

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 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 30/9/2012 RM'000	Preceding Year Corresponding Quarter 30/9/2011 RM'000	Current Period To Date 30/9/2012 RM'000	Preceding Year Corresponding Period 30/9/2011 RM'000
Revenue	12,592	12,306	37,001	37,073
Cost of sales	(8,230)	(7,915)	(24,170)	(24,072)
Gross Profit	4,362	4,391	12,831	13,001
<u>Other income</u>				
Gain on foreign exchange	28	14	18	-
Impairment loss no longer required:				
- other investments	2	-	-	-
- receivables	271	42	446	97
Other incomes	249	24	400	115
	<u>550</u>	<u>80</u>	<u>864</u>	<u>212</u>
<u>Operating expenses</u>				
Bad debts written off	-	-	(136)	-
Depreciation & amortisation				
- total incurred	(171)	(147)	(518)	(416)
- absorbed into cost of sales	100	99	300	275
Impairment loss on:				
- other investments	-	(4)	(52)	(6)
- capital work-in-progress	(890)	-	(890)	-
- slow-moving inventories	(250)	(170)	(400)	(170)
Other operating expenses	(1,855)	(1,912)	(5,597)	(5,705)
	<u>(3,066)</u>	<u>(2,134)</u>	<u>(7,293)</u>	<u>(6,022)</u>
Results From Operating Activities	1,846	2,337	6,402	7,191
Interest income	76	43	219	78
Interest expense	(0)	-	(0)	(25)
Net Finance Costs	76	43	219	53
Profit Before Taxation	1,922	2,380	6,621	7,244
Income Tax Expense	(668)	(646)	(1,908)	(1,856)
Profit For The Period	1,254	1,734	4,713	5,388
Other Comprehensive Income, Net Of Tax	-	-	-	-
Total Comprehensive Income For The Period Attributable To Shareholders	1,254	1,734	4,713	5,388
Earnings per share (Sen)	3.12	4.32	11.73	13.41

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 30/9/2012 RM'000	Audited As At 31/12/2011 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	6,747	7,158
Goodwill on consolidation	10,878	10,878
Prepaid land lease payment	1,414	1,431
Investment properties	793	800
Capital work-in-progress	-	890
Deferred tax assets	199	181
	<u>20,031</u>	<u>21,338</u>
Current Assets		
Inventories	9,888	10,681
Trade receivables	15,466	14,834
Others receivables	389	348
Other Investments	118	170
Tax recoverable	-	1
Short term deposits	9,872	7,880
Cash and bank balances	1,074	980
	<u>36,807</u>	<u>34,894</u>
TOTAL ASSETS	<u>56,838</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	(72,077)	(73,575)
Total Equity	<u>49,924</u>	<u>48,426</u>
Non-Current Liabilities		
Bank borrowings	-	-
Deferred tax liabilities	327	338
	<u>327</u>	<u>338</u>
Current Liabilities		
Trade payables	3,324	3,698
Others payables	2,447	3,269
Bank overdrafts	440	176
Tax payable	376	325
	<u>6,587</u>	<u>7,468</u>
TOTAL EQUITY AND LIABILITIES	<u>56,838</u>	<u>56,232</u>
Net assets per share (RM)	1.24	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	-	-	4,713	4,713
First Interim Dividend (Note 26)	-	-	(3,215)	(3,215)
Balance as of 30.9.2012	<u>40,182</u>	<u>81,819</u>	<u>(72,077)</u>	<u>49,924</u>
Balance as of 1.1.2011	40,182	81,819	(78,733)	43,268
Total Comprehensive Income For The Period	-	-	5,388	5,388
First Interim Dividend (Note 26)	-	-	(2,411)	(2,411)
Balance as of 30.9.2011	<u>40,182</u>	<u>81,819</u>	<u>(75,756)</u>	<u>46,245</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

The Group	9 months ended 30/9/2012 RM'000	9 months ended 30/9/2011 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation	6,621	7,244
Adjustment for non-cash items	1,194	402
Operating Profit/(Loss) Before Working Capital Changes	<u>7,815</u>	<u>7,646</u>
Changes in working capital:		
Inventories	393	(890)
Receivables	(377)	677
Payables	(1,197)	(964)
Income tax paid	(1,885)	(1,982)
Net Cash From/(Used in) Operating Activities	<u>4,749</u>	<u>4,487</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(83)	(957)
Proceeds from disposal of property, plant & equipment	90	74
Interest received	281	78
Net cash (used in)/from investing activities	<u>288</u>	<u>(805)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Dividend paid to shareholders	(3,215)	(2,411)
Finance Costs paid	-	(25)
Repayment for term loan	-	(610)
Net Cash From Financing Activities	<u>(3,215)</u>	<u>(3,046)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,822	636
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	8,684	5,832
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>10,506</u>	<u>6,468</u>

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

	As at 30/9/2012 RM'000	As at 30/9/2011 RM'000
Cash and bank balances	1,074	1,679
Bank overdrafts	(440)	-
Short term deposits with licensed financial institutions	9,872	4,789
	<u>10,506</u>	<u>6,468</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 September 2012 is as follows:

	YTD 30/9/2012 RM'000	YTD 30/9/2011 RM'000
<u>Segmental Revenue</u>		
Manufacturing and retailing	56,737	55,366
Investment holding	4,452	10,617
	<u>61,189</u>	<u>65,983</u>
Eliminations of inter-segment sales	(24,188)	(28,910)
External sales	<u>37,001</u>	<u>37,073</u>
<u>Segmental Results</u>		
Manufacturing and retailing	7,349	7,186
Investment holding	3,253	10,370
	<u>10,602</u>	<u>17,556</u>
Eliminations	(4,200)	(10,365)
Segment results	<u>6,402</u>	<u>7,191</u>
Net finance income	219	53
Profit Before Tax	<u>6,621</u>	<u>7,244</u>
Income Tax Expenses	(1,908)	(1,856)
Profit For The Period	<u>4,713</u>	<u>5,388</u>
Other Comprehensive Income, net of tax	-	-
Total Comprehensive Income For the Period	<u>4,713</u>	<u>5,388</u>

Sales Revenue By Geographical Market

	YTD 30/9/2012 RM'000	YTD 30/9/2011 RM'000
Malaysia	31,217	29,731
Other Countries*	5,784	7,342
	<u>37,001</u>	<u>37,073</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

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

The total gross dividend paid for the financial year to date is 8% per share.

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 September 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 30 September 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 September 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 2.32% to RM12.6 million during the current quarter as compared to RM12.3 million achieved in the corresponding quarter in 2011, while Group pretax profit decreased by 19.2% to RM1.92 million as compared to RM2.38 million achieved in the corresponding quarter of 2011. The decrease in pretax profit was mainly attributable to the impairment of capital work-in-progress and slow-moving inventories during the quarter.

For the current year to date period, Group revenue decreased marginally by RM0.07 million (-0.19%) to RM37.0 million as compared to year 2011 while pretax profit decreased by RM0.62 million (-8.6%) to RM6.62 million. In spite of the higher interest and other incomes, pretax profit decreased due mainly to the impairment losses on capital work-in-progress and slow-moving inventories.

16. Comparison With Previous Quarter's Results

For the current quarter, revenue decreased by 3.12% to RM12.59 million while pretax profit decreased by 21.97% to RM1.92 million as compared to the previous quarter's revenue of RM12.99 million and pretax profit of RM2.46 million respectively. The decrease in pretax profit was mainly attributable to the provision of impairment losses on assets during the current quarter.

17. Prospects For 2012

The global economy continued to deteriorate further in the third quarter of the year as the financial crisis in the Eurozone impacted the economic growth of the Asia-Pacific region. Oil prices continued to remain high due to the fear of supply disruption in the Middle East. Although it faced an environment of slow growth, the Group managed to maintain its revenue as compared to the previous year.

Barring any unforeseen circumstances, the Board is optimistic that the Group will continue to perform satisfactorily in the last quarter of 2012 as the Group's products cater mostly to the auto refinishes industry which is demand-resilient.

18. Variance From Profit Forecast

This note is not applicable.

19. Income Tax Expense

	Current Quarter 30/9/2012 RM'000	Period to date 30/9/2012 RM'000
Provision for current taxation		
- Current year	680	1,918
- Under/(Overprovision) in prior year	18	18
Provision for deferred taxation	(30)	(28)
	<u>668</u>	<u>1,908</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 September 2012 is as follows:

	As At 30/9/2012 RM'000	As At 30/9/2011 RM'000
Short Term Borrowings		
Secured	440	-
Unsecured	-	-
	<u>440</u>	<u>-</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 30/9/2012 RM'000	As At 30/9/2011 RM'000
Analysed By:		
- Realised Loss	(72,158)	(75,576)
- Unrealised Gain/ (Loss)	81	(180)
	<u>(72,077)</u>	<u>(75,756)</u>

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 quarter ended 30 September 2012 (30 September 2011: Nil).

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	
	30/9/2012	30/9/2011	30/9/2012	30/9/2011
Net profit for the period (RM'000)	1,254	1,734	4,713	5,388
Weighted average number of ordinary shares in issue ('000)	40,182	40,182	40,182	40,182
Basic earnings per share (Sen)	3.12	4.32	11.73	13.41