



MERCURY INDUSTRIES BERHAD

Registration No. 198201008273 (105550-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2023

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MERCURY INDUSTRIES BERHAD

Registration No. 198201008273 (105550-K)

Interim Financial Report for the Second Quarter Ended 30 June 2023 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	----- Unaudited -----			
	Individual Quarter		Cumulative	
	3 Months Ended		6 Months Ended	
	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22
	RM'000	RM'000	RM'000	RM'000
Revenue	1,107	869	6,255	871
Cost of sales	(1,423)	(1,195)	(6,474)	(1,338)
Gross loss	(316)	(326)	(219)	(467)
Other income	279	161	470	166
Operating expenses	(589)	(758)	(1,391)	(2,446)
Loss from operations	(626)	(923)	(1,140)	(2,747)
Finance income	93	13	222	27
Finance costs	(30)	(63)	(74)	(119)
Loss before tax	(563)	(973)	(992)	(2,839)
Income tax	-	-	-	-
Loss for the period	(563)	(973)	(992)	(2,839)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the period	<u>(563)</u>	<u>(973)</u>	<u>(992)</u>	<u>(2,839)</u>
Total comprehensive loss attributable to owners of the Company	<u>(563)</u>	<u>(973)</u>	<u>(992)</u>	<u>(2,839)</u>
Loss per share (Sen)	<u>(0.87)</u>	<u>(2.19)</u>	<u>(1.54)</u>	<u>(6.41)</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 2022.

MERCURY INDUSTRIES BERHAD

Registration No. 198201008273 (105550-K)

Interim Financial Report for the Second Quarter Ended 30 June 2023 Condensed Consolidated Statement of Financial Position

	(Unaudited) As At 30-Jun-23 RM'000	(Audited) As At 31-Dec-22 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	30	92
Investment properties	7,860	4,860
Goodwill on consolidation	31,509	31,509
Deferred tax assets	7,202	7,202
Fixed deposits with licensed Financial Institutions	3,387	3,356
	<u>49,988</u>	<u>47,019</u>
Current Assets		
Inventories	106	-
Trade receivables	13,530	15,696
Other receivables	5,976	3,140
Contract assets	327	128
Other investments	167	168
Tax recoverable	42	42
Cash and bank balances	2,072	6,509
	<u>22,220</u>	<u>25,683</u>
TOTAL ASSETS	<u>72,208</u>	<u>72,702</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	81,258	81,258
Accumulated losses	(29,579)	(28,587)
Total equity	<u>51,679</u>	<u>52,671</u>
Non-current Liabilities		
Lease liabilities	9	35
Deferred tax liabilities	4	4
	<u>13</u>	<u>39</u>
Current Liabilities		
Trade payables	15,549	14,332
Others payables	3,468	2,688
Contract liabilities	78	78
Amount owing to a director	76	79
Bank borrowings	-	81
Lease liabilities	52	71
Bank overdraft	1,253	2,623
Tax payable	40	40
	<u>20,516</u>	<u>19,992</u>
TOTAL EQUITY AND LIABILITIES	<u>72,208</u>	<u>72,702</u>
Net assets per share (RM)	0.80	0.97

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2022.

MERCURY INDUSTRIES BERHAD

Registration No. 198201008273 (105550-K)

Interim Financial Report for the Second Quarter Ended 30 June 2023 Condensed Consolidated Statements of Changes in Equity

	<-Attributable To Equity holders of the Company->		
	Non-distributable Share Capital RM'000	Accumulated Losses RM'000	Total Equity RM'000
Balance as of 1 Jan 2022	125,038	(81,440)	43,598
Transaction with owners			
Issuance of new shares	16,220	-	16,220
Capital reduction	(60,000)	60,000	-
	(43,780)	60,000	16,220
Total comprehensive loss for the financial year	-	(7,147)	(7,147)
Balance as of 31 Dec 2022	81,258	(28,587)	52,671
Total comprehensive loss for the financial period	-	(992)	(992)
Balance as of 30 Jun 2023	81,258	(29,579)	51,679

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 2022.

MERCURY INDUSTRIES BERHAD

Registration No. 198201008273 (105550-K)

Interim Financial Report for the Second Quarter Ended 30 June 2023 Condensed Consolidated Statements of Cash Flows

GROUP	(Unaudited) 6 months Ended	
	30-Jun-23 RM'000	30-Jun-22 RM'000
OPERATING ACTIVITIES		
Loss before taxation	(992)	(2,839)
Adjustment for:		
Depreciation of property, plant and equipment	62	445
Bad debts written off	-	149
Fair value loss of other investments	1	24
Interest expenses	74	119
Interest income	(222)	(27)
Gain on disposal of property, plant and equipment	(90)	-
Operating loss before working capital changes	<u>(1,167)</u>	<u>(2,129)</u>
Changes in working capital:		
Inventories	(106)	-
Receivables	(3,670)	(16,512)
Contract balances	(199)	11
Payables	1,997	2,445
Cash used in operations	<u>(3,145)</u>	<u>(16,185)</u>
Interest paid	(62)	(92)
Income tax paid	-	(102)
Net cash used in operating activities	<u>(3,207)</u>	<u>(16,379)</u>
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant & equipment	90	-
Net cash from investing activities	<u>90</u>	<u>-</u>
FINANCING ACTIVITIES		
Placement of fixed deposits pledged	(31)	(27)
Interest received	222	27
Repayment to a director	(3)	(3)
Repayment of lease liabilities	(45)	(129)
Repayment of borrowing	(81)	(192)
Interest paid	(12)	(27)
Issuance of new shares	-	16,220
Net cash from financing activities	<u>50</u>	<u>15,869</u>
CASH AND CASH EQUIVALENTS		
Net changes	(3,067)	(510)
Balance as of 1 January	3,886	(2,485)
Balance as at end of financial period	<u>819</u>	<u>(2,995)</u>
Cash and cash equivalents at the end of the financial period comprise the following balance amount:		
Cash and bank balances	2,072	16
Bank overdrafts	(1,253)	(3,011)
Fixed deposits	3,387	3,326
Less: Fixed deposits pledged	<u>(3,387)</u>	<u>(3,326)</u>
	<u>819</u>	<u>(2,995)</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 2022.

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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 2022. 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 2022.

The Group has also adopted the following new standard/amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2023:

MFRS 17 and Amendments to MFRS 17 [#]	Insurance contracts
Amendments to MFRS 17 [#]	Insurance contracts: Initial application of MFRS 17 and MFRS 9 - comparative information
Amendments to MFRS 101	Presentation of financial statements: Classification of liabilities as current or non-current
Amendments to MFRS 101	Presentation of financial statements: Disclosure of accounting policies
Amendments to MFRS 108	Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
Amendments to MFRS 112	Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The adoption of these amendment to MFRSs have not resulted in any material impact on the financial statements of the Group.

The following new standard/amendments to MFRSs that were issued but are not yet effective have not been early adopted by the Group.

Effective for financial period beginning in or after 1 January 2024:-

Amendments to MFRS 16	Lease: Lease liability in a sales and leaseback
Amendments to MFRS 10	Presentation of financial statements: Non-current liabilities with covenants

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A2 Malaysian Financial Reporting Standards (Cont'd)

Deferred to a date to be determined by the Malaysian Accounting Standards Board:-

Amendments to MFRS 10 and 128 [#]	Consolidated financial statements and investments in associates and joint ventures: Sale or contribution of assets between an investor and its associate or joint venture
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[#] Not applicable to the Group's operation

A3 Audit Qualification

There was no qualification of the Group audited financial statements for the year ended 31 December 2022.

A4 Seasonality or Cyclicity of Interim Operations

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

A5 Items of Unusual Nature

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 Sales Revenue by Geographical Market

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

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A9 Segmental Reporting

Segmental report for the financial period ended 30 June 2023 is as follows:

	Trading RM'000	Construction RM'000	Investment Holding RM'000	Property Development RM'000	Eliminations RM'000	The Group RM'000
6 Months Ended 30 June 2023						
Revenue						
External revenue	1,350	4,905	-	-	-	6,255
Inter-segment revenue	-	-	595	-	(595)	-
Total revenue	1,350	4,905	595	-	(595)	6,255
Results						
Segment loss	(126)	(798)	(68)	(148)	-	(1,140)
Interest income	96	126	-	-	-	222
Finance cost	(48)	(22)	(4)	-	-	(74)
Loss before tax	(78)	(694)	(72)	(148)	-	(992)

6 Months Ended 30 June 2022

Revenue						
External revenue	103	768	-	-	-	871
Inter-segment revenue	1	-	474	-	(475)	-
Total revenue	104	768	474	-	(475)	871
Results						
Segment loss	(169)	(1,944)	(617)	(17)	-	(2,747)
Interest income	18	9	-	-	-	27
Finance cost	(86)	(27)	(6)	-	-	(119)
Loss before tax	(237)	(1,962)	(623)	(17)	-	(2,839)

A10 Changes in 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 June 2023.

A11 Subsequent Material Events

There were no material events subsequent to the end of the current quarter up to 17 August 2023 that have not be reflected in the financial statement for the current financial period.

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A12 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial period under review.

A13 Capital Commitment

There is no capital commitment which has not been reflected in the interim financial statements for the current financial quarter ended 30 June 2023.

A14 Contingent Liabilities / Assets

Save as disclosed below, there are no contingent liabilities incurred or known to be incurred by the Group.

Litigation

On 28 January 2021, a vendor commenced legal action against a subsidiary of the Company amounting to RM0.97 million in respect of the missing materials on site.

Based on the legal advice from external legal counsel, the Directors are of the opinion that the possibility of outflow on the litigation above is not probable and therefore, no provision is required to be made.

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 30-Jun-23 RM'000	Year to date 30-Jun-23 RM'000
Ecofirst Group	(i) Construction works	-	-
	(ii) Rental of office space and parking lots	53	91
Alpine Blossom	(i) Construction works	-	-

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

B1 Review of performance – Comparison with corresponding results of last year quarter.

Current quarter ended 30 June 2023 (“2Q2023”) versus preceding year corresponding quarter ended 30 June 2022 (“2Q2022”)

	Individual Quarter		Changes	
	30-Jun-23	30-Jun-22		
	RM'000	RM'000	RM'000	%
Revenue	1,107	869	238	27%
Loss before tax	(563)	(973)	410	42%

For the current quarter ended 30 June 2023, the Group recorded a loss before tax of RM0.56 million on revenue of RM1.11 million, compared to a loss before tax of RM0.97 million and revenue of RM0.87 million reported in the preceding year’s corresponding quarter. The higher revenue in the current quarter were mainly from construction contract for Centro @ JBCC project located at Johor Bahru for current quarter compared to revenue from preceding year corresponding period. The loss before tax for the current quarter is primarily due to the profit generated from the project being insufficient to cover the group overhead cost for the period.

B2 Review of Performance - Comparison with corresponding results of preceding Quarter

Current quarter ended 30 June 2023 (“2Q2023”) versus immediate preceding quarter ended 31 March 2023 (“1Q2023”)

	Current Quarter	Previous Quarter	Changes	
	30-Jun-23	31-Mar-23		
	RM'000	RM'000	RM'000	%
Revenue	1,107	5,148	(4,041)	-78%
Loss before tax	(563)	(429)	(134)	-31%

For the current quarter ended 30 June 2023, the Group recorded a loss before tax of RM0.56 million on revenue RM1.11 million, compared to a loss before tax of RM0.43 million on revenue of RM5.15 million reported in the preceding quarter. The lower revenue and higher loss are mainly from lower construction contract for Centro @ JBCC project located at Johor Bahru and absent of trading business for the current quarter.

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B3 Variance from Profit Forecast

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

B4 Current year Prospects

For 2023, the Malaysian economy is expected to continue to expand despite slower external demand. Growth will be driven by domestic demand, supported by improving labour market conditions, higher tourism activity and further progress of multiyear investment projects. The risks to Malaysia's growth outlook are fairly balanced. Upside risks are mainly from domestic factors and implementation of projects including those from the re-tabled Budget 2023.

The Group target to launch phase 1 of Tanjung Kling project by the end of the year 2023. The Group is cautiously optimistic that construction activities will pick up over time and will continue monitor the construction market as well as the projects that are currently on-going.

Going forward, the Group opines that with careful planning and execution, it will be better positioned strategically and operationally to improve its business performance, which would eventually contribute positively to the Group's earnings in the future.

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

Other than disclosed in B7, there is no outstanding corporate proposal as at the end of the current financial quarter.

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B7 Status of Utilisation of Private Placement Proceeds

The proceeds from private placement raised from the Proposed share issuance of up to 22,100,100 new ordinary shares in MIB representing 50% of the issued share capital of MIB to the subscribers on 4 July 2022.

As at 30 June 2023 the gross proceeds raised from the private placement are proposed to be utilised in the following manner:

Purposes	Gross Proceeds Raised	Revised Proposed Utilisation	Actual Utilisation	Balance Of Unutilised Proceeds	Estimated Timeframe For Utilisation
	RM'000	RM'000	RM'000	RM'000	
(a) Proposed land acquisition	6,200	2,351	2,351	-	Within 6 months
(b) Property development and construction projects	7,379	7,379	6,160	1,219	Within 24 months
(c) Working capital	2,256	6,030	5,645	385	Within 24 months
(d) Expenses in relation to the corporate exercise	450	525	525	-	Within 12 months
Total	16,285	16,285	14,681	1,604	

Note 1:

The utilisation of the proceeds as disclosed above should be read in conjunction with the circular to shareholders of the Company dated 31 May 2022 ("Circular"). In accordance to the Circular, the actual gross proceeds raise lower than expected proceeds, the proceeds will be utilised in the following priority:

- i. Estimated expenses for the proposal;
- ii. Proposed Land Acquisition;
- iii. Working Capital; and
- iv. Property development and construction projects.

The balance of the unutilised funds will be placed in a profit-bearing bank account as deposits with licensed financial institution(s) and/or short-term money-market instruments.

Note 2:

Following the termination of the Proposed Land Acquisition announced on 10 November 2022, the Board has decided to redeploy the acquisition proceeds allocated for the Proposed land acquisition to the general working capital, property development and construction projects and estimated expenses for the proposals. The relevant announcement makes on 16 February 2023.

B8 Material Litigation

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

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B9 Notes to the Statement of Profit or Loss and Other Comprehensive income

	Individual Quarter		Cumulative	
	Current Quarter Ended	Corresponding Year Quarter Ended	Current Year-To-Date	Corresponding Year-To-Date
	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22
	RM'000	RM'000	RM'000	RM'000
After charging:				
Depreciation & amortisation	25	203	62	445
Fair value adjustment on other investments	(10)	(1)	1	24
Bad debts written off	-	-	-	149
Interest expenses	30	63	74	119
Rental expense	74	80	131	158
And after crediting:				
Interest income	(93)	(13)	(222)	(27)
Rental income	(188)	(4)	(380)	(8)

B10 Taxation

Domestic current income tax is calculated at the statutory rate of 24% (2022: 24%) of the estimated assessable profit for the year.

	Year-To-Date Ended	
	30-Jun-23	30-Jun-22
	RM'000	RM'000
Income tax		
- Current period	-	-
Deferred tax		
- Current period	-	-
	-	-

The Group has tax assets of RM1.59 million in unabsorbed capital allowance and unutilised tax losses of RM4.57 million that can be set off against future profits.

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B11 Group Borrowings and Debt Securities

- a) Save as disclosed below, there were no other borrowings or debt securities in the Group as at 30 June 2023:

	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
As At Period Ended 30 Jun 2023			
Secured:-			
Term loan	-	-	-
Bank overdrafts	-	1,253	1,253
Total	-	1,253	1,253
As At Year Ended 31 Dec 2022			
Secured:-			
Term loan	-	81	81
Bank overdrafts	-	2,623	2,623
Total	-	2,704	2,704

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

B12 Dividend Payable

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

B13 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	
	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22
Loss attributable to owners of the Company (RM '000)	(563)	(973)	(992)	(2,839)
Weighted average number of ordinary shares ('000)	64,300	44,421	64,300	44,311
Basic loss per share (Sen)	(0.87)	(2.19)	(1.54)	(6.41)