

The Board of Directors is pleased to announce the following :
UNAUDITED INTERIM REPORT OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

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

	INDIVIDUAL PERIOD				CUMULATIVE PERIOD			
	Current Quarter Ended 30/9/2020 RM'000	Preceding Year Quarter Ended 30/9/2019 RM'000	Changes		Current Year To Date 30/9/2020 RM'000	Preceding Year To Date 30/9/2019 RM'000	Changes	
			Amount	%			Amount	%
Revenue	1,194	14,212	(13,018)	-91.6%	5,564	80,719	75,155	-93.1%
Cost of Sales	(1,058)	(12,280)	11,222	-91.4%	(4,728)	(70,015)	65,287	-93.2%
Gross Profit	136	1,932	(1,796)	-93.0%	836	10,704	(9,868)	-92.2%
Other Income	121	140	(19)	-13.4%	279	494	(215)	-43.5%
Operating Expenses	(1,142)	(1,224)	82	-6.7%	(3,399)	(3,825)	426	-11.1%
(Loss)/Profit from Operations	(885)	848	(1,733)	-204.3%	(2,284)	7,373	(9,657)	-131.0%
Finance Costs	(307)	(336)	29	-8.6%	(880)	(1,573)	693	-44.1%
(Loss)/Profit Before Tax	(1,192)	512	(1,704)	-332.8%	(3,164)	5,800	(8,964)	-154.6%
Income Tax	1	(191)	192	-100.5%	1	(1,633)	1,634	-100.1%
(Loss)/Profit For The Period	(1,191)	321	(1,512)	-471.0%	(3,163)	4,167	(7,330)	-175.9%
Other Comprehensive Income, Net Of Tax	-	-	-	-	-	-	-	-
Total comprehensive (loss)/income for the period	(1,191)	321	(1,512)	-471.0%	(3,163)	4,167	(7,330)	-175.9%
Total comprehensive (loss)/income attributable to:								
Owners of the Company	(1,191)	321	(1,512)	-471.0%	(3,163)	3,289	(6,452)	-196.2%
Non-controlling interests	-	-	-	-	-	878	(878)	-100.0%
Total comprehensive (loss)/income for the period	(1,191)	321	(1,512)	-471.0%	(3,163)	4,167	(7,330)	-175.9%
(Losses)/Earnings per share (Sen)	(2.96)	0.80			(7.87)	8.19		

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 2019.

B. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As At 30/9/2020 RM'000	Audited As At 31/12/2019 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	2,304	3,407
Goodwill on consolidation	31,509	31,509
Investment properties	5,680	5,680
Deferred tax assets	1,101	1,101
	<u>40,594</u>	<u>41,697</u>
Current Assets		
Trade receivables	60,173	120,773
Other receivables	557	1,008
Contract assets	2,367	2,279
Other investments	170	115
Tax recoverable	531	395
Fixed deposits	3,201	3,056
Cash and bank balances	187	41
	<u>67,186</u>	<u>127,667</u>
TOTAL ASSETS	<u>107,780</u>	<u>169,364</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	122,001	122,001
Accumulated losses	(56,999)	(53,836)
Equity attributable to owners of the Company	<u>65,002</u>	<u>68,165</u>
Non current Liabilities		
Term loan > 12 months	614	1,001
Lease liabilities	440	1,072
Deferred tax liabilities	43	43
	<u>1,097</u>	<u>2,116</u>
Current Liabilities		
Trade payables	16,509	29,409
Others payables	2,313	7,149
Contract liabilities	18,366	21,861
Amount due to director	750	755
Lease liabilities	841	1,014
Term loan < 12 months	556	466
Bank overdrafts	2,346	3,008
Bank borrowings	-	35,421
	<u>41,681</u>	<u>99,083</u>
TOTAL EQUITY AND LIABILITIES	<u>107,780</u>	<u>169,364</u>
Net assets per share (RM)	1.62	1.70

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2019.

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 1.1.2020	122,001	(53,836)	68,165	-	68,165
Total Comprehensive Loss For The Period	-	(3,163)	(3,163)	-	(3,163)
Balance as of 30.9.2020	<u>122,001</u>	<u>(56,999)</u>	<u>65,002</u>	<u>-</u>	<u>65,002</u>
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	-	-	-	(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>

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 2019.

D. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The Group	9 months ended 30/9/2020 RM'000	9 months ended 30/9/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(3,164)	5,800
Adjustment for non-cash items	1,768	(2,560)
Operating (Loss)/Profit Before Working Capital Changes	<u>(1,396)</u>	<u>3,240</u>
Changes in working capital:		
Inventories	-	2,079
Receivables	61,050	11,904
Customers on contract	(3,583)	(9,330)
Payables	(17,741)	2,461
Bills payable	-	3,385
Income tax paid	(136)	(1,300)
Net Cash From Operating Activities	<u>38,194</u>	<u>12,439</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)
Placement of fixed deposits pledged	(144)	(712)
Proceeds from disposal of property, plant & equipment	80	30
Interest received	79	148
Net Cash From/(Used in) Investing Activities	<u>15</u>	<u>(12,469)</u>
CASH FLOWS (USED IN) FINANCING ACTIVITIES		
Finance costs paid	(880)	(1,573)
Repayment of bankers' acceptance	(6,105)	-
Repayment of finance lease liabilities	(804)	(681)
Repayment of factoring facility	(29,316)	(4,036)
Repayment of term loan	(297)	(315)
Net Cash (Used In) Financing Activities	<u>(37,402)</u>	<u>(6,605)</u>
CASH AND CASH EQUIVALENTS		
Net changes	807	(6,635)
Balance as of 1 January	(2,966)	3,750
Balance as at end of financial period	<u>(2,159)</u>	<u>(2,885)</u>

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

	As at 30/9/2020 RM'000	As at 30/9/2019 RM'000
Cash and bank balances	187	119
Bank overdrafts	(2,346)	(3,004)
Fixed deposits	3,201	2,987
Less: Fixed deposits pledged	<u>(3,201)</u>	<u>(2,987)</u>
	<u>(2,159)</u>	<u>(2,885)</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 2019.

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 2019.

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 2019.

2. Malaysian 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 2019.

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 2020. The adoption of these new and revised MFRSs 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 2019.

4. Segmental Reporting

Segmental report for the financial period ended 30 September 2020 is as follows:

	Trading RM'000	Construction RM'000	Investment Holding RM'000	Eliminations RM'000	Consolidated RM'000
9 Months Ended 30/9/2020					
Revenue					
External revenue	700	4,864	-	-	5,564
Inter-segment revenue	4,649	-	3,900	(8,549)	-
Total revenue	<u>5,349</u>	<u>4,864</u>	<u>3,900</u>	<u>(8,549)</u>	<u>5,564</u>
Results					
Segment profit	(223)	(1,886)	2,746	(3,000)	(2,363)
Interest income	49	30	-	-	79
Finance cost	(462)	(409)	(9)	-	(880)
Profit before tax	<u>(636)</u>	<u>(2,265)</u>	<u>2,737</u>	<u>(3,000)</u>	<u>(3,164)</u>
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>

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 current financial quarter under review.

6. Change Of Estimates Used

There was no material change in estimates for the current 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 current financial quarter under review (2019: nil).

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 financial quarter ended 30 September 2020.

10. Material Events Not Reflected In The Financial Statements

There were no material events in the current 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 financial quarter ended 30 September 2020.

12. Capital Commitments

There is no capital commitment which has not been reflected in the interim financial statements for the current financial quarter ended 30 September 2020.

13. Contingent Liabilities/Assets

The Company has issued unsecured corporate guarantees totalling RM110.0 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 parties are as described below.

Name of Related Parties

(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.

(b) Cova Design & Contract Sdn Bhd ("Cova") *

Mr An Siew Chong, who is a director of Paramount Bounty Sdn Bhd ("PBSB") is also a director and shareholder in Cova.

* Shareholders' mandate has already been obtained at the last Annual General Meeting held on 24 June 2020.

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

Nature of Transactions		Current	Year
		Quarter	to date
		30/9/2020	30/9/2020
		RM'000	RM'000
(a) Pujian	(i) Civil & construction works for Pujian	554	1,167
	(ii) Rental of office space and parking lots from Pujian	68	174
(b) Cova	(i) Rental of equipment from PBSB	-	111

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 current financial quarter under review, Group's revenue decreased by RM13.02 million (-91.6%) to RM1.19 million as compared to RM14.21 million achieved in the corresponding quarter in 2019, while Group's profitability decreased by RM1.70 million (-332.8%) to a pretax loss of RM1.19 million as compared to Group's pretax profit of RM0.51 million achieved in the corresponding quarter of 2019. The explanation for the variances is as stated in the segmental review below.

For the Construction Segment, due to the negative impact and the uncertainties generated by the Covid-19 pandemic, the Group has difficulty in replenishing its orderbook with new construction projects as its developer clients delay the launching of their new development projects. This resulted in revenue decreasing by RM13.02 million (-91.6%) to RM1.19 million while profitability also decreased by RM1.49 million (-214.9%) to a pretax loss of RM0.80 million as compared to the revenue of RM14.21 million and pretax profit of RM0.69 million achieved in the corresponding quarter of 2019. In spite of the difficult operating environment, the construction subsidiary is still actively pursuing to secure new contracts.

For the Trading Segment, revenue decreased by RM4.0 million (-99.9%) to RM0.01 million while profitability decreased by RM0.28 million to a pretax loss of RM0.35 million as compared to the revenue of RM4.01 million and pretax loss of RM0.07 million achieved in the corresponding quarter of 2019. The decrease in both revenue and profitability was due to the absence of new construction project by its sister company, Paramount Bounty Sdn Bhd and the restriction on sales to external customers due to the credit risk on debt collectability during the current economic downturn.

For the Investment Holding Segment, it recorded a pretax loss of RM0.46 million during the current quarter as compared to the pretax profit of RM0.39 million in the corresponding quarter of 2019. In the corresponding quarter, there was a dividend income of RM0.5 million from a subsidiary company.

For the current year to-date period, Group's revenue decreased by RM75.16 million (-93.1%) to RM5.56 million while Group's profitability decreased by RM8.96 million (-154.6%) to a pretax loss of RM3.16 million as compared to the revenue of RM80.72 million and pretax profit of RM5.8 million achieved in the corresponding quarter in 2019. The factors contributing to the poorer performance in 2020 are as elaborated above.

With regards to the Covid-19 pandemic, the Group is likely to experience; (i) a delay in securing new construction projects as housing developers postpone the launching of new projects and (ii) a delay in debts collection from its customers which may result in the Group failing to meet its bank borrowing repayment obligations on time.

17. Comparison With Previous Quarter's Results

	Current Quarter	Previous Quarter	Changes	
	30/9/2020	30/6/2020	RM'000	%
Revenue	1,194	1,443	(249)	(17.2)
Operating Loss	(885)	(810)	(75)	9.2
Loss Before Interest and Tax	(885)	(810)	(75)	9.2
Loss Before Tax	(1,192)	(961)	(231)	24.0
Loss After Tax	(1,191)	(961)	(230)	23.9
Loss Attributable to Owners of the Company	(1,191)	(961)	(230)	23.9

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

	Trading	Construction	Investment Holding	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
a) Turnover					
i) For the current quarter ended 30/9/2020	6	1,194	300	(306)	1,194
ii) For the previous quarter ended 30/6/2020	703	743	300	(303)	1,443
Variance (value)	(697)	451	-	(3)	(249)
Variance (%)	-99.2%	60.8%	0.0%	0.9%	-17.2%
b) Pretax Loss					
i) For the current quarter ended 30/9/2020	(349)	(797)	(46)	-	(1,192)
ii) For the previous quarter ended 30/6/2020	(189)	(683)	(89)	-	(961)
Variance (value)	(160)	(114)	43	-	(231)
Variance (%)	-84.7%	-16.7%	48.3%	0.0%	-24.0%

For the current quarter, revenue decreased by RM0.25 million (-17.2%) while pretax loss increased by RM0.23 million (+24.0%) as compared to the previous quarter. The increase in pretax loss was due to the decrease in revenue and an increase in operating expenses.

18. Prospects For 2020

With the resurgence of the Covid-19 pandemic in Malaysia and throughout the world, the negative impact of the pandemic on the economic activities and rising unemployment in Malaysia will exacerbate the problems associated with the high overhang of unsold completed properties. It will prolong the challenging operating environment in the residential properties and construction sector as developers delay the launch of new projects.

In view of the continued extension of the Movement Control Order and the economic uncertainties as stated above, the Board expects the performance of the Group in 2020 to be adversely impacted by the challenging environment in which it operates.

19. Variance From Profit Forecast

This note is not applicable.

20. (Loss)/Profit For The Period

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

	Current Quarter 30/9/2020 RM'000	Corresponding Quarter 30/9/2019 RM'000	Year to date 30/9/2020 RM'000	Year to date 30/9/2019 RM'000
After charging:				
Depreciation & amortisation	348	419	1,083	1,255
Fair value adjustment on other investments	(55)	7	(55)	7
Interest expenses	307	336	880	1,573
Rental expense	58	57	157	170
And after crediting:				
Interest income	10	30	79	148
Rental income	2	23	19	116
Gain on sale of property, plant and equipment	60	-	60	30

21. Income Tax Expense

	Current Quarter 30/9/2020 RM'000	Year to date 30/9/2020 RM'000
Provision for current taxation		
- Current year	-	-
- Overprovision in prior year	1	1
	<u>1</u>	<u>1</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 current financial quarter under review.

24. Status Of Corporate Proposals

There is no outstanding corporate proposal as at the end of the current financial quarter.

25. Group Borrowings And Debt Securities

(a) The Group's borrowings as of 30 September 2020 are as follows:

	As At Period Ended 30/9/2020		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured:-			
Term loan	614	556	1,170
Bank overdrafts	-	2,346	2,346
	<u>614</u>	<u>2,902</u>	<u>3,516</u>

	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 overdrafts	-	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>1,157</u>	<u>39,649</u>	<u>40,806</u>

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

26. Changes In Material Litigation

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

27. Dividend Payable

The Board has not proposed any dividend for the current financial quarter under review (2019: nil).

28. 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 years ending 31 December 2018, 2019 and 2020. For the two financial years ended 31 December 2018 and 2019, MBS has achieved a cumulative PAT of RM1.87 million. MBS has another year in 2020 to achieve the total cumulative guaranteed PAT of RM3.0 million.

29. (Losses)/Earnings Per Ordinary Share

The basic (losses)/earnings per share is calculated by dividing the (loss)/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	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
(Loss)/Profit attributable to Owners of the Company (RM'000)	(1,191)	321	(3,163)	3,289
Weighted average number of ordinary shares in issue ('000)	40,182	40,182	40,182	40,182
Basic (losses)/earnings per share (Sen)	<u>(2.96)</u>	<u>0.80</u>	<u>(7.87)</u>	<u>8.19</u>