

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 2ND QUARTER ENDED 30 JUNE 2008

CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 30/6/2008 RM'000	Preceding Year Corresponding Quarter 30/6/2007 RM'000	Current Period To Date 30/6/2008 RM'000	Preceding Year Corresponding Period 30/6/2007 RM'000
1. Revenue	12,568	8,742	23,463	16,708
Cost of sales	(8,068)	(6,794)	(15,256)	(12,899)
Gross Profit	4,500	1,948	8,207	3,809
Other income	26	65	257	100
Operating expenses	(2,684)	(1,680)	(5,127)	(3,374)
Interest expense	(74)	(3)	(125)	(27)
Profit before taxation	1,768	330	3,212	508
Income tax expense	(499)	(165)	(826)	(175)
(a) Profit for the period	1,269	165	2,386	333
Earnings per share based on 1(a) above :-				
(a) Basic (based on 40,182,000 ordinary shares) (based on 36,182,000 ordinary shares in 2007) (sen)	3.16	0.46	5.94	0.92

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2007

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited As At 30/6/2008 RM'000	Audited As At 31/12/2007 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,229	6,120
Goodwill on consolidation	10,878	10,878
Prepaid land lease payment	1,558	1,570
Other investments	206	237
Deferred tax assets	184	184
	<u>20,055</u>	<u>18,989</u>
Current assets		
Inventories	11,819	7,128
Trade receivables	14,403	13,648
Others receivables	1,789	2,030
Tax recoverable	-	556
Cash and bank balances	2,532	5,498
	<u>30,543</u>	<u>28,860</u>
TOTAL ASSETS	<u>50,598</u>	<u>47,849</u>
EQUITY AND LIABILITIES		
Capital and Reserves		
Share Capital	40,182	40,182
Share Premium	81,819	81,819
Accumulated loss	(93,892)	(96,278)
Total Equity	<u>28,109</u>	<u>25,723</u>
Non-Current Liabilities		
Deferred tax liabilities	262	262
Current Liabilities		
Trade payables	5,532	3,866
Others payables	12,857	17,380
Bank borrowings	2,869	618
Bank overdrafts	852	-
Current tax payable	117	-
	<u>22,227</u>	<u>21,864</u>
TOTAL EQUITY AND LIABILITIES	<u>50,598</u>	<u>47,849</u>
Net assets per share (RM)	0.70	0.64

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2007

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital RM'000	Share Premium RM'000	Accumulated Loss RM'000	Total Equity RM'000
Balance as of 1.1.2008	40,182	81,819	(96,278)	25,723
Net profit for the period			2,386	2,386
Balance as of 30.6.2008	<u>40,182</u>	<u>81,819</u>	<u>(93,892)</u>	<u>28,109</u>
Balance as of 1.1.2007	36,182	81,819	(98,481)	19,520
Net profit for the period	-	-	333	333
Balance as of 30.6.2007	<u>36,182</u>	<u>81,819</u>	<u>(98,148)</u>	<u>19,853</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 2007

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 30/6/2008 RM'000	6 months ended 30/6/2007 RM'000
The Group		
Net Cash (Used In)/From Operating Activities	(2,436)	3,096
Net Cash Used In Investing Activities	(1,382)	(42)
Net Cash Used In Financing Activity	-	(27)
Net (Decrease)/Increase in cash and cash equivalents	<u>(3,818)</u>	<u>3,027</u>
Cash and cash equivalents at beginning of financial period	5,498	(227)
Cash and cash equivalents at end of financial period	<u>1,680</u>	<u>2,800</u>

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

	As at 30/6/2008 RM'000	As at 30/6/2007 RM'000
Cash and bank balances	2,532	2,800
Bank overdrafts	(852)	-
	<u>1,680</u>	<u>2,800</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2007

Part A - Explanatory Notes Pursuant To Financial Reporting Standard 134

1. Accounting Policies

The interim financial report is unaudited and have been prepared in compliance with Financial Reporting Standard (FRS) 134 - Interim Financial Reporting (formerly known as MASB 26) 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 2007.

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 2007

2. Auditors' Report on Preceding Annual Financial Statements

There was no qualification of the Group audited report for the year ended 31 December 2007.

3. Segmental Reporting

Segmental report for the financial period ended 30 June 2008 is as follows:

By	Manufacturing of paints, retailing of paints & related products		Others		Eliminations		Group	
	<-----6 months ended----->							
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue								
External	23,463	16,708	-	-	-	-	23,463	16,708
Inter-segment	12,239	4,442	-	-	(12,239)	(4,442)	-	-
Total Revenue	35,702	21,150	-	-	(12,239)	(4,442)	23,463	16,708
Results								
Segment result	3,967	746	6,661	(233)	(7,297)		3,331	513
Operating profit							3,331	513
Interest expense							(125)	(27)
Interest income							6	22
Profit before tax							3,212	508
Income tax							(826)	(175)
Profit for the period							2,386	333

Sales revenue by geographical market

	YTD June 2008 RM'000	YTD June 2007 RM'000
Malaysia	19,821	12,311
Other Countries	3,642	4,397
	<u>23,463</u>	<u>16,708</u>

4. Unusual Item Affecting Assets, Liabilities, Equity, Net Income Or Cash Flow

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial quarter under review.

5. Change Of Estimates Used

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

6. Seasonality Or Cyclicity Of Interim Operations

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

7. Dividends Paid

No dividend has been paid during the current quarter ended 30 June 2008.

8. Valuation of property, plant and equipment

The property, plant and equipment of the Group are stated at cost less accumulated depreciation. The valuation of plant and equipment have been brought forward without amendment from the previous audited financial statements.

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 June 2008

10. Material Events Not Reflected In The Financial Statements

There were no material events not reflected in the financial period 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 quarter ended 30 June 2008, except for the incorporation of a new wholly-owned subsidiary, Mercury Investment Co. Ltd. in Cambodia on 12 May 2008.

The same subsidiary has since been disposed of on 24 July 2008.

12. Capital Commitments

There were no commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 June 2008.

13. Contingent Liabilities / Assets

The Company has given unsecured corporate guarantees totalling RM12.0 million to certain financial institutions for credit facilities granted to certain of its subsidiary companies. Accordingly, the Company is contingently liable to such financial institutions to the extent of the amount of credit facilities utilised. There were no contingent assets as at the date of this report.

14. 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

15. Review Of Performance

Group revenue increased by 43.8% to RM12.57 million during the current quarter as compared to RM8.74 million achieved in the corresponding quarter in 2007, while Group pretax profit increased by 435.8% to RM1.77 million as compared to RM0.33 million in the corresponding quarter in 2007.

Both the increase in revenue and pretax profit were due to the inclusion of the results of the new subsidiary, Brilliant Paints Sdn Bhd and also the effects of the full restoration of the production facility after the fire. In March 2007, there was a fire in a subsidiary's factory which affected the performance of the corresponding period in 2007.

16. Comparison With Previous Quarter's Results

Revenue for the current quarter was at RM12.57 million as compared to the previous quarter of RM10.9 million, representing an increase of 15.3%. Pretax profit at RM1.77 million was 22.5% higher as compared to the pretax profit of RM1.44 million in the previous quarter.

The increase in both the revenue and pretax profit was due to the effects of longer working period and an upward selling price adjustment in the current quarter.

17. Current Year Prospects

With the full restoration of the production facility and profit contribution from the newly acquired subsidiary, Brilliant Paints Sdn Bhd, the Board expects the Group to achieve a much better performance for the financial year 2008 in spite of the slowdown in the global economy.

18. Variance From Profit Forecast

This note is not applicable.

19. Income Tax Expense

	Current Quarter 30/06/2008 RM'000	Period to date 30/06/2008 RM'000
Provision for current taxation		
-Current year	499	826
-Under/(Overprovision) prior year	-	-
Provision for deferred taxation	-	-
	<u>499</u>	<u>826</u>

20. Sale Of Unquoted Investments And/Or Properties

There were no sales of unquoted investments and/or properties for the financial period under review.

21. Purchase Or Disposal Of Quoted Securities

(a) There were no disposal of quoted securities for the current quarter ended 30 June 2008.

(b) As at 30 June 2008, investments in quoted securities are as follows :

	As At 30/6/2008 RM'000
i) Quoted shares in Malaysia at cost	1,482
ii) Quoted shares in Malaysia at carrying value	206
iii) Market value of quoted shares as at 30 June 2008	206

22. Status Of Corporate Proposals

There is no outstanding corporate proposal.

23. Group Borrowings And Debt Securities

The Group's borrowings as of 30 June 2008 is as follows:

- (a) Secured short term borrowings of RM3,721,210 as at 30 June 2008.
- (b) There were no long term borrowings.
- (c) There were no borrowings or debt securities denominated in foreign currencies.

24. Off Balance Sheet Financial Instruments

There were no material financial instruments with off balance sheet risk during the financial period under review.

25. Changes In Material Litigation

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

26. Dividend Payable

No interim ordinary dividend has been declared for the financial period ended 30 June 2008 (30 June 2007 : Nil)

27 Earnings Per Ordinary share

The basic earnings per ordinary share for the current quarter and current period-to-date is calculated by dividing the Group's net profit of RM2,385,849 by the number of ordinary shares in issue of 40,182,000 during the period.