

**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 1ST QUARTER ENDED 31 MARCH 2012**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|   | INDIVIDUAL PERIOD                       |   | CUMULATIVE PERIOD                                 |  |
|---|---|---|---|--|
|   | Current Quarter<br>31/03/2012<br>RM'000 | Preceding Year<br>Corresponding Quarter<br>31/03/2011<br>RM'000 | Current Period<br>To Date<br>31/03/2012<br>RM'000 | Preceding Year<br>Corresponding Period<br>31/03/2011<br>RM'000 |
| Revenue   | 11,411                                  | 12,245  | 11,411  | 12,245   |
| Cost of sales   | (7,387)                                 | (8,034)   | (7,387)   | (8,034)  |
| <b>Gross Profit</b>   | <b>4,024</b>                            | <b>4,211</b>  | <b>4,024</b>                                      | <b>4,211</b>   |
| <b>Other income</b>   |   |   |   |  |
| Impairment loss no longer required:   |   |   |   |  |
| - receivables   | 114                                     | -   | 114   | -  |
| Other incomes   | 118                                     | 66  | 118   | 66   |
|   | <u>232</u>                              | <u>66</u>   | <u>232</u>  | <u>66</u>  |
| <b>Operating expenses</b>   |   |   |   |  |
| Bad debts written off   | (114)                                   | -   | (114)   | -  |
| Depreciation & amortisation   |   |   |   |  |
| - total incurred  | (175)                                   | (135)   | (175)   | (135)  |
| - absorbed into cost of sales   | 100                                     | 88  | 100   | 88   |
| Impairment loss on:   |   |   |   |  |
| - other investments   | (19)                                    | -   | (19)  | -  |
| Loss on foreign exchange  | (17)                                    | (11)  | (17)  | (11)   |
| Other operating expenses  | (1,808)                                 | (1,779)   | (1,808)   | (1,779)  |
|   | <u>(2,033)</u>                          | <u>(1,837)</u>  | <u>(2,033)</u>                                    | <u>(1,837)</u>   |
| <b>Results From Operating Activities</b>                                      | <b>2,223</b>                            | <b>2,440</b>  | <b>2,223</b>                                      | <b>2,440</b>   |
| Interest income   | 13                                      | 7   | 13  | 7  |
| Interest expense  | (0)                                     | (6)   | (0)   | (6)  |
| <b>Net Finance Costs</b>  | <b>13</b>                               | <b>1</b>  | <b>13</b>   | <b>1</b>   |
| <b>Profit Before Taxation</b>   | <b>2,236</b>                            | <b>2,441</b>  | <b>2,236</b>                                      | <b>2,441</b>   |
| Income Tax Expense  | (561)                                   | (603)   | (561)   | (603)  |
| <b>Profit For The Period</b>  | <b>1,675</b>                            | <b>1,838</b>  | <b>1,675</b>                                      | <b>1,838</b>   |
| <b>Other Comprehensive Income, Net Of Tax</b>                                 | <b>-</b>                                | <b>-</b>  | <b>-</b>  | <b>-</b>   |
| <b>Total Comprehensive Income For The Period Attributable To Shareholders</b> | <b>1,675</b>                            | <b>1,838</b>  | <b>1,675</b>                                      | <b>1,838</b>   |
| <b>Earnings per share (Sen)</b>   | <b>4.17</b>                             | <b>4.57</b>   | <b>4.17</b>                                       | <b>4.57</b>  |

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                                     | Unaudited<br>As At<br>31/03/2012<br>RM'000 | Audited<br>As At<br>31/12/2011<br>RM'000 |
|-------------------------------------|--|--|
| <b>ASSETS</b>                       |  |  |
| <b>Non-current Assets</b>           |  |  |
| Property, plant and equipment       | 7,019                                      | 7,158                                    |
| Goodwill on consolidation           | 10,878                                     | 10,878                                   |
| Prepaid land lease payment          | 1,425                                      | 1,431                                    |
| Investment properties               | 798  | 800                                      |
| Capital work-in-progress            | 890  | 890                                      |
| Deferred tax assets                 | 181  | 181                                      |
|                                     | <u>21,191</u>                              | <u>21,338</u>                            |
| <b>Current Assets</b>               |  |  |
| Inventories                         | 10,766                                     | 10,681                                   |
| Trade receivables                   | 14,245                                     | 14,834                                   |
| Others receivables                  | 318  | 348                                      |
| Other Investments                   | 150  | 170                                      |
| Tax recoverable                     | -  | 1  |
| Short term deposits                 | 9,080                                      | 7,880                                    |
| Cash and bank balances              | 1,226                                      | 980                                      |
|                                     | <u>35,785</u>                              | <u>34,894</u>                            |
| <b>TOTAL ASSETS</b>                 | <u><b>56,976</b></u>                       | <u><b>56,232</b></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                    | (71,900)                                   | (73,575)                                 |
| <b>Total Equity</b>                 | <u>50,101</u>                              | <u>48,426</u>                            |
| <b>Non-Current Liabilities</b>      |  |  |
| Bank borrowings                     | -  | -  |
| Deferred tax liabilities            | 338  | 338                                      |
|                                     | <u>338</u>                                 | <u>338</u>                               |
| <b>Current Liabilities</b>          |  |  |
| Trade payables                      | 4,091                                      | 3,697                                    |
| Others payables                     | 1,925                                      | 3,269                                    |
| Bank overdrafts                     | 110  | 176                                      |
| Tax payable                         | 411  | 326                                      |
|                                     | <u>6,537</u>                               | <u>7,468</u>                             |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <u><b>56,976</b></u>                       | <u><b>56,232</b></u>                     |
| <b>Net assets per share (RM)</b>    | <b>1.25</b>                                | <b>1.21</b>                              |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|   | <b>Issued<br/>Capital<br/>RM'000</b> | <b>Share<br/>Premium<br/>RM'000</b> | <b>Accumulated<br/>Loss<br/>RM'000</b> | <b>Total<br/>Equity<br/>RM'000</b> |
|---|--------------------------------------|-------------------------------------|--|------------------------------------|
| <b>Balance as of 1.1.2012</b>             | 40,182                               | 81,819                              | (73,575)                               | 48,426                             |
| Total Comprehensive Income For The Period | -                                    | -                                   | 1,675                                  | 1,675                              |
| <b>Balance as of 31.03.2012</b>           | <u>40,182</u>                        | <u>81,819</u>                       | <u>(71,900)</u>                        | <u>50,101</u>                      |
| <br>                                      |                                      |                                     |  |                                    |
| <b>Balance as of 1.1.2011</b>             | 40,182                               | 81,819                              | (78,733)                               | 43,268                             |
| Total Comprehensive Income For The Period | -                                    | -                                   | 1,838                                  | 1,838                              |
| <b>Balance as of 31.03.2011</b>           | <u>40,182</u>                        | <u>81,819</u>                       | <u>(76,895)</u>                        | <u>45,106</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 2011.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

|   | <b>3 months<br/>ended<br/>31/03/2012<br/>RM'000</b> | <b>3 months<br/>ended<br/>31/03/2011<br/>RM'000</b> |
|---|---|---|
| <b>The Group</b>  |   |   |
| <b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>             |   |   |
| Profit before taxation  | 2,236   | 2,441   |
| Adjustment for non-cash items                                     | 97  | 98  |
| Operating Profit/(Loss) Before Working Capital Changes            | <u>2,333</u>  | <u>2,539</u>  |
| Changes in working capital:                                       |   |   |
| Inventories   | (85)  | (644)   |
| Receivables   | 615   | 290   |
| Payables  | (951)   | (1,506)   |
| Income tax paid   | (475)   | (413)   |
| <b>Net Cash From/(Used in) Operating Activities</b>               | <u>1,437</u>  | <u>266</u>  |
| <b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>             |   |   |
| Purchase of property, plant and equipment                         | (28)  | (370)   |
| Proceeds from disposal of property, plant & equipment             | 90  | 20  |
| Interest received   | 13  | 7   |
| <b>Net cash (used in)/from investing activities</b>               | <u>75</u>   | <u>(343)</u>  |
| <b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>             |   |   |
| Finance Costs paid  | -   | (6)   |
| Repayment for term loan   | -   | (610)   |
| <b>Net Cash From Financing Activities</b>                         | <u>-</u>  | <u>(616)</u>  |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                  | 1,512   | (693)   |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b> | 8,684   | 5,831   |
| <b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>       | <u>10,196</u>                                       | <u>5,138</u>  |

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

|                        | <b>As at<br/>31/03/2012<br/>RM'000</b> | <b>As at<br/>31/03/2011<br/>RM'000</b> |
|------------------------|--|--|
| Cash and bank balances | 1,226                                  | 1,222                                  |
| Bank overdrafts        | (110)                                  | (119)                                  |
| Short term deposits    | 9,080                                  | 4,035                                  |
|                        | <u>10,196</u>                          | <u>5,138</u>                           |

The Condensed Consolidated statement of Cash Flow should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

## Part A - Explanatory Notes Pursuant To Financial Reporting Standard 134

### 1. Basis of Preparation

The interim financial report is unaudited and have been prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134 - Interim Financial Reporting, 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 2011.

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 2011.

### 2. Financial Reporting Standards

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 2011.

The Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by MASB with effect from 1 January 2012. This MFRS framework was introduced by MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board. There has been no material impact upon the adoption of the MFRS on the financial statements of the Group.

The Group has also adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2012. The adoption of these new and revised MFRS and IC Interpretations have not resulted in any material impact upon the financial statements of the Group.

MFRSs and IC Interpretations that were issued but are not yet effective have not been early adopted by the Group.

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

There was no qualification of the Group audited financial statements for the year ended 31 December 2011.

### 4. Segmental Reporting

Segmental report for the financial period ended 31 March 2012 is as follows:

|   | 3 months<br>ended<br>31/03/2012<br>RM'000 | 3 months<br>ended<br>31/03/2011<br>RM'000 |
|---|---|---|
| <b>Segmental Revenue</b>                  |   |   |
| Manufacturing and retailing               | 18,079                                    | 18,358                                    |
| Investment holding                        | 84  | 84  |
|   | <u>18,163</u>                             | <u>18,442</u>                             |
| Eliminations of inter-segment sales       | (6,752)                                   | (6,197)                                   |
| External sales                            | <u>11,411</u>                             | <u>12,245</u>                             |
| <b>Segmental Results</b>                  |   |   |
| Manufacturing and retailing               | 2,229                                     | 2,411                                     |
| Investment holding                        | (6)                                       | 29  |
|   | <u>2,223</u>                              | <u>2,440</u>                              |
| Eliminations                              | -   | -   |
| Segment results                           | <u>2,223</u>                              | <u>2,440</u>                              |
| Net finance income                        | 13  | 1   |
| Profit Before Tax                         | <u>2,236</u>                              | <u>2,441</u>                              |
| Income Tax Expenses                       | (561)                                     | (603)                                     |
| Profit For The Period                     | <u>1,675</u>                              | <u>1,838</u>                              |
| Other Comprehensive Income, net of tax    | -   | -   |
| Total Comprehensive Income For the Period | <u>1,675</u>                              | <u>1,838</u>                              |

#### Sales Revenue By Geographical Market

|                  | 3 months<br>ended<br>31/03/2012<br>RM'000 | 3 months<br>ended<br>31/03/2011<br>RM'000 |
|------------------|---|---|
| Malaysia         | 9,798                                     | 9,631                                     |
| Other Countries* | 1,613                                     | 2,614                                     |
|                  | <u>11,411</u>                             | <u>12,245</u>                             |

\* less than 5% for each of the components.

- 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 March 2012.
- 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 31 March 2012.
- 10. Material Events Not Reflected In The Financial Statements**  
There were no material events in the financial quarter 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 31 March 2012.
- 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 31 March 2012.
- 13. Contingent Liabilities / Assets**  
The Company has issued 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 is 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 decreased by 6.8% to RM11.41 million during the current quarter as compared to RM12.24 million achieved in the corresponding quarter in 2011, while Group pretax profit decreased by 8.4% to RM2.24 million as compared to RM2.44 million achieved in the corresponding quarter of 2011.
- The lower revenue in the current quarter as compared to the corresponding quarter in 2011 was attributable to the slowdown in the global economy which resulted in a lower volume of export and thus contributing to the decrease in pretax profit in the current quarter.
- 16. Comparison With Previous Quarter's Results**  
For the current quarter, revenue decreased by 13.6% to RM11.41 million while pretax profit decreased by 17.6% to RM2.24 million as compared to the previous quarter's revenue of RM13.20 million and pretax profit of RM2.72 million respectively. The decrease in revenue in the current quarter was attributable to the shorter working period and the slowdown in the export sector while the reduction in pretax profit was due to the lower revenue achieved.
- 17. Prospects For 2012**  
A prolonged slowdown in the global economy is likely to impact the Group's export market. Combined with the prevailing high prices of petroleum-based raw materials, the profitability of the Group may be affected by these developments. In spite of these, the Group was still able to achieve a satisfactory performance in the first quarter. Therefore, barring any unforeseen circumstances, the Board is optimistic that the Group will continue to perform profitably in 2012.

**18. Variance From Profit Forecast**

This note is not applicable.

**19. Income Tax Expense**

|                                       | Current<br>Quarter<br>31/03/2012<br>RM'000 | Period<br>to date<br>31/03/2011<br>RM'000 |
|---------------------------------------|--|---|
| Provision for current taxation        |  |   |
| - Current year                        | 561  | 603                                       |
| - Under/(Overprovision) in prior year | -  | -   |
| Provision for deferred taxation       | -  | -   |
|                                       | <u>561</u>                                 | <u>603</u>                                |

**20. Gain or Loss On Derivatives**

This is not applicable as the Group does not deal in derivatives.

**21. Exceptional Items**

There were no exceptional items during the financial quarter under review.

**22. Status Of Corporate Proposals**

There is no outstanding corporate proposal.

**23. Group Borrowings And Debt Securities**

(a) The Group's borrowings as of 31 March 2012 are as follows:

|                              | As At<br>31/03/2012<br>RM'000 | As At<br>31/03/2011<br>RM'000 |
|------------------------------|-------------------------------|-------------------------------|
| <b>Short Term Borrowings</b> |                               |                               |
| Secured                      | 110                           | 119                           |
| Unsecured                    | -                             | -                             |
|                              | <u>110</u>                    | <u>119</u>                    |

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

**24. Accumulated Loss**

The breakdown of the accumulated loss of the Group as at the reporting date is as follows:

|                          | As At<br>31/03/2012<br>RM'000 | As At<br>31/03/2011<br>RM'000 |
|--------------------------|-------------------------------|-------------------------------|
| <b>Analysed By:</b>      |                               |                               |
| - Realised Loss          | (71,952)                      | (76,611)                      |
| - Unrealised Gain/(Loss) | 52                            | (284)                         |
|                          | <u>(71,900)</u>               | <u>(76,895)</u>               |

**25. Changes In Material Litigation**

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

**26. Dividend Payable**

The Board is pleased to declare a First Interim Dividend of 8% (single tier) per share for the financial year ending 31 December 2012 (31 March 2011: NIL). The dividend amounting to RM3,214,560 will be payable on 5 July 2012 to shareholders registered in the Record of Depositors on 12 June 2012.

**27. 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:-

|  | Current Quarter |             | Period to date |             |
|--|-----------------|-------------|----------------|-------------|
|  | 31/03/2012      | 31/03/2011  | 31/03/2012     | 31/03/2011  |
| Net profit for the period (RM'000)                         | 1,675           | 1,838       | 1,675          | 1,838       |
| Weighted average number of ordinary shares in issue ('000) | 40,182          | 40,182      | 40,182         | 40,182      |
| Basic earnings per share (Sen)                             | <u>4.17</u>     | <u>4.57</u> | <u>4.17</u>    | <u>4.57</u> |