

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 4TH QUARTER ENDED 31 DECEMBER 2008

CONDENSED CONSOLIDATED INCOME STATEMENTS

| | <u>Note</u> | INDIVIDUAL PERIOD | | CUMULATIVE PERIOD | |
|---------------------------------|-------------|--|---|--|--|
| | | Current Quarter 31/12/2008 RM'000 | Preceding Year Corresponding Quarter 31/12/2007 RM'000 | Current Period To Date 31/12/2008 RM'000 | Preceding Year Corresponding Period 31/12/2007 RM'000 |
| | | | | | |
| 1. Revenue | | 11,572 | 11,359 | 47,746 | 37,074 |
| Cost of sales | | (7,128) | (9,036) | (30,989) | (28,242) |
| Gross Profit | | 4,444 | 2,323 | 16,757 | 8,832 |
| Other income | | 78 | 3,490 | 684 | 3,619 |
| Operating expenses | | (2,584) | (4,940) | (9,943) | (9,993) |
| Interest expense | | (84) | (16) | (295) | (54) |
| Profit before taxation | | 1,854 | 857 | 7,203 | 2,404 |
| Income tax expense | 20 | (1,185) | 348 | (2,756) | (201) |
| Profit for the period | | 669 | 1,205 | 4,447 | 2,203 |
| Earnings per share (Sen) | 28 | 1.66 | 3.24 | 11.07 | 5.92 |

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 31/12/2008 RM'000 | Audited As At 31/12/2007 RM'000 |
|-------------------------------------|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 7,691 | 6,120 |
| Goodwill on consolidation | 10,878 | 10,878 |
| Prepaid land lease payment | 1,546 | 1,570 |
| Other investments | 182 | 237 |
| Deferred tax assets | - | 184 |
| | <u>20,297</u> | <u>18,989</u> |
| Current assets | | |
| Inventories | 10,211 | 7,128 |
| Trade receivables | 15,012 | 13,648 |
| Others receivables | 632 | 2,030 |
| Tax recoverable | - | 556 |
| Cash and bank balances | 3,467 | 5,498 |
| | <u>29,322</u> | <u>28,860</u> |
| TOTAL ASSETS | <u>49,619</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 | (91,831) | (96,278) |
| Total Equity | <u>30,170</u> | <u>25,723</u> |
| Non-Current Liabilities | | |
| Bank borrowings | 1,039 | - |
| Deferred tax liabilities | 390 | 262 |
| | <u>1,429</u> | <u>262</u> |
| Current Liabilities | | |
| Trade payables | 3,062 | 3,866 |
| Others payables | 12,897 | 17,380 |
| Bank borrowings | 1,658 | 618 |
| Current tax payable | 403 | - |
| | <u>18,020</u> | <u>21,864</u> |
| TOTAL EQUITY AND LIABILITIES | <u>49,619</u> | <u>47,849</u> |
| Net assets per share (RM) | 0.75 | 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 | - | - | 4,447 | 4,447 |
| Balance as of 31.12.2008 | 40,182 | 81,819 | (91,831) | 30,170 |
| Balance as of 1.1.2007 | | | | |
| New issue of shares | 36,182 | 81,819 | (98,481) | 19,520 |
| Net profit for the period | 4,000 | - | - | 4,000 |
| Balance as of 31.12.2007 | 40,182 | 81,819 | (96,278) | 25,723 |

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

| | 12 months ended 31/12/2008 RM'000 | 12 months ended 31/12/2007 RM'000 |
|--|--|--|
| The Group | | |
| Net Cash (Used In)/From Operating Activities | (1,916) | 5,237 |
| Net Cash Used In Investing Activities | (2,116) | (3,512) |
| Net Cash From Financing Activity | 1,499 | 4,000 |
| Net (Decrease)/Increase in cash and cash equivalents | (2,533) | 5,725 |
| Cash and cash equivalents at beginning of financial period | 5,498 | (227) |
| Cash and cash equivalents at end of financial period | 2,965 | 5,498 |

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

| | As at 31/12/2008 RM'000 | As at 31/12/2007 RM'000 |
|------------------------|-------------------------------|-------------------------------|
| Cash and bank balances | 3,467 | 5,498 |
| Bank overdrafts | (502) | - |
| | 2,965 | 5,498 |

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. 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 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 FRS129:2004 - 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 31 December 2008 is as follows:

| By Industry | Manufacturing of paints, retailing of paints & related products | | Others | | Eliminations | | Group | |
|-----------------------|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | ←-----12 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 | 47,746 | 37,074 | - | - | - | - | 47,746 | 37,074 |
| Inter-segment | 23,706 | 13,120 | 336 | 360 | (24,042) | (13,480) | - | - |
| Total Revenue | 71,452 | 50,194 | 336 | 360 | (24,042) | (13,480) | 47,746 | 37,074 |
| Results | | | | | | | | |
| Segment result | 7,985 | 2,882 | 6,789 | (459) | (7,297) | - | 7,477 | 2,423 |
| Operating profit | | | | | | | 7,477 | 2,423 |
| Interest expense | | | | | | | (295) | (54) |
| Interest income | | | | | | | 21 | 35 |
| Profit before tax | | | | | | | 7,203 | 2,404 |
| Income tax | | | | | | | (2,756) | (201) |
| Profit for the period | | | | | | | 4,447 | 2,203 |

Sales revenue by geographical market

| | YTD 31/12/2008 RM'000 | YTD 31/12/2007 RM'000 |
|-----------------|-----------------------------|-----------------------------|
| Malaysia | 39,158 | 28,410 |
| Other Countries | 8,588 | 8,664 |
| | <u>47,746</u> | <u>37,074</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 31 December 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 property, 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 and equity securities for the current quarter ended 31 December 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

There were no changes in the composition of the Group for the current quarter ended 31 December 2008.

13. Capital Commitments

There were no commitments for the purchase of property, plant and equipment which has not been provided for in the interim financial statements as at 31 December 2008.

14. Contingent Liabilities / Assets

The Company has given unsecured corporate guarantees totalling RM12.0 million to certain financial institutions for the 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 marginally by 1.9% to RM11.57 million during the current quarter as compared to RM11.36 million achieved in the corresponding quarter in 2007, while Group pretax profit increased by 116.3% to RM1.85 million as compared to RM0.86 million in the corresponding quarter in 2007.

The increase in pretax profit as compared to the corresponding period was due to the effects of improved profit margin resulting from the upward selling price adjustments in 2008.

Group revenue and pretax profit increased by RM10.67 million (+28.8%) and RM4.8 million (+ 200%) respectively for the current year as compared to the previous financial year. Both the increase in revenue and pretax profit were due to the inclusion of the full year results of the new subsidiary, Brilliant Paints Sdn Bhd, the effects of the upward selling price adjustments during the year and the productivity improvement arising from the full restoration of the production facilities after the fire in March 2007.

17. Comparison With Previous Quarter's Results

Revenue and pretax profit for the current quarter at RM11.57 million and RM1.85 million were lower by 9% and 13.6% respectively as compared to the revenue of RM12.7 million and pretax profit of RM2.14 million achieved in the previous quarter.

The decline in revenue was due to the impact of the slowdown in the economy. Pretax profit of the previous quarter was higher due to the inclusion of a gain in insurance claim of RM0.33 million.

18. Prospects For 2009

With the global economy in deep contraction and recession, the Board expects the Group's performance to be affected by this economic environment. However, the Board expects the Group to remain profitable in 2009.

19. Variance From Profit Forecast

This note is not applicable.

20. Income Tax Expense

| | Current Quarter 31/12/2008 RM'000 | Year to-date 31/12/2008 RM'000 |
|-----------------------------------|--|---|
| Provision for current taxation | | |
| -Current year | 873 | 2,196 |
| -Under/(Overprovision) prior year | - | 248 |
| Provision for deferred taxation | 312 | 312 |
| | <u>1,185</u> | <u>2,756</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 31 December 2008.

(b) As at 31 December 2008, investments in quoted securities are as follows :

| | As At 31/12/2008 RM'000 |
|---|-------------------------------|
| i) Quoted shares in Malaysia at cost | 1,482 |
| ii) Quoted shares in Malaysia at carrying value | 182 |
| iii) Market value of quoted shares as at 31 December 2008 | 182 |

23. Status Of Corporate Proposals

There is no outstanding corporate proposal.

24. Group Borrowings And Debt Securities

(a) The Group's borrowings as at 31 December 2008 are as follows:

| | As At 31/12/2008 RM'000 | As At 31/12/2007 RM'000 |
|------------------------------|-------------------------------|-------------------------------|
| Short Term Borrowings | | |
| Secured | 900 | - |
| Unsecured | 758 | 618 |
| | <u>1,658</u> | <u>618</u> |
| Long Term Borrowings | | |
| Secured | 1,039 | - |
| | <u>2,697</u> | <u>618</u> |

(b) 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 year ended 31 December 2008 (31 December 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:-

| | <u>3 Months Ended</u> | | <u>12 Months Ended</u> | |
|--|-----------------------|-------------|------------------------|-------------|
| | 31/12/2008 | 31/12/2007 | 31/12/2008 | 31/12/2007 |
| Net profit for the period (RM'000) | 669 | 1,205 | 4,447 | 2,203 |
| Weighted average number of ordinary shares in issue ('000) | 40,182 | 37,223 | 40,182 | 37,223 |
| Basic earnings per share (Sen) | <u>1.66</u> | <u>3.24</u> | <u>11.07</u> | <u>5.92</u> |