

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 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 30/06/2014 RM'000	Preceding Year Corresponding Quarter 30/06/2013 RM'000	Current Period To Date 30/06/2014 RM'000	Preceding Year Corresponding Period 30/06/2013 RM'000
Revenue	11,553	12,454	23,180	24,215
Cost of sales	(7,743)	(8,268)	(15,392)	(16,025)
Gross Profit	3,810	4,186	7,788	8,190
Other income				
Impairment loss no longer required:				
- other investments	1	4	7	-
- receivables	115	13	126	67
Other incomes	33	27	123	56
	149	44	256	123
Operating expenses				
Depreciation & amortisation				
- total incurred	(171)	(178)	(349)	(356)
- absorbed into cost of sales	101	106	208	212
Impairment loss on:				
- other investments	-	-	-	(1)
Loss on foreign exchange	(26)	(3)	(17)	(36)
Property, plant and equipment written off	(1)	-	(12)	-
Other operating expenses	(2,703)	(1,927)	(4,590)	(3,845)
	(2,800)	(2,002)	(4,760)	(4,026)
Results From Operating Activities	1,159	2,228	3,284	4,287
Interest income	122	90	231	167
Interest expense	-	-	-	-
Net Finance Income	122	90	231	167
Profit Before Taxation	1,281	2,318	3,515	4,454
Income Tax Expense	(514)	(580)	(1,069)	(1,110)
Profit For The Period	767	1,738	2,446	3,344
Other Comprehensive Income, Net Of Tax	-	-	-	-
Total Comprehensive Income For The Period Attributable To Shareholders	767	1,738	2,446	3,344
Earnings per share (Sen)	1.9	4.3	6.1	8.3

The Condensed Consolidated Statement of Profit or Loss And Other 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

	Unaudited As At 30/06/2014 RM'000	Audited As At 31/12/2013 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	6,371	6,918
Goodwill on consolidation	10,878	10,878
Prepaid land lease payment	1,374	1,385
Investment properties	777	782
Capital work-in-progress	0	0
Deferred tax assets	215	215
	<u>19,615</u>	<u>20,178</u>
Current Assets		
Inventories	11,872	12,000
Trade receivables	13,435	13,161
Others receivables	598	1,088
Other Investments	134	127
Tax recoverable	20	13
Short term deposits	17,102	15,130
Cash and bank balances	1,031	1,006
	<u>44,192</u>	<u>42,525</u>
TOTAL ASSETS	<u>63,807</u>	<u>62,703</u>
EQUITY AND LIABILITIES		
Capital and Reserves		
Share Capital	40,182	40,182
Share Premium	81,819	81,819
Accumulated loss	(68,789)	(67,216)
Total Equity	<u>53,212</u>	<u>54,785</u>
Non-Current Liabilities		
Deferred tax liabilities	388	388
Current Liabilities		
Trade payables	2,409	3,627
Others payables	2,382	3,336
Bank overdrafts	1,144	345
Tax payable	254	222
Proposed Dividend	4,018	-
	<u>10,207</u>	<u>7,530</u>
TOTAL EQUITY AND LIABILITIES	<u>63,807</u>	<u>62,703</u>
Net assets per share (RM)	1.32	1.36

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

	Issued Capital RM'000	Share Premium RM'000	Accumulated Loss RM'000	Total Equity RM'000
Balance as of 1.1.2014	40,182	81,819	(67,216)	54,785
Total Comprehensive Income For The Period	-	-	2,446	2,446
First Interim Dividend (Note 26)	-	-	(4,018)	(4,018)
Balance as of 30.06.2014	40,182	81,819	(68,789)	53,212
Balance as of 1.1.2013	40,182	81,819	(70,526)	51,475
Total Comprehensive Income For The Period	-	-	3,344	3,344
First Interim Dividend (Note 26)	-	-	(3,215)	(3,215)
Balance as of 30.06.2013	40,182	81,819	(70,397)	51,604

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

The Group	6 months ended 30/06/2014 RM'000	6 months ended 30/06/2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,515	4,454
Adjustment for non-cash items	(33)	131
	<hr/>	<hr/>
Operating Profit/(Loss) Before Working Capital Changes	3,482	4,585
Changes in working capital:		
Inventories	128	1,206
Receivables	316	207
Payables	(2,173)	(422)
Income tax paid	(1,045)	(1,111)
	<hr/>	<hr/>
Net Cash From Operating Activities	708	4,465
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(115)	(184)
Proceeds from disposal of property, plant & equipment	374	3
Interest received	231	167
	<hr/>	<hr/>
Net cash from/(used in) investing activities	490	(14)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,198	4,451
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	15,791	11,478
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	16,989	15,929

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

	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
Cash and bank balances	1,031	1,456
Bank overdrafts	(1,144)	(300)
Short term deposits with licensed financial institutions	17,102	14,773
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	16,989	15,929

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 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 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 30 June 2014 is as follows:

	6 months ended 30/06/2014	6 months ended 30/06/2013
	RM'000	RM'000
Segmental Revenue		
Manufacturing and retailing	34,773	36,926
Investment holding	8,626	3,668
	<u>43,399</u>	<u>40,594</u>
Eliminations of inter-segment sales	<u>(20,219)</u>	<u>(16,379)</u>
External sales	<u>23,180</u>	<u>24,215</u>
Segmental Results		
Manufacturing and retailing	3,270	4,270
Investment holding	8,472	3,517
	<u>11,742</u>	<u>7,787</u>
Eliminations	<u>(8,458)</u>	<u>(3,500)</u>
Segment results	<u>3,284</u>	<u>4,287</u>
Net finance income	<u>231</u>	<u>167</u>
Profit Before Tax	<u>3,515</u>	<u>4,454</u>
Income Tax Expenses	<u>(1,069)</u>	<u>(1,110)</u>
Profit For The Period	<u>2,446</u>	<u>3,344</u>
Other Comprehensive Income, net of tax	<u>-</u>	<u>-</u>
Total Comprehensive Income For the Period	<u>2,446</u>	<u>3,344</u>
Sales Revenue By Geographical Market		
	6 months ended 30/06/2014	6 months ended 30/06/2013
	RM'000	RM'000
Malaysia	18,677	20,088
Other Countries*	4,503	4,127
	<u>23,180</u>	<u>24,215</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 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 30 June 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 30 June 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 30 June 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 by RM0.91 million (-7.23%) to RM11.55 million during the current quarter as compared to RM12.46 million achieved in the corresponding quarter in 2013, while Group pretax profit decreased by RM1.04million (-44.74%) to RM1.28 million as compared to RM2.31 million achieved in the corresponding quarter of 2013.

The decrease in revenue in the current quarter was due to the prevailing economic uncertainties in the local market . The decrease in pretax profit was mainly due to the lower revenue and the higher operating costs as compared to the corresponding quarter in 2013.

For the current year todate period, Group revenue decreased by RM1.04 million (-4.27%) to RM23.18 million while pretax profit decreased by RM0.94 million (-21.08%) to RM3.52 million as compared to the Group revenue of RM24.22 million and pretax profit of RM4.45 million achieved in the corresponding period of 2013. The decrease in revenue during the current year was due to slower local sales (-RM1.41 million). Pretax profit was impacted by the lower revenue and the higher operating costs.

16. Comparison With Previous Quarter's Results

	Current Quarter	Previous Quarter	Variance	
	30/06/14	31/03/14	RM'000	%
Revenue	11,553	11,627	(74)	(0.64)
Profit Before Tax	1,281	2,233	(952)	(42.63)
Profit After Tax	767	1,678	(911)	(54.29)

For the current quarter, revenue decreased marginally to RM11.55 million while pretax profit decreased by 42.63% to RM1.28 million as compared to the previous quarter's revenue of RM11.63 million and pretax profit of RM2.23 million respectively. The decrease in pretax profit was attributable to higher operating costs in the current quarter.

17. Prospects For 2014

The uncertainty in the global economy has been compounded by the geopolitical crisis in Ukraine and the Middle East region whose outcomes may result in upheaval in the financial and crude oil markets throughout the global economy. Any slowdown in the global economic growth will affect Malaysia eventhough currently the Asean region is still experiencing healthy growth in motor vehicles sales which will continue to support the Group's principal activities in the auto refinish industry.

While the Group's revenue may be underpinned by the increasing motor vehicles population, the uncertainties generated by subsidies rationalisation and the GST may continue to affect the Group's local sales in the short term. Furthermore, any increase in the cost of petroleum-based raw materials and the weakening of the Ringgit arising from the geopolitical crises may also affect the Group's profitability. However, in spite of these uncertainties and barring any unforeseen circumstances, the Board is optimistic that the Group will continue to remain profitable in the remaining period of 2014.

18. Variance From Profit Forecast

This note is not applicable.

19. Income Tax Expense

	Current Quarter 30/06/2014 RM'000	Period to date 30/06/2014 RM'000
Provision for current taxation		
- Current year	514	1,069
- Under/(Overprovision) in prior year	-	-
	<u>514</u>	<u>1,069</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 2014 is as follows:

	As At 30/06/2014 RM'000	As At 30/06/2013 RM'000
Short Term Borrowings		
Unsecured	<u>1,144</u>	<u>300</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 30/06/2014 RM'000	As At 30/06/2013 RM'000
Analysed By:		
- Realised Loss	(68,816)	(70,450)
- Unrealised Loss	27	53
	<u>(68,789)</u>	<u>(70,397)</u>

25. Changes In Material Litigation

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

26. Dividend Payable

On 27/5/14, a First Single Tier Interim Dividend of 8% and a First Single Tier Interim Special Dividend of 2% per ordinary share were declared for the financial year ending 31 December 2014 (2013: First Single Tier Interim Dividend of 8%). The total dividend amounting to RM4,018,200 was paid on 9 July 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:-

	Current Quarter		Period to date	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Net profit for the period (RM'000)	767	1,738	2,446	3,344
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>1.91</u>	<u>4.32</u>	<u>6.09</u>	<u>8.32</u>