

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 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 30/06/2012 RM'000	Preceding Year Corresponding Quarter 30/06/2011 RM'000	Current Period To Date 30/06/2012 RM'000	Preceding Year Corresponding Period 30/06/2011 RM'000
Revenue	12,998	12,522	24,409	24,767
Cost of sales	(8,553)	(8,123)	(15,940)	(16,157)
Gross Profit	4,445	4,399	8,469	8,610
Other Income				
Gain on foreign exchange	7	-	-	-
Impairment loss no longer required:				
- receivables	61	53	175	53
Other incomes	33	26	150	92
	101	79	325	145
Operating Expenses				
Bad debts written off	(22)	-	(136)	-
Depreciation & amortisation				
- total incurred	(172)	(135)	(347)	(269)
- absorbed into cost of sales	100	89	200	176
Impairment loss on:				
- other investments	(35)	(16)	(54)	-
- slow-moving inventories	(150)	-	(150)	-
Loss on foreign exchange	-	(3)	(10)	(14)
Other operating expenses	(1,934)	(1,999)	(3,741)	(3,794)
	(2,213)	(2,064)	(4,238)	(3,901)
Results From Operating Activities	2,333	2,414	4,556	4,854
Interest income	130	29	143	36
Interest expense	(0)	(19)	(0)	(25)
Net Finance Costs	130	10	143	11
Profit Before Taxation	2,463	2,424	4,699	4,865
Income Tax Expense	(679)	(607)	(1,239)	(1,210)
Profit For The Period	1,784	1,817	3,460	3,655
Other Comprehensive Income, Net Of Tax	-	-	-	-
Total Comprehensive Income For The Period Attributable To Shareholders	1,784	1,817	3,460	3,655
Earnings per share (Sen)	4.44	4.52	8.61	9.10

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 As At 30/06/2012 RM'000	Audited As At 31/12/2011 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	6,908	7,158
Goodwill on consolidation	10,878	10,878
Prepaid land lease payment	1,419	1,431
Investment properties	795	800
Capital work-in-progress	890	890
Deferred tax assets	206	181
	<u>21,096</u>	<u>21,338</u>
Current Assets		
Inventories	9,397	10,681
Trade receivables	15,356	14,834
Others receivables	229	348
Other Investments	116	170
Tax recoverable	-	1
Short term deposits	12,040	7,880
Cash and bank balances	363	980
	<u>37,501</u>	<u>34,894</u>
TOTAL ASSETS	<u>58,597</u>	<u>56,232</u>
EQUITY AND LIABILITIES		
Capital and Reserves		
Share Capital	40,182	40,182
Share Premium	81,819	81,819
Accumulated loss	(73,330)	(73,575)
Total Equity	<u>48,671</u>	<u>48,426</u>
Non-Current Liabilities		
Bank borrowings	-	-
Deferred tax liabilities	364	338
	<u>364</u>	<u>338</u>
Current Liabilities		
Trade payables	2,542	3,698
Others payables	2,247	3,269
Bank overdrafts	947	176
Tax payable	611	325
Proposed Dividend	3,215	-
	<u>9,562</u>	<u>7,468</u>
TOTAL EQUITY AND LIABILITIES	<u>58,597</u>	<u>56,232</u>
Net assets per share (RM)	1.21	1.21

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

	Issued Capital RM'000	Share Premium RM'000	Accumulated Loss RM'000	Total Equity RM'000
Balance as of 1.1.2012	40,182	81,819	(73,575)	48,426
Total Comprehensive Income For The Period	-	-	3,460	3,460
First Interim Dividend (Note 26)	-	-	(3,215)	(3,215)
Balance as of 30.06.2012	40,182	81,819	(73,330)	48,671
Balance as of 1.1.2011	40,182	81,819	(78,733)	43,268
Total Comprehensive Income For The Period	-	-	3,655	3,655
First Interim Dividend (Note 26)	-	-	(2,411)	(2,411)
Balance as of 30.06.2011	40,182	81,819	(77,489)	44,512

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

The Group	6 months ended 30/06/2012 RM'000	6 months ended 30/06/2011 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation	4,699	4,865
Adjustment for non-cash items	278	166
Operating Profit/(Loss) Before Working Capital Changes	<u>4,977</u>	<u>5,031</u>
Changes in working capital:		
Inventories	1,134	(1,991)
Receivables	(363)	960
Payables	(2,177)	(774)
Income tax paid	(951)	(825)
Net Cash From/(Used in) Operating Activities	<u>2,620</u>	<u>2,401</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(81)	(533)
Proceeds from disposal of property, plant & equipment	90	73
Interest received	143	36
Net cash (used in)/from investing activities	<u>152</u>	<u>(424)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Finance Costs paid	-	(25)
Repayment for term loan	-	(610)
Net Cash From Financing Activities	<u>-</u>	<u>(635)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,772	1,342
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	8,684	5,831
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>11,456</u>	<u>7,173</u>

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

	As at 30/06/2012 RM'000	As at 30/06/2011 RM'000
Cash and bank balances	363	1,654
Bank overdrafts	(947)	(267)
Short term deposits with licensed financial institutions	12,040	5,786
	<u>11,456</u>	<u>7,173</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 30 June 2012 is as follows:

	6 months ended 30/06/2012 RM'000	6 months ended 30/06/2011 RM'000
Segmental Revenue		
Manufacturing and retailing	37,494	36,926
Investment holding	3,668	10,533
	<u>41,162</u>	<u>47,459</u>
Eliminations of inter-segment sales	(16,753)	(22,692)
External sales	<u>24,409</u>	<u>24,767</u>
Segmental Results		
Manufacturing and retailing	4,603	4,830
Investment holding	3,453	10,389
	<u>8,056</u>	<u>15,219</u>
Eliminations	(3,500)	(10,365)
Segment results	<u>4,556</u>	<u>4,854</u>
Net finance income	143	11
Profit Before Tax	<u>4,699</u>	<u>4,865</u>
Income Tax Expenses	(1,239)	(1,210)
Profit For The Period	<u>3,460</u>	<u>3,655</u>
Other Comprehensive Income, net of tax	-	-
Total Comprehensive Income For the Period	<u>3,460</u>	<u>3,655</u>

Sales Revenue By Geographical Market

	6 months ended 30/06/2012 RM'000	6 months ended 30/06/2011 RM'000
Malaysia	20,335	19,480
Other Countries*	4,074	5,287
	<u>24,409</u>	<u>24,767</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 30 June 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 30 June 2012.

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 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 30 June 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 increased by 3.8% to RM12.99 million during the current quarter as compared to RM12.52 million achieved in the corresponding quarter in 2011, while Group pretax profit increased by 1.6% to RM2.46 million as compared to RM2.42 million achieved in the corresponding quarter of 2011. The increase in pretax profit was mainly due to the higher interest income in the current quarter.

For the current year to date, Group revenue decreased marginally by 1.4% to RM24.41 million while Group pretax profit decreased by 3.4% to RM4.7 million as compared to the corresponding half-year results in 2011. The reduction in pretax profit was mainly due to the provision of impairment losses on investments and slow-moving inventories.

16. Comparison With Previous Quarter's Results

For the current quarter, revenue increased by 13.9% to RM12.99 million while pretax profit increased by 10.2% to RM2.46 million as compared to the previous quarter's revenue of RM11.41 million and pretax profit of RM2.24 million respectively.

The increase in revenue in the current quarter was due to the longer working period and increase in export sales while the increase in pretax profit was attributable to the higher revenue and higher interest income.

17. Prospects For 2012

The global economy continued to deteriorate in the second quarter of the year resulting from the financial crisis in the Eurozone. However, oil prices continued to remain high due to the political tensions and uncertainty in the Middle East. In spite of the unfavourable operating environment, the performance of the Group for the first half-year was not affected as the Group products cater mostly to the auto refinishes industry which is demand-resilient.

A prolonged slowdown in the global economy may impact the Group's export market and a further spike in the prices of petroleum-based raw materials may affect the profitability of the Group. However, barring any unforeseen circumstances, the Board is optimistic that the Group will continue to perform satisfactorily in 2012.

18. Variance From Profit Forecast

This note is not applicable.

19. Income Tax Expense

	Current Quarter 30/06/2012 RM'000	Period to date 30/06/2012 RM'000
Provision for current taxation		
- Current year	677	1,237
- Under/(Overprovision) in prior year	-	-
Provision for deferred taxation	2	2
	<u>679</u>	<u>1,239</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 30 June 2012 is as follows:

	As At 30/06/2012 RM'000	As At 30/06/2011 RM'000
Short Term Borrowings		
Secured	947	267
Unsecured	-	-
	<u>947</u>	<u>267</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 dated is as follows:

	As At 30/06/2012 RM'000	As At 30/06/2011 RM'000
Analysed By:		
- Realised Loss	(73,380)	(77,297)
- Unrealised Gain /(Loss)	50	(192)
	<u>(73,330)</u>	<u>(77,489)</u>

25. Changes In Material Litigation

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

26. Dividend Payable

On 25/5/12, a First Interim Dividend of 8% amounting to RM3,214,560 (single tier) has been declared for the financial year ending 31 December 2012 (2011: A first interim dividend of 8% less 25% tax amounting to RM2,410,920). The net dividend amount of RM3,214,560 for 40,182,000 ordinary shares was paid on 5 July 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:-

	<u>Current Quarter</u>		<u>Period to date</u>	
	<u>30/06/2012</u>	<u>30/06/2011</u>	<u>30/06/2012</u>	<u>30/06/2011</u>
Net profit for the period (RM'000)	1,784	1,817	3,460	3,655
Weighted average number of ordinary shares in issue ('000)	<u>40,182</u>	<u>40,182</u>	<u>40,182</u>	<u>40,182</u>
Basic earnings per share (Sen)	<u>4.44</u>	<u>4.52</u>	<u>8.61</u>	<u>9.10</u>