

**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 3RD QUARTER ENDED 30 SEPTEMBER 2008**

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<u>Note</u>	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		Current Quarter 30/9/2008 RM'000	Preceding Year Corresponding Quarter 30/9/2007 RM'000	Current Period To Date 30/9/2008 RM'000	Preceding Year Corresponding Period 30/9/2007 RM'000
1. Revenue		12,711	9,007	36,174	25,715
Cost of sales		(8,605)	(6,307)	(23,861)	(19,206)
<b>Gross Profit</b>		<u>4,106</u>	<u>2,700</u>	<u>12,313</u>	<u>6,509</u>
Other income		349	29	606	129
Operating expenses		(2,232)	(1,679)	(7,359)	(5,053)
Interest expense		(86)	(11)	(211)	(38)
<b>Profit before taxation</b>		<u>2,137</u>	<u>1,039</u>	<u>5,349</u>	<u>1,547</u>
Income tax expense	20	(745)	(374)	(1,571)	(549)
<b>Profit for the period</b>		<u>1,392</u>	<u>665</u>	<u>3,778</u>	<u>998</u>
<b>Earnings per share (Sen)</b>	28	<b>3.47</b>	<b>1.84</b>	<b>9.40</b>	<b>2.75</b>

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 30/9/2008 RM'000	Audited As At 31/12/2007 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	7,604	6,120
Goodwill on consolidation	10,878	10,878
Prepaid land lease payment	1,552	1,570
Other investments	202	237
Deferred tax assets	184	184
	<u>20,420</u>	<u>18,989</u>
<b>Current assets</b>		
Inventories	12,212	7,128
Trade receivables	15,216	13,648
Others receivables	749	2,030
Tax recoverable	-	556
Cash and bank balances	1,872	5,498
	<u>30,049</u>	<u>28,860</u>
<b>TOTAL ASSETS</b>	<u><u>50,469</u></u>	<u><u>47,849</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Share Capital	40,182	40,182
Share Premium	81,819	81,819
Accumulated loss	(92,500)	(96,278)
<b>Total Equity</b>	<u>29,501</u>	<u>25,723</u>
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	262	262
<b>Current Liabilities</b>		
Trade payables	4,281	3,866
Others payables	12,518	17,380
Bank borrowings	2,273	618
Bank overdrafts	1,634	-
Current tax payable	-	-
	<u>20,706</u>	<u>21,864</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>50,469</u></u>	<u><u>47,849</u></u>
<b>Net assets per share (RM)</b>	<b>0.73</b>	<b>0.64</b>

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**

	<b>Issued Capital RM'000</b>	<b>Share Premium RM'000</b>	<b>Accumulated Loss RM'000</b>	<b>Total Equity RM'000</b>
<b>Balance as of 1.1.2008</b>	40,182	81,819	(96,278)	25,723
Net profit for the period	-	-	3,778	3,778
<b>Balance as of 30.9.2008</b>	<b>40,182</b>	<b>81,819</b>	<b>(92,500)</b>	<b>29,501</b>
<b>Balance as of 1.1.2007</b>	36,182	81,819	(98,481)	19,520
New issue of shares	4,000	-	-	4,000
Net profit for the period	-	-	998	998
<b>Balance as of 30.9.2007</b>	<b>40,182</b>	<b>81,819</b>	<b>(97,483)</b>	<b>24,518</b>

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**

	<b>9 months ended 30/9/2008 RM'000</b>	<b>9 months ended 30/9/2007 RM'000</b>
<b><u>The Group</u></b>		
<b>Net Cash (Used In)/From Operating Activities</b>	(3,382)	1,262
<b>Net Cash (Used In)/From Investing Activities</b>	(1,878)	1,459
<b>Net Cash From Financing Activity</b>	-	1,600
<b>Net (Decrease)/Increase in cash and cash equivalents</b>	<b>(5,260)</b>	<b>4,321</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>5,498</b>	<b>(227)</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>238</b>	<b>4,094</b>

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

	<b>As at 30/9/2008 RM'000</b>	<b>As at 30/9/2007 RM'000</b>
Cash and bank balances	1,872	4,094
Bank overdrafts	(1,634)	-
	<b>238</b>	<b>4,094</b>

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 Standards ("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. Financial Reporting Standards**

**(a) Adoption of New and Revised Financial Reporting Standards**

Significant accounting policies adopted by the Group in this interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") by the Group for financial period beginning 1 January 2008:

- (i) Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates
- (ii) FRS 107: Cash Flow Statements
- (iii) FRS 112: Income Taxes
- (iv) FRS 118: Revenue
- (v) FRS 134 - Interim Financial Reporting
- (vi) FRS 137: Provision, Contingent Liabilities and Contingent Assets

The adoption of above mentioned Amendment and FRSs does not have significant financial impact on the Group.

**(b) New FRS and IC Interpretations Issued but Not Adopted**

The following FRS and IC Interpretations which are effective for financial period beginning on or after 1 July 2007 to 1 January 2008 are not applicable to the Group:-

- (i) FRS 111: Construction Contracts
- (ii) FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
- (iii) IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- (iv) IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
- (v) IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- (vi) IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- (vii) IC Interpretation 7: Applying the Restatement Approach under FRS1292004 - Financial Reporting in Hyperinflationary Economies
- (viii) IC Interpretation 8: Scope of FRS 2

**3. Auditors' Report on Preceding Annual Financial Statements**

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

**4. Segmental Reporting**

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

By Industry	Manufacturing of paints, retailing of paints & related products		Others		Eliminations		Group	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
	←----- 9 months ended ----->							
<b>Revenue</b>								
External	36,174	25,715	-	-	-	-	36,174	25,715
Inter-segment	18,512	7,435	-	-	(18,512)	(7,435)	-	-
<b>Total Revenue</b>	<b>54,686</b>	<b>33,150</b>	<b>-</b>	<b>-</b>	<b>(18,512)</b>	<b>(7,435)</b>	<b>36,174</b>	<b>25,715</b>
<b>Results</b>								
Segment result	6,284	1,962	6,563	(407)	(7,297)	-	5,550	1,555
Operating profit							5,550	1,555
Interest expense							(211)	(38)
Interest income							10	30
Profit before tax							5,349	1,547
Income tax							(1,571)	(549)
<b>Profit for the period</b>							<b>3,778</b>	<b>998</b>

**Sales revenue by geographical market**

	YTD Sept 2008 RM '000	YTD Sept 2007 RM '000
Malaysia	29,994	18,972
Other Countries	6,180	6,743
	<u>36,174</u>	<u>25,715</u>

**5. 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.

**6. Change Of Estimates Used**

There was no material change in estimates for the 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**

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

**9. 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.

**10. Issuance, Cancellation, Repurchases, Resale and Repayments Of Debt and Equity Securities**

There were no issuance, cancellation, repurchases, resale and repayments of debt equity securities for the current quarter ended 30 Sept 2008

**11. 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.

**12. Changes In The Composition Of The Group**

The composition of the Group for the current quarter ended 30 September 2008 changed as follows:

- (a) the disposal of the wholly-owned sub-subsidiary, Mercury Investment Co. Ltd. of Cambodia on 24 July 2008.
- (b) the disposal of the 50% owned associate companies, Baoding Mercury Chemical Products Co. Ltd and Hebei Jiahua Paint Co.Ltd. of China on 10 September 2008.

**13. Capital Commitments**

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

**14. 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.

**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**

Group revenue increased by 41.1% to RM12.7 million during the current quarter as compared to RM9.0 million achieved in the corresponding quarter in 2007, while Group pretax profit increased by 105.7% to RM2.14 million as compared to RM1.04 million in the corresponding quarter in 2007.

Both the increase in revenue and pretax profit were due to the full inclusion of the results of the new subsidiary, Brilliant Paints Sdn Bhd and also the effects of the upward selling price adjustments in the last two quarters.

**17. Comparison With Previous Quarter's Results**

Revenue for the current quarter was at RM12.7 million as compared to the previous quarter of RM12.57 million, representing a marginal increase of 1.1%. Pretax profit at RM2.14 million was 20.9% higher as compared to the pretax profit of RM1.77 million in the previous quarter.

The increase in pretax profit was due to the effects of the upward selling price adjustments in the last two quarters.

**18. 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. However, the performance in the last quarter of 2008 is likely to be affected by the sharp contraction and slowdown in the global economy.

**19. Variance From Profit Forecast**

This note is not applicable.

**20. Income Tax Expense**

	Current Quarter 30/09/2008 RM '000	Period to date 30/09/2008 RM '000
Provision for current taxation		
-Current year	497	1,323
-Under/(Overprovision) prior year	248	248
Provision for deferred taxation	-	-
	<u>745</u>	<u>1,571</u>

**21. Sale Of Unquoted Investments And/Or Properties**

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

**22. Purchase Or Disposal Of Quoted Securities**

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

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

	As At 30/9/2008 RM '000
i) Quoted shares in Malaysia at cost	1,482
ii) Quoted shares in Malaysia at carrying value	202
iii) Market value of quoted shares as at 30 September 2008	202

**23. Status Of Corporate Proposals**

There is no outstanding corporate proposal.

**24. Group Borrowings And Debt Securities**

The Group's borrowings as of 30 September 2008 are as follows:

(a) Secured short term borrowings of RM3,906,639 as at 30 September 2008.

(b) There were no long term borrowings.

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

**25. Off Balance Sheet Financial Instruments**

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

**26. Changes In Material Litigation**

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

**27. Dividend Payable**

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

**28. Earnings Per Ordinary share**

The basic earnings per share is calculated by dividing the Group's net profit after tax for the period by the weighted average number of ordinary shares in issue during the period:-

	3 Months Ended		9 Months Ended	
	30/9/2008	30/9/2007	30/9/2008	30/9/2007
Net profit for the period (RM'000)	1,392	665	3,778	998
Weighted average number of ordinary shares in issue ('000)	40,182	36,226	40,182	36,226
Basic earnings per share (Sen)	<u>3.47</u>	<u>1.84</u>	<u>9.40</u>	<u>2.75</u>