



MERCURY INDUSTRIES BERHAD

Registration No. 198201008273 (105550-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND PERIOD-TO-DATE ENDED 30 JUNE 2024

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MERCURY INDUSTRIES BERHAD

Registration No. 198201008273 (105550-K)

Interim Financial Report for the Sixth Quarter Ended 30 June 2024 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	----- Unaudited -----	
	Individual Quarter 3 Months Ended 30-Jun-24 RM'000	Cumulative 18 Months Ended 30-Jun-24 RM'000
Revenue	(3,232)	4,078
Cost of sales	(2,756)	(10,595)
Gross loss	(5,988)	(6,517)
Other income	1,392	2,435
Operating expenses	(6,747)	(10,241)
Loss from operations	(11,343)	(14,323)
Finance income	3,910	4,403
Finance costs	(808)	(1,028)
Loss before tax	(8,241)	(10,948)
Income tax	(75)	(75)
Loss for the period	(8,316)	(11,023)
Other comprehensive income, net of tax	-	-
Total comprehensive loss for the period	<u>(8,316)</u>	<u>(11,023)</u>
Total comprehensive loss attributable to owners of the Company	<u>(8,316)</u>	<u>(11,023)</u>
Loss per share (Sen)	<u>(12.93)</u>	<u>(17.14)</u>

i. 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 financial year ended 31 December 2022.

ii. The Company changed its financial year end from 31 December to 31 March on 24 November 2023, subsequently on 29 March 2024 the Company changed its financial year end from 31 March to 30 June. Hence, no comparative information is presented for the financial period ended 30 June 2024.

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Registration No. 198201008273 (105550-K)

Interim Financial Report for the Sixth Quarter Ended 30 June 2024 Condensed Consolidated Statement of Financial Position

	(Unaudited) As At 30-Jun-24 RM'000	(Audited) As At 31-Dec-22 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	174	92
Investment properties	6,620	4,860
Goodwill on consolidation	28,438	31,509
Deferred tax assets	7,127	7,202
Fixed deposits with licensed Financial Institutions	3,453	3,356
Land Development Cost	15,215	-
	<u>61,027</u>	<u>47,019</u>
Current Assets		
Trade receivables	3,280	15,696
Other receivables	8,750	3,140
Contract assets	327	128
Land Development Cost	1,050	-
Other investments	184	168
Tax recoverable	-	42
Cash and bank balances	501	6,509
	<u>14,092</u>	<u>25,683</u>
TOTAL ASSETS	<u>75,119</u>	<u>72,702</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	81,258	81,258
Accumulated losses	(39,610)	(28,587)
Total equity	<u>41,648</u>	<u>52,671</u>
Non-current Liabilities		
Other Payables	11,876	-
Lease liabilities	106	35
Bank borrowings	2,261	-
Deferred tax liabilities	4	4
	<u>14,247</u>	<u>39</u>
Current Liabilities		
Trade payables	13,785	14,332
Others payables	1,456	2,688
Contract liabilities	424	78
Amount owing to a director	47	79
Bank borrowings	438	81
Lease liabilities	34	71
Bank overdraft	2,957	2,623
Tax payable	83	40
	<u>19,224</u>	<u>19,992</u>
TOTAL EQUITY AND LIABILITIES	<u>75,119</u>	<u>72,702</u>
Net assets per share (RM)	0.65	0.97

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

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Interim Financial Report for the Sixth Quarter Ended 30 June 2024

Condensed Consolidated Statements of Changes in Equity

	<-Attributable To Equity holders of the Company->		
	Non-distributable	Accumulated	
	Share Capital	Losses	Total Equity
	RM'000	RM'000	RM'000
Balance as of 1 Jan 2023	81,258	(28,587)	52,671
Total comprehensive loss for the financial period	-	(11,023)	(11,023)
Balance as of 30 Jun 2024	<u>81,258</u>	<u>(39,610)</u>	<u>41,648</u>

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

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Interim Financial Report for the Sixth Quarter Ended 30 June 2024

Condensed Consolidated Statements of Cash Flows

	(Unaudited) 18 months Ended 30-Jun-24 RM'000
GROUP	
OPERATING ACTIVITIES	
Loss before taxation	(10,948)
Adjustments for:	
Depreciation of property, plant and equipment	109
Fair value adjustment on other investments	(16)
Fair value loss of investment properties	1,804
Interest expenses	1,028
Interest income	(4,403)
Impairment loss on trade receivables	3,625
Impairment loss on Goodwill	3,071
Gain on disposal of property, plant and equipment	(106)
Property, plant and equipment written off	1
Operating loss before working capital changes	<u>(5,835)</u>
Changes in working capital:	
Inventories	(12,890)
Receivables	(524)
Contract balances	147
Payables	10,207
Cash used in operations	<u>(8,895)</u>
Interest paid	(213)
Income tax refund	35
Income tax paid	(60)
Net cash used in operating activities	<u>(9,133)</u>
INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(192)
Proceeds from disposal of property, plant & equipment	106
Net cash used in investing activities	<u>(86)</u>
FINANCING ACTIVITIES	
Placement of fixed deposits pledged	(97)
Drawdown of bank borrowing	3,621
Interest received	514
Drawdown of lease liabilities	142
Repayment to a director	(32)
Repayment of lease liabilities	(108)
Repayment of borrowing	(1,018)
Interest paid	(145)
Net cash from financing activities	<u>2,877</u>
CASH AND CASH EQUIVALENTS	
Net changes	(6,342)
Balance as of 1 January 2023	3,886
Balance as at end of financial period	<u><u>(2,456)</u></u>

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

	30-Jun-24 RM'000
Cash and bank balances	501
Bank overdrafts	(2,957)
Fixed deposits	3,453
Less: Fixed deposits pledged	<u>(3,453)</u>
	<u><u>(2,456)</u></u>

i. The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the financial 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 financial 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 financial impact on the financial statements of the Group.

The following new standards/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 101	Presentation of financial statements: Non-current liabilities with covenants
Amendments to MFRS 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current
Amendments to MFRS 107 and MFRS 7	Statement of Cash Flows and Financial Instruments - Disclosures - Supplier Finance Arrangements

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A2 Malaysian Financial Reporting Standards (Cont'd)

Effective for the financial period beginning on or after 1 January 2025:-

Amendments to MFRS 121	The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability
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Effective for financial period beginning on or after 1 January 2026:-

Amendments to MFRS 9 and MFRS 7	Financial Instruments and Financial Instruments - Disclosures - Amendments to the Classification and Measurement of Financial Instruments
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Effective for financial period beginning on or after 1 January 2027:-

MFRS 18	Presentation and Disclosure in Financial Statements
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MFRS 19	Subsidiaries without Public Accountability - Disclosures
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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 financial 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 2024 is as follows:

	Trading	Construction	Investment Holding	Property Development	Eliminations	The Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
18 Months Ended 30 June 2024						
Revenue						
External revenue	2,326	1,376	-	376	-	4,078
Inter-segment revenue	-	2,214	1,885	-	(4,099)	-
Total revenue	<u>2,326</u>	<u>3,590</u>	<u>1,885</u>	<u>376</u>	<u>(4,099)</u>	<u>4,078</u>
Results						
Segment loss	(843)	(7,112)	(8,118)	(971)	2,721	(14,323)
Interest income	138	376	2,065	3,889	(2,065)	4,403
Finance cost	(144)	(213)	(13)	(658)	-	(1,028)
Loss before tax	<u>(849)</u>	<u>(6,949)</u>	<u>(6,066)</u>	<u>2,260</u>	<u>656</u>	<u>(10,948)</u>

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 2024.

A11 Subsequent Material Events

Save as disclosed below, there were no material events subsequent to the end of the current quarter up to 29 August 2024 that have not been reflected in the interim financial statements for the current financial period.

The Company announced on 20 August 2024, that Mercury Land Sdn Bhd, a wholly-owned subsidiary, had on the same day, entered into a conditional joint development agreement with Nusa Murni Sdn Bhd to jointly develop 372 parcels of leasehold land measuring in aggregate approximately 13.64 acres located in the township of Batu Berendam, District of Melaka Tengah, Hang Tuah Jaya, Melaka, into 353 units of single-storey terraced houses and 16 units of single-storey shops ("Proposed Joint Development").

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.

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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 2024.

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, Ferrare Construction Sdn Bhd had commenced legal action against a wholly owned subsidiary of the Company, Paramount Bounty Sdn Bhd amounting to RM0.97 million in respect of the missing materials on site. The Session Court decision was scheduled on 2 February 2024, however, the decision is still in process of preparation. The Judge will fix the date for the decision to be delivered.

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 during the financial period ended 30 June 2024 as follow:

Mandated Related Parties	Nature of Transactions	Individual Quarter Ended 30-Jun-24	Cummulative 18 Months Ended 30-Jun-24
Alpine Blossom	Construction works	-	-

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

B1 Review of performance – Current Quarter

Current quarter ended 30 June 2024 (“6Q2024”)

The reversal of construction segment revenue of RM3.53 million, impairment loss on investment properties, trade receivables and goodwill amounting to RM8.50 million and interest expenses of RM0.81 million resulted in the Group recording a loss before tax of RM8.24 million on negative revenue of RM3.23 million for the current quarter ended 30 June 2024. However, this was mitigated by interest income of RM3.91 million provided for the current quarter.

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

Current quarter ended 30 June 2024 (“6Q2024”) versus immediate preceding quarter ended 31 March 2024 (“5Q2024”)

	Current Quarter	Previous Quarter		
	30-Jun-24	31-Mar-24	Changes	
	RM'000	RM'000	RM'000	%
Revenue	(3,232)	80	(3,312)	-4,140%
Loss before tax	(8,241)	(794)	(7,447)	938%

The reversal of construction segment revenue of RM3.53 million, impairment loss on investment properties, trade receivables and goodwill amounting to RM8.50 million and interest expenses of RM0.73 million resulted in the Group recording a loss before tax of RM8.24 million on negative revenue of RM3.23 million for the current quarter ended 30 June 2024, compared to a loss before tax of RM0.80 million on revenue of RM0.08 million reported in the immediate preceding quarter. However, this was mitigated by interest income of RM3.82 million provided for the current quarter.

B3 Variance from Profit Forecast

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

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B4 Commentary on Prospects

The growth of Malaysian economy in the second half of the year is expected to be driven mainly by firm expansions in investment activity and resilient household spending, with stronger support from export recovery; The construction industry for 2024 appears with a better prospect.

The Group remains optimistic about the progress of the Klebang Cove Residensi project with more than 30% booking rate prior to its official launching on 24 August 2024 and is confident that growth in both the construction and property development segments will continue to strengthen and deliver satisfactory results.

In addition, the Group has recently entered into a conditional joint development agreement with Nusa Murni Sdn Bhd to jointly develop 372 parcels of leasehold land measuring in aggregate approximately 13.64 acres located in the township of Batu Berendam, District of Melaka Tengah, Hang Tuah Jaya, Melaka, into 353 units of single-storey terraced houses and 16 units of single-storey shops. The Group is also actively pursuing other property development projects either through acquisition of land or joint ventures with the land owners.

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 Status of Utilisation of Private Placement Proceeds

There was no private placement proposal during the current quarter under review.

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
	3 Months ended 30-Jun-24	18 Months ended 30-Jun-24
	RM'000	RM'000
After charging:		
Depreciation & amortisation	11	109
Fair value loss of investments properties	1,804	1,804
Property, plant and equipment written off	1	1
Impairment loss on trade receivables	3,625	3,625
Impairment loss on Goodwill	3,071	3,071
Interest expenses	808	1,028
Rental expense	92	470
And after crediting:		
Interest income	(3,910)	(4,403)
Rental income	(185)	(1,120)
Fair value adjustment on other investments	(13)	(16)
Gain on sale of property, plant and equipment	(1)	(106)

B10 Taxation

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

	Individual Quarter	Cumulative
	3 Months ended 30-Jun-24	18 Months ended 30-Jun-24
	RM'000	RM'000
Income tax		
- Current period	-	-
Deferred tax		
- Current period	(75)	(75)
	(75)	(75)

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 2024:

	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
As At Period Ended 30 Jun 2024			
Secured:-			
Term Loan	2,261	438	2,699
Bank overdrafts	-	2,957	2,957
Total	2,261	3,395	5,656
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 financial quarter under review.

B13 Loss Per Ordinary Share

The basic losses per ordinary 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:

	Individual Quarter	18 Months Ended
	30-Jun-24	30-Jun-24
Loss attributable to owners of the Company (RM '000)	(8,316)	(11,023)
Weighted average number of ordinary shares ('000)	64,300	64,300
Basic loss per share (Sen)	(12.93)	(17.14)