

**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 2014**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 31/03/2014 RM'000	Preceding Year Corresponding Quarter 31/03/2013 RM'000	Current Period To Date 31/03/2014 RM'000	Preceding Year Corresponding Period 31/03/2013 RM'000
Revenue	11,627	11,761	11,627	11,761
Cost of sales	(7,649)	(7,757)	(7,649)	(7,757)
<b>Gross Profit</b>	<b>3,978</b>	<b>4,004</b>	<b>3,978</b>	<b>4,004</b>
<b>Other income</b>				
Gain on foreign exchange	9	-	9	-
Impairment loss no longer required:				
- other investments	6	-	6	-
- receivables	11	54	11	54
Other incomes	89	29	89	29
	<u>115</u>	<u>83</u>	<u>115</u>	<u>83</u>
<b>Operating expenses</b>				
Depreciation & amortisation				
- total incurred	(177)	(178)	(177)	(178)
- absorbed into cost of sales	107	106	107	106
Impairment loss on:				
- other investments	-	(5)	-	(5)
Loss on foreign exchange	-	(33)	-	(33)
Property, plant and equipment written off	(12)	-	(12)	-
Other operating expenses	(1,887)	(1,917)	(1,887)	(1,917)
	<u>(1,969)</u>	<u>(2,027)</u>	<u>(1,969)</u>	<u>(2,027)</u>
<b>Results From Operating Activities</b>	<b>2,124</b>	<b>2,060</b>	<b>2,124</b>	<b>2,060</b>
Interest income	109	77	109	77
Interest expense	-	-	-	-
<b>Net Finance Income</b>	<b>109</b>	<b>77</b>	<b>109</b>	<b>77</b>
<b>Profit Before Taxation</b>	<b>2,233</b>	<b>2,137</b>	<b>2,233</b>	<b>2,137</b>
Income Tax Expense	(555)	(531)	(555)	(531)
<b>Profit For The Period</b>	<b>1,678</b>	<b>1,606</b>	<b>1,678</b>	<b>1,606</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>1,678</b>	<b>1,606</b>	<b>1,678</b>	<b>1,606</b>
<b>Earnings per share (Sen)</b>	<b>4.18</b>	<b>4.00</b>	<b>4.18</b>	<b>4.00</b>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>Unaudited As At 31/03/2014 RM'000</b>	<b>Audited As At 31/12/2013 RM'000</b>
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	6,531	6,918
Goodwill on consolidation	10,878	10,878
Prepaid land lease payment	1,380	1,385
Investment properties	779	782
Capital work-in-progress	0	0
Deferred tax assets	215	215
	<u>19,783</u>	<u>20,178</u>
<b>Current Assets</b>		
Inventories	10,935	12,000
Trade receivables	13,760	13,161
Others receivables	752	1,088
Other Investments	133	127
Tax recoverable	6	13
Short term deposits	15,741	15,130
Cash and bank balances	782	1,006
	<u>42,109</u>	<u>42,525</u>
<b>TOTAL ASSETS</b>	<u><b>61,892</b></u>	<u><b>62,703</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	(65,538)	(67,216)
<b>Total Equity</b>	<u>56,463</u>	<u>54,785</u>
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	388	388
<b>Current Liabilities</b>		
Trade payables	2,924	3,627
Others payables	1,503	3,336
Bank overdrafts	366	345
Tax payable	248	222
	<u>5,041</u>	<u>7,530</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>61,892</b></u>	<u><b>62,703</b></u>
<b>Net assets per share (RM)</b>	<b>1.41</b>	<b>1.36</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 2013.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Issued Capital</b> RM'000	<b>Share Premium</b> RM'000	<b>Accumulated Loss</b> RM'000	<b>Total Equity</b> RM'000
<b>Balance as of 1.1.2014</b>	40,182	81,819	(67,216)	54,785
Total Comprehensive Income For The Period	-	-	1,678	1,678
<b>Balance as of 31.03.2014</b>	<u>40,182</u>	<u>81,819</u>	<u>(65,538)</u>	<u>56,463</u>
<b>Balance as of 1.1.2013</b>	40,182	81,819	(70,526)	51,475
Total Comprehensive Income For The Period	-	-	1,606	1,606
<b>Balance as of 31.03.2013</b>	<u>40,182</u>	<u>81,819</u>	<u>(68,920)</u>	<u>53,081</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 2013.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

<b>The Group</b>	<b>3 months ended 31/03/2014 RM'000</b>	<b>3 months ended 31/03/2013 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,233	2,137
Adjustment for non-cash items	13	67
Operating Profit Before Working Capital Changes	<u>2,246</u>	<u>2,204</u>
Changes in working capital:		
Inventories	1,065	569
Receivables	(255)	478
Payables	(2,535)	(2,426)
Income tax paid	(522)	(556)
<b>Net Cash (Used in)/ From Operating Activities</b>	<u>(1)</u>	<u>269</u>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(113)	(178)
Proceeds from disposal of property, plant & equipment	371	3
Interest received	109	77
<b>Net cash from/ (Used in) investing activities</b>	<u>367</u>	<u>(98)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	366	171
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	15,791	11,478
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<u>16,157</u>	<u>11,649</u>

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

	<b>As at 31/03/2014 RM'000</b>	<b>As at 31/03/2013 RM'000</b>
Cash and bank balances	782	498
Bank overdrafts	(366)	(473)
Short term deposits with licensed financial institutions	15,741	11,624
	<u>16,157</u>	<u>11,649</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 2013.

## 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 2013.

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 2013.

### 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 2013.

The Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by MASB with effect from 1 January 2013. 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 2014. 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 2013.

### 4. Segmental Reporting

Segmental report for the financial year ended 31 March 2014 is as follows:

	<b>3 months ended 31/03/2014 RM'000</b>	<b>3 months ended 31/03/2013 RM'000</b>
<b>Segmental Revenue</b>		
Manufacturing and retailing	17,552	18,070
Investment holding	84	84
	<u>17,636</u>	<u>18,154</u>
Eliminations of inter-segment sales	(6,009)	(6,393)
External sales	<u><b>11,627</b></u>	<u><b>11,761</b></u>
<b>Segmental Results</b>		
Manufacturing and retailing	2,101	2,044
Investment holding	23	16
	<u>2,124</u>	<u>2,060</u>
Eliminations	-	-
Segment results	<u>2,124</u>	<u>2,060</u>
Net finance income	109	77
Profit Before Tax	<u>2,233</u>	<u>2,137</u>
Income Tax Expenses	(555)	(531)
Profit For The Period	<u>1,678</u>	<u>1,606</u>
Other Comprehensive Income, net of tax	-	-
Total Comprehensive Income For the Period	<u><b>1,678</b></u>	<u><b>1,606</b></u>
<b>Sales Revenue By Geographical Market</b>		
	<b>3 months ended 31/03/2014 RM'000</b>	<b>3 months ended 31/03/2013 RM'000</b>
Malaysia	9,045	9,649
Other Countries*	2,582	2,112
	<u><b>11,627</b></u>	<u><b>11,761</b></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 2014.
- 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 2014.
- 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 2014.
- 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 2014.
- 13. Contingent Liabilities / Assets**  
The Company has issued unsecured corporate guarantees totalling RM6.5 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 marginally by RM0.13 million (-1.14%) to RM11.63 million during the current quarter as compared to RM11.76 million achieved in the corresponding quarter in 2013, while Group pretax profit increased by RM0.1 million (+4.49%) to RM2.23 million as compared to RM2.14 million achieved in the corresponding quarter of 2013.

With revenue remaining flat, the increase in pretax profit in the current quarter was mainly attributable to the higher interest and other incomes as compared to the corresponding quarter in 2013.

Although the Group managed to increase its export sales revenue as a result of the weaker Ringgit, it was more than offset by the lower sales revenue in the local market due to the uncertainties arising from the weakening Ringgit and subsidies rationalisation.

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

	Current Quarter	Previous Quarter	Variance	
	31/03/14	31/12/13	RM'000	%
Revenue	11,627	11,498	129	1.12
Profit Before Tax	2,233	2,093	140	6.69
Profit After Tax	1,678	1,541	137	8.89

For the current quarter, revenue increased by 1.12% to RM11.63 million while pretax profit increased by 6.69% to RM2.23 million as compared to the previous quarter's revenue of RM11.5 million and pretax profit of RM2.09 million respectively. The increase in pretax profit was mainly attributable to the lower operating expenses in the current quarter as a result of lower impairment losses.

## 17. Prospects For 2014

Although the global economy is showing signs of continuing its recovery, the economic conditions continue to be very volatile, with the United States of America showing signs of recovery while the Euro zone region and the Asian economies are reporting slower growth. In spite of the economic slowdown, the Asian region is still enjoying relatively healthy growth in motor vehicles sales, which in turn will continue to support the auto refinish industry and this trend is beneficial to the Group's principal activities and will help to sustain its sales revenue.

Oil prices are expected to remain high in 2014 due to the continued political uncertainties in the Middle East region and the Russian-Ukrainian crisis which could potentially restrict the supply of crude oil from Russia. Furthermore, the withdrawal of quantitative easing by US Federal Reserve may cause the Ringgit to weaken further. Thus the Group's profitability may be affected by the rising cost of petroleum-based raw materials and the weakening of the Ringgit.

In spite of the above uncertainties and barring any unforeseen circumstances, the Board remains optimistic that the Group will continue to perform satisfactorily and will remain profitable in 2014. The Group will redouble its efforts to increase its export sales by capitalising on the weaker Ringgit while exploring further measures to reduce production costs.

## 18. Variance From Profit Forecast

This note is not applicable.

## 19. Income Tax Expense

	Current Quarter 31/03/2014 RM'000	Period to date 31/03/2014 RM'000
Provision for current taxation		
- Current year	555	555
- Under/(Overprovision) in prior year	-	-
	<u>555</u>	<u>555</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 2014 is as follows:

	As At 31/03/2014 RM'000	As At 31/03/2013 RM'000
<b>Short Term Borrowings</b>		
Secured	-	-
Unsecured	366	473
	<u>366</u>	<u>473</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 31/03/2014 RM'000	As At 31/03/2013 RM'000
<b>Analysed By:</b>		
- Realised Loss	(65,583)	(68,943)
- Unrealised Profit	45	23
	<u>(65,538)</u>	<u>(68,920)</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 Single Tier Interim Dividend of 8% and a First Single Tier Interim Special Dividend of 2% per ordinary share for the financial year ending 31 December 2014 (31 March 2013: First Interim Single Tier Dividend of 8%). The total dividend amounting to RM4,018,200 will be payable on 9 July 2014 to shareholders registered in the Record of Depositors on 13 June 2014.

**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>31/03/2014</u>	<u>31/03/2013</u>	<u>31/03/2014</u>	<u>31/03/2013</u>
Net profit for the period (RM'000)	1,678	1,606	1,678	1,606
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>4.18</u>	<u>4.00</u>	<u>4.18</u>	<u>4.00</u>