019					
Revenue					
External revenue	615	80,102	2	-	80,719
Inter-segment revenue	14,119	-	2,700	(16,819)	-
Total revenue	<u>14,734</u>	<u>80,102</u>	<u>2,702</u>	<u>(16,819)</u>	<u>80,719</u>
Results					
Segment profit	954	6,809	1,262	(1,800)	7,225
Interest income	17	131	-	-	148
Finance cost	(363)	(1,201)	(9)	-	(1,573)
Profit before tax	<u>608</u>	<u>5,739</u>	<u>1,253</u>	<u>(1,800)</u>	<u>5,800</u>
9 Months Ended 30/9/2018					
Revenue					
External revenue	8,464	60,269	2	-	68,735
Inter-segment revenue	14,018	-	80	(14,098)	-
Total revenue	<u>22,482</u>	<u>60,269</u>	<u>82</u>	<u>(14,098)</u>	<u>68,735</u>
Results					
Segment profit	2,091	3,979	(1,306)	-	4,764
Interest income	-	22	2	-	24
Finance cost	(414)	(1,382)	(11)	-	(1,807)
Profit before tax	<u>1,677</u>	<u>2,619</u>	<u>(1,315)</u>	<u>-</u>	<u>2,981</u>

Sales Revenue By Geographical Market

The Group's revenue is derived wholly from its operating activities in Malaysia.

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 (2018: RM1,607,280).

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 September 2019.

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

Paramount Bounty Sdn Bhd ("PBSB") has changed from being a 70% subsidiary into a wholly-owned subsidiary on 30 May 2019. There was no change in the composition of the Group during the current quarter ended 30 September 2019.

12. Capital Commitments

There is no capital commitment which has not been reflected in the interim financial statements for the current quarter ended 30 September 2019.

13. Contingent Liabilities/Assets

The Company has issued unsecured corporate guarantees totalling RM109.5 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 28 May 2019.

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

Nature of Transactions		Current Quarter 30/9/2019	Year to date 30/9/2019
		RM'000	RM'000
(a) Pujian	(i) Civil & construction works for Pujian	15,508	75,641
	(ii) Rental of office space from Pujian	57	171

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 decreased by RM11.35 million (-44.4%) to RM14.21 million as compared to RM25.56 million achieved in the corresponding quarter in 2018, while Group's pretax profit decreased by RM1.02 million (-66.6%) to RM0.51 million as compared to RM1.53 million achieved in the corresponding quarter of 2018. The explanation for the variances is as elaborated in the segmental review below.

The Construction Segment, due to the near completion stage of construction works at its Ampang project, revenue decreased by RM8.61 million (-37.7%) to RM14.2 million while pretax profit decreased by RM0.35 million (-33.7%) to RM0.7 million as compared to RM22.8 million and RM1.05 million respectively in the corresponding quarter of 2018.

For the Building Materials Segment, revenue decreased by RM5.84 million (-59.3%) to RM4.0 million while loss increased by RM0.89 million (+108.5%) to a pretax loss of RM0.07 million as compared to RM9.84 million and RM0.82 million respectively in the corresponding quarter of 2018. The decrease in both revenue and pretax profit was primarily due to the lower volume of purchase from its sister company, PBSB, whose Ampang project was tapering towards completion. There was no sale to external customers during the quarter.

For the Investment Holding Segment, it recorded a pretax profit of RM0.39 million during the current quarter as compared to the pretax loss of RM0.33 million in the corresponding quarter of 2018. The increase in pretax profit was due to revenue of RM800,000 derived from management fee and dividend income from the subsidiaries.

For the current year to-date period, Group revenue increased by RM11.98 million (+17.4%) to RM80.72 million while pretax profit increased by RM2.82 million (+94.6%) to RM5.8 million as compared to the corresponding period in 2018. The increase in revenue was solely contributed by the Construction Segment while the increase in pretax profit was attributable to the higher volume of construction works, lower operating expenses and lower financing cost.

17. Comparison With Previous Quarter's Results

	Current Quarter	Previous Quarter	Changes	
	30/9/2019	30/6/2019	RM'000	%
Revenue	14,212	27,775	(13,563)	(48.8)
Operating Profit	818	2,213	(1,395)	(62.5)
Profit Before Interest and Tax	818	2,213	(1,395)	(59.1)
Profit Before Tax	512	1,651	(1,139)	(69.0)
Profit After Tax	321	1,137	(816)	(71.8)
Profit Attributable to Owners of the Company	321	990	(669)	(67.6)

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

	Building Materials	Construction	Investment Holding	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
a) Turnover					
i) For the current quarter ended 30/9/2019	4,006	14,212	600	(4,606)	14,212
ii) For the previous quarter ended 30/6/2019	2,867	27,773	1,602	(4,467)	27,775
Variance (value)	1,139	(13,561)	(1,002)	(139)	(13,563)
Variance (%)	39.7%	-48.8%	-62.5%	3.1%	-48.8%
b) Pretax Profit/ (Loss)					
i) For the current quarter ended 30/9/2019	(70)	693	389	(500)	512
ii) For the previous quarter ended 30/6/2019	19	1,839	1,093	(1,300)	1,651
Variance (value)	(89)	(1,146)	(704)	800	(1,139)
Variance (%)	-468.4%	-62.3%	-64.4%	-61.5%	-69.0%

For the current quarter, revenue decreased by RM13.56 million (-48.8%) while pretax profit decreased by RM1.14 million (-69.0%) as compared to the previous quarter. Both the decrease in revenue and decrease in pretax profit were mainly attributed to the Construction Segment as the construction works at its Ampang project tapered towards completion.

18. Prospects For 2019

With the Malaysian economy continuing to be adversely impacted by the trade conflicts between USA and China, a weakening ringgit and the outflow of foreign funds, the challenging operating conditions in the residential property sector continue to prevail throughout the year in spite of the various incentives offered by the Government under the Home Ownership Campaign to reduce the overhang of completed properties. With the latest Government's policy of allowing foreigners to purchase residential properties costing RM600,000 and above, it is hoped that this will speed up the reduction of unsold units and encourage developers to launch more new projects in 2020. PBSB, the construction subsidiary is actively pursuing to obtain some new construction contracts from its developer clients who had delayed their project launches previously.

With the successful completion of the Ampang project, though there is a slowdown trend and dampening activity in the construction sector, the Group continues to explore new opportunities to build up its book order of potential projects. Moving forward, in consideration of these challenges, the Board is cautiously optimistic that the Group will remain profitable in 2019.

19. Variance From Profit Forecast

This note is not applicable.

20. Profit/(Loss) For The Period

Profit/(Loss) for the period is arrived at:

	Current Quarter	Corresponding Quarter	Year to date	Year to date
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
After charging:				
Depreciation & amortisation	419	430	1,255	1,277
Fair value adjustment on other investments	7	(7)	7	18
Interest expenses	336	685	1,573	1,807
And after crediting:				
Interest income	30	10	148	24
Rental income	23	53	116	158
Gain on sale of property, plant and equipment	-	-	30	-

21. Income Tax Expense

	Current Quarter 30/9/2019 RM'000	Year to date 30/9/2019 RM'000
Provision for current taxation		
- Current year	81	1,523
- Under provision in prior year	<u>110</u>	<u>110</u>
	<u><u>191</u></u>	<u><u>1,633</u></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

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

25. Status of Utilisation of Proceeds From Disposal of Silverlight Prospects Sdn Bhd ("SPSB")

Purpose	Proposed Utilisation	Actual Utilisation As At 30 Sept 2019	Initial Timeframe For Utilisation Of Proceeds From Date of Disposal (22 June 2017)	Balance Of Unutilised Proceeds *
	RM'000	RM'000		RM'000
(a) Repayment of bank borrowings	30,000	30,000	Within 12 months	Nil
(b) Working capital purposes	19,650	19,741	Within 24 months	(91)
(c) Defray expenses on disposal of SPSB #	850	759	Within 3 months	91
Total	50,500	50,500		-

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

* The proceeds from the disposal of SPSB has now been fully utilised as per the utilisation proposal.

26. Group Borrowings And Debt Securities

(a) The Group's borrowings as of 30 September 2019 are as follows:

	As At Period Ended 30/9/2019		
	Long term	Short term	Total borrowings
	RM'000	RM'000	RM'000
Secured:-			
Term loan	1,157	420	1,577
Bank overdraft	-	3,004	3,004
Bankers' acceptance	-	5,953	5,953
	<u>1,157</u>	<u>9,377</u>	<u>10,534</u>
Unsecured:-			
Bankers' acceptance	-	2,017	2,017
Factoring loan	-	28,255	28,255
	<u>-</u>	<u>30,272</u>	<u>30,272</u>
Total	<u><u>1,157</u></u>	<u><u>39,649</u></u>	<u><u>40,806</u></u>

	As At Period Ended 30/9/2018		
	Long term	Short term	Total borrowings
	RM'000	RM'000	RM'000
Secured:-			
Term loan	1,584	409	1,993
Bank overdraft	-	337	337
Bankers' acceptance	-	5,887	5,887
	<u>1,584</u>	<u>6,633</u>	<u>8,217</u>
Unsecured:-			
Term loan	-	284	284
Factoring loan	-	21,865	21,865
	<u>-</u>	<u>22,149</u>	<u>22,149</u>
Total	<u><u>1,584</u></u>	<u><u>28,782</u></u>	<u><u>30,366</u></u>

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

27. Changes In Material Litigation

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

28. Dividend Payable

The Board has not proposed any dividend for the financial quarter under review (2018: Nil).

29. 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 ("PAT") of RM1.0 million per annum for each of the financial year ending 31 December 2018, 2019 and 2020. For the financial ending 31 December 2018, MBS achieved an audited PAT of RM1.87 million and the guarantee is considered as 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:-

	<u>Current Quarter</u>		<u>Year to date</u>	
	<u>30/9/2019</u>	<u>30/9/2018</u>	<u>30/9/2019</u>	<u>30/9/2018</u>
Profit attributable to Owners of the Company (RM'000)	321	613	3,289	1,252
Weighted average number of ordinary shares in issue ('000)	40,182	40,182	40,182	40,182
Basic earnings per share (Sen)	<u>0.80</u>	<u>1.53</u>	<u>8.18</u>	<u>3.12</u>