



MERCURY INDUSTRIES BERHAD

Registration No. 198201008273 (105550-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2021

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MERCURY INDUSTRIES BERHAD

Registration No. 198201008273 (105550-K)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative	
	3 Months Ended		12 Months Ended	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
	RM'000	RM'000	RM'000	RM'000
Revenue	6,259	4,907	6,342	10,471
Cost of sales	(4,904)	(1,355)	(5,741)	(6,083)
Gross profit	<u>1,355</u>	<u>3,552</u>	<u>601</u>	<u>4,388</u>
Other income	58	53	505	254
Operating expenses	(24,315)	(3,045)	(29,763)	(6,444)
(Loss)/Profit from operations	<u>(22,902)</u>	<u>560</u>	<u>(28,657)</u>	<u>(1,802)</u>
Finance income	18	17	59	96
Finance costs	(56)	(1,504)	(325)	(2,384)
(Loss) before tax	<u>(22,940)</u>	<u>(927)</u>	<u>(28,923)</u>	<u>(4,090)</u>
Income tax	5,443	(27)	5,436	(27)
(Loss) for the period	<u>(17,497)</u>	<u>(954)</u>	<u>(23,487)</u>	<u>(4,117)</u>
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive (loss) for the period	<u>(17,497)</u>	<u>(954)</u>	<u>(23,487)</u>	<u>(4,117)</u>
Total comprehensive (loss) attributable to owners of the Company	<u>(17,497)</u>	<u>(954)</u>	<u>(23,487)</u>	<u>(4,117)</u>
(Loss) per share (Sen)	<u>(39.59)</u>	<u>(2.37)</u>	<u>(54.44)</u>	<u>(10.25)</u>

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 2020.

MERCURY INDUSTRIES BERHAD

Registration No. 198201008273 (105550-K)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	(Unaudited) As At 31-Dec-21 RM'000	(Audited) As At 31-Dec-20 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	728	1,963
Goodwill on consolidation	31,509	31,509
Investment properties	5,010	5,010
Trade receivables	-	19,609
Deferred tax assets	7,198	1,549
Fixed deposits	3,299	3,243
	<u>47,744</u>	<u>62,883</u>
Current Assets		
Trade receivables	16,018	34,628
Other receivables	903	784
Contract assets	-	2,074
Other investments	178	161
Tax recoverable	189	182
Cash and bank balances	40	166
	<u>17,328</u>	<u>37,995</u>
TOTAL ASSETS	<u>65,072</u>	<u>100,878</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	125,038	122,001
Accumulated losses	(81,440)	(57,953)
Equity attributable to owners of the Company	<u>43,598</u>	<u>64,048</u>
Non-current Liabilities		
Borrowing	81	535
Lease liabilities	100	311
Deferred tax liabilities	4	14
	<u>185</u>	<u>860</u>
Current Liabilities		
Trade payables	14,359	12,629
Others payables	2,450	2,613
Contract liabilities	-	13,391
Amount due to director	1,032	750
Borrowings	3,010	5,584
Lease liabilities	244	891
Tax payable	194	112
	<u>21,289</u>	<u>35,970</u>
TOTAL EQUITY AND LIABILITIES	<u>65,072</u>	<u>100,878</u>
Net assets per share (RM)	1.01	1.59

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2020.

MERCURY INDUSTRIES BERHAD

Registration No. 198201008273 (105550-K)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable To Equity holders of the Company		
	Issued Capital RM'000	Accumulated Loss RM'000	Total Equity RM'000
Balance as of 1 January 2021	122,001	(57,953)	64,048
Issuance of new shares	3,037	-	3,037
Total Comprehensive Loss for the period	-	(23,487)	(23,487)
Balance as of 31 December 2021	<u>125,038</u>	<u>(81,440)</u>	<u>43,598</u>
Balance as of 1 January 2020	122,001	(53,836)	68,165
Total Comprehensive Loss for the period	-	(4,117)	(4,117)
Balance as of 31 December 2020	<u>122,001</u>	<u>(57,953)</u>	<u>64,048</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 2020.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

The Group	12 months Ended	
	31-Dec-21 RM'000	31-Dec-20 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before taxation	(28,923)	(4,090)
Interest expenses	325	2,384
Interest income	(59)	(96)
Depreciation	1,237	1,424
Fair value loss of investment properties	-	670
Gain on disposal of property, plant and equipment	-	(60)
Fair value gain adjustment on investments	(18)	(45)
Impairment loss on receivables	23,713	1,317
Bad debts written off	1,840	42
Adjustment for non-cash items	27,038	5,636
Operating Profit Before Working Capital Changes	(1,885)	1,546
Changes in working capital:		
Receivables	(1,075)	63,754
Customers on contract	2,309	(8,266)
Payables	1,567	(21,316)
Repayment of bankers acceptance	(2,068)	(4,037)
Cash generated from operations	(1,152)	31,681
Interest paid	(215)	(290)
Interest income	-	9
Income tax refund	-	233
Income tax paid	(148)	(411)
Net Cash From / (Used In) Operating Activities	(1,515)	31,222
CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2)	-
Proceeds from disposal of property, plant & equipment	-	80
Net Cash (Used In) / From Investing Activities	(2)	80
CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES		
Finance costs paid	(111)	(448)
Interest received	55	86
Placement of fixed deposits pledged	(55)	(187)
Repayment of finance lease liabilities	(858)	(884)
Repayment of term loan	(481)	(29,735)
Advance from a director	282	(5)
Issuance of new shares	3,037	-
Net Cash (Used In) / From Financing Activities	1,869	(31,173)
CASH AND CASH EQUIVALENTS		
Net changes	352	129
Balance as of 1 January	(2,836)	(2,965)
Balance as at end of financial period	(2,484)	(2,836)

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

	As at 31-Dec-21 RM'000	As at 31-Dec-20 RM'000
Cash and bank balances	40	166
Bank overdrafts	(2,524)	(3,002)
Fixed deposits	3,298	3,243
Less: Fixed deposits pledged	(3,298)	(3,243)
	(2,484)	(2,836)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2020.

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A EXPLANTORY NOTES IN COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134, INTERIM FINANCIAL REPORTING

A1 Basis of Preparation

The interim financial statement is unaudited and have been prepared in compliance with Malaysian Financial Reporting Standards ("MFRSs") 134, Interim Financial Reporting, issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

The interim financial statements shall be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2020. These interim financial statements contain selected explanatory notes which provide explanations of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries ("Group").

A2 Malaysian Financial Reporting Standards

The 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 2020.

The Group has adopted the 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 the following amendments to MFRSs which are effective for the annual periods beginning on or after 1 January 2021:

Amendment to MFRS 7 Financial Instruments: Disclosures, MFRS 9 Financial Instruments and MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 16 Leases - Interest Rate Benchmark Reform-Phase 2.

The adoption of these amendment MFRSs have not resulted in any material impact on 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.

A3 Audit Qualification

There was no qualification of the Group audited financial statements for the year ended 31 December 2020.

A4 Seasonality or Cyclicity of Interim Operations

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

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A5 Items of Unusual Nature

Save for the business disruptions caused by Covid-19 pandemic and Movement Control Order (“MCO”) imposed by Government, there were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial quarter under review.

A6 Change in Estimates

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

A7 Dividend Paid

There were no dividends paid during the current financial quarter under review.

A8 Segmental Reporting

Segmental report for the financial period ended 31 December 2021 is as follows:

	Trading RM'000	Construction RM'000	Investment Holding RM'000	Property Development RM'000	Eliminations RM'000	The Group RM'000
<u>12 Months Ended 31-Dec-2021</u>						
Revenue						
External revenue	80	6,262	-	-	-	6,342
Inter-segment revenue	7	-	1,090	-	(1,097)	-
Total revenue	<u>87</u>	<u>6,262</u>	<u>1,090</u>	<u>-</u>	<u>(1,097)</u>	<u>6,342</u>
Results						
Segment profit	(1,430)	(26,844)	(365)	(18)	-	(28,657)
Interest income	37	22	-	-	-	59
Finance cost	(236)	(77)	(180)	-	168	(325)
(Loss) before tax	<u>(1,629)</u>	<u>(26,899)</u>	<u>(545)</u>	<u>(18)</u>	<u>168</u>	<u>(28,923)</u>
<u>12 Months Ended 31-Dec-2020</u>						
Revenue						
External revenue	905	9,566	-	-	-	10,471
Inter-segment revenue	5,883	-	4,200	-	(10,083)	-
Total revenue	<u>6,788</u>	<u>9,566</u>	<u>4,200</u>	<u>-</u>	<u>(10,083)</u>	<u>10,471</u>
Results						
Segment profit	(540)	(938)	2,676	-	(3,000)	(1,802)
Interest income	65	31	-	-	-	96
Finance cost	(302)	(2,070)	(12)	-	-	(2,384)
(Loss)/Profit before tax	<u>(777)</u>	<u>(2,977)</u>	<u>2,664</u>	<u>-</u>	<u>(3,000)</u>	<u>(4,090)</u>

A9 Sales Revenue by Geographical Market

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

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A10 Changes in Debt and Equity Securities

There was no issuance, cancellation, repurchases, resale and repayments of debt securities for the current financial quarter ended 31 December 2021, except that on 7 April 2021, the Company had issued 4,018,200 new shares under private placement.

A11 Subsequent Material Events

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.

A12 Changes in the Composition of the Group

On 1 April 2021, the Company acquired 100% equity interest in Plutovest Sdn Bhd which has a paid-up capital of RM1.00. Plutovest Sdn Bhd is currently dormant.

A13 Capital Commitment

There is no capital commitment which has not been reflected in the interim financial statements for the current financial quarter ended 31 December 2021.

A14 Contingent Liabilities / Assets

The Company has issued unsecured corporate guarantees totalling RM102.1 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 are no contingent assets as at the date of this report.

A15 Valuation of Property, Plant and Equipment

There was no change in the valuation of property, plant and equipment for the current quarter under review.

A16 Significant Related Party Transactions

The Group had the following significant related party transactions with company in which certain directors of the Company have interest as follow:

Mandated Related Parties	Nature of Transactions	Current Quarter 31-Dec-21 RM'000	Year to date 31-Dec-21 RM'000
Ecofirst Group	(i) Construction works and project insurance	17	172
	(ii) Rental of office space and parking lots	35	209

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B EXPLANATORY NOTES IN COMPLIANCE WITH LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 Review of Group Performance

Current quarter ended 31 December 2021 ("4Q2021") versus quarter ended 31 December 2020 ("4Q2020")

	Individual Quarter		Changes	
	31-Dec-21	31-Dec-20		
	RM'000	RM'000	RM'000	%
Revenue	6,259	4,907	1,352	28%
(Loss) Before Tax	(22,940)	(927)	(22,013)	2,375%

During the current financial quarter under review, the Group's revenue increased by RM1.35 million (+28%) to RM6.26 million as compared to RM4.91 million in 4Q2020.

The Group registered a Loss before tax ("LBT") of RM22.94 million, increased by RM22.01 million (2,375%) from RM0.93 million in 4Q2020. Higher pre-tax loss was mainly due to an impairment loss of receivables and bad debts written off amounting to RM23.61 million. Excluding this impairment loss of receivable and bad debts written-off, the Group recorded a pre-tax profit of RM0.67 million in 4Q2021.

B2 Comparison with preceding quarter results

Current quarter ended 31 December 2021 ("4Q2021") versus immediate preceding quarter ended 31 September 2021 ("3Q2021")

	Current Quarter	Previous Quarter	Changes	
	31-Dec-21	30-Sep-21		
	RM'000	RM'000	RM'000	%
Revenue	6,259	1	6,258	625,800%
(Loss) Before Tax	(22,940)	(2,868)	(20,072)	700%

For the current quarter, higher Group revenue was mainly due to the commencement of new construction contract for Centro @ JBCC project, which is located at Johor Bahru. The Group pre-tax loss increased by RM20.07 million (700%) as compared to LBT of RM2.87 million in the previous quarter of 2021.

Higher pre-tax loss was mainly due to an impairment loss of receivables and bad debt written-off amounting to RM23.61 million. Excluding this impairment loss of receivable and bad debt written-off, the Group recorded a pre-tax profit of RM0.67 million in 4Q2021. The Group's operations had been adversely affected by the Covid-19 pandemic, resulted in slow debt collection and impairment loss of receivables and bad debt.

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B3 Prospects of the financial year 2022

The Covid-19 pandemic continues to disrupt the business momentum in many economic sectors, including construction and property development. The Group believes the COVID-19 pandemic is still far from over given the unpredictable spike in Covid-19 infectivity rate and new strains, despite the fact that the Government's vaccination program has already been rolled out as planned.

Nevertheless, the Group believes that there are still opportunities to be yielded. One such instance is the Group's intention to move upstream into the property development business. Property development activities may provide the Group with sustainable cashflow and construction income for its construction arm, thereby strengthening its financial position in the long term. The Group will seek shareholders' approval in the likely event that the right development proposals materialise.

Given the foregoing, the Group is cautiously optimistic that construction activity will pick up over time, and its order book will be replenished by securing more projects that are currently being tendered. Going forward, the Group opines that the reopening of the construction sector will be the key driver of growth for the Group's earnings in 2022. The Group believes that with careful planning, it will be in a better strategic and operational position to eventually contribute positively to the Group's earnings.

B4 Variance from Profit Forecast

Not applicable as the Group has not issued any profit forecast for the period under review.

B5 Quoted securities

There was no other purchase or disposal of quoted and marketable securities during the current quarter under review.

B6 Status of Corporate Proposals

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

B7 Material Litigation

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

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B8 Profit / (Loss) for the period

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

	Individual Quarter		Cumulative	
	Current Quarter Ended	Corresponding Year Quarter Ended	Current Year-To-Date	Corresponding Year-To-Date
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
	RM'000	RM'000	RM'000	RM'000
After charging:				
Depreciation & amortisation	265	342	1,237	1,424
Fair value adjustment on other investments	42	9	(18)	(45)
Allowance for impairment loss on receivable	22,287	1,317	23,713	1,317
Bad debts written off	1,840	42	1,840	42
Interest expenses	56	1,504	325	2,384
Rental expense	56	-	282	-
And after crediting:				
Interest income	(18)	(17)	(59)	(96)
Rental income	(4)	(1)	(17)	(19)
Gain on sale of property, plant and equipment	-	-	-	(60)

B9 Taxation

Domestic current income tax is calculated at the statutory rate of 24% (2020 : 24%) of the estimated assessable profit for the year.

	Year-To-Date Ended	
	31-Dec-21	31-Dec-20
	RM'000	RM'000
- Current year	-	(491)
- (Under)/Over provision in prior year	(223)	(13)
- Provision for deferred taxation	5,659	477
	5,436	(27)

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B10 Group Borrowings and Debt Securities

- a) Save as disclosed below, there were no other borrowings or debt securities in the Group as at 31 December 2021:

	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
As At Period Ended 31-Dec-2021			
Secured:-			
Term loan	81	486	567
Bank overdrafts	-	2,524	2,524
Total	81	3,010	3,091
As At Period Ended 31-Dec-2020			
Secured:-			
Term loan	535	514	1,049
Bank overdrafts	-	3,002	3,002
Bankers' acceptance	-	2,068	2,068
Total	535	5,584	6,119

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

B11 Dividend Payable

No interim dividends have been recommended in respect of the current quarter financial quarter under review.

B12 Loss Per Ordinary Share

The basic losses per share is calculated by dividing the loss 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	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
(Loss) attributable to owners of the Company (RM '000)	(17,497)	(954)	(23,487)	(4,117)
Weighted average number of ordinary shares in issue (RM '000)	44,200	40,182	43,143	40,182
Basic (loss) per share (Sen)	(39.59)	(2.37)	(54.44)	(10.25)