

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 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 30/09/2014 RM'000	Preceding Year Corresponding Quarter 30/09/2013 RM'000	Current Period To Date 30/09/2014 RM'000	Preceding Year Corresponding Period 30/09/2013 RM'000
Revenue	11,568	11,998	34,749	36,213
Cost of sales	(7,761)	(7,995)	(23,154)	(24,020)
Gross Profit	3,807	4,003	11,595	12,193
Other income				
Gain on foreign exchange	-	64	-	29
Impairment loss no longer required:				
- other investments	27	-	34	-
- receivables	8	5	134	72
Other incomes	30	27	153	83
	<u>65</u>	<u>96</u>	<u>321</u>	<u>184</u>
Operating expenses				
Depreciation & amortisation				
- total incurred	(171)	(186)	(520)	(542)
- absorbed into cost of sales	102	106	310	318
Impairment loss on:				
- other investments	-	-	-	(1)
Loss on foreign exchange	(57)	-	(74)	-
Property, plant and equipment written off	-	-	(12)	-
Other operating expenses	(2,039)	(2,006)	(6,629)	(5,851)
	<u>(2,165)</u>	<u>(2,086)</u>	<u>(6,925)</u>	<u>(6,076)</u>
Results From Operating Activities	1,707	2,013	4,991	6,301
Interest income	108	91	339	257
Interest expense	-	-	-	-
Net Finance Income	108	91	339	257
Profit Before Taxation	1,815	2,104	5,330	6,558
Income Tax Expense	(472)	(465)	(1,541)	(1,575)
Profit For The Period	1,343	1,639	3,789	4,983
Other Comprehensive Income, Net Of Tax	-	-	-	-
Total Comprehensive Income For The Period Attributable To Shareholders	1,343	1,639	3,789	4,983
Earnings per share (Sen)	3.34	4.08	9.43	12.40

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 30/09/2014 RM'000	Audited As At 31/12/2013 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	6,348	6,918
Goodwill on consolidation	10,878	10,878
Prepaid land lease payment	1,368	1,385
Investment properties	775	782
Capital work-in-progress	0	0
Deferred tax assets	215	215
	<u>19,584</u>	<u>20,178</u>
Current Assets		
Inventories	11,403	12,000
Trade receivables	13,555	13,161
Others receivables	688	1,088
Other Investments	161	127
Tax recoverable	51	13
Short term deposits	14,699	15,130
Cash and bank balances	1,357	1,006
	<u>41,914</u>	<u>42,525</u>
TOTAL ASSETS	<u>61,498</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	(67,445)	(67,216)
Total Equity	<u>54,556</u>	<u>54,785</u>
Non-Current Liabilities		
Deferred tax liabilities	388	388
Current Liabilities		
Trade payables	3,060	3,627
Others payables	3,024	3,336
Bank overdrafts	363	345
Tax payable	107	222
	<u>6,554</u>	<u>7,530</u>
TOTAL EQUITY AND LIABILITIES	<u>61,498</u>	<u>62,703</u>
Net assets per share (RM)	1.36	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	-	-	3,789	3,789
First Interim Dividend (Note 26)	-	-	(4,018)	(4,018)
Balance as of 30.09.2014	<u>40,182</u>	<u>81,819</u>	<u>(67,445)</u>	<u>54,556</u>
Balance as of 1.1.2013	40,182	81,819	(70,526)	51,475
Total Comprehensive Income For The Period	-	-	4,983	4,983
First Interim Dividend (Note 26)	-	-	(3,215)	(3,215)
Balance as of 30.09.2013	<u>40,182</u>	<u>81,819</u>	<u>(68,758)</u>	<u>53,243</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

The Group	9 months ended 30/09/2014 RM'000	9 months ended 30/09/2013 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation	5,330	6,558
Adjustment for non-cash items	1	218
Operating Profit Before Working Capital Changes	<u>5,331</u>	<u>6,776</u>
Changes in working capital:		
Inventories	597	333
Receivables	140	465
Payables	(878)	(920)
Income tax paid	(1,694)	(1,730)
Net Cash From Operating Activities	<u>3,496</u>	<u>4,924</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(257)	(748)
Proceeds from disposal of property, plant & equipment	374	3
Interest received	339	257
Net cash from/(used in) investing activities	<u>456</u>	<u>(488)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividend paid to shareholders	(4,018)	(3,215)
Net Cash Used In Financing Activities	<u>(4,018)</u>	<u>(3,215)</u>
CASH AND CASH EQUIVALENTS		
Net (decrease)/ increase	(66)	1,221
Effect of exchange rate changes	(32)	(6)
Balance as at 1 January	15,791	11,478
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>15,693</u>	<u>12,693</u>

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

	As at 30/09/2014 RM'000	As at 30/09/2013 RM'000
Cash and bank balances	1,357	1,138
Bank overdrafts	(363)	(250)
Short term deposits with licensed financial institutions	<u>14,699</u>	<u>11,805</u>
	<u>15,693</u>	<u>12,693</u>

The Condensed Consolidated Statement of Cash Flows 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 period ended 30 September 2014 is as follows:

	9 months ended 30/09/2014 RM'000	9 months ended 30/09/2013 RM'000
Segmental Revenue		
Manufacturing and retailing	51,757	55,041
Investment holding	8,710	7,520
	<u>60,467</u>	<u>62,561</u>
Eliminations of inter-segment sales	(25,718)	(26,348)
External sales	<u>34,749</u>	<u>36,213</u>
Segmental Results		
Manufacturing and retailing	4,958	6,295
Investment holding	8,491	7,274
	<u>13,449</u>	<u>13,569</u>
Eliminations	(8,458)	(7,268)
Segment results	<u>4,991</u>	<u>6,301</u>
Net finance income	339	257
Profit Before Tax	<u>5,330</u>	<u>6,558</u>
Income Tax Expenses	(1,541)	(1,575)
Profit For The Period	<u>3,789</u>	<u>4,983</u>
Other Comprehensive Income, net of tax	-	-
Total Comprehensive Income For the Period	<u><u>3,789</u></u>	<u><u>4,983</u></u>

Sales Revenue By Geographical Market

	9 months ended 30/09/2014 RM'000	9 months ended 30/09/2013 RM'000
Malaysia	27,967	30,071
Other Countries*	6,782	6,142
	<u>34,749</u>	<u>36,213</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 Cyclical Of Interim Operations

The Group's operations are not significantly affected by any seasonal or cyclical factors.

8 Dividends Paid

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 (2013 : A First Single-tier Interim Dividend of 8%) was paid on 9 July 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 September 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 September 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 September 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 RM0.43 million (-3.58%) to RM11.57 million during the current quarter as compared to RM12.0 million achieved in the corresponding quarter in 2013, while Group pretax profit decreased by RM0.29 million (-13.73%) to RM1.82 million as compared to RM2.10 million achieved in the corresponding quarter of 2013.

The decrease in revenue in the current quarter was due to the downward trend in economic activities in the local market arising from the prevailing uncertainties, possibly compounded by the impending implementation of the Goods and Services Tax ("GST"). 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 RM1.46 million (-4.04%) to RM34.75 million while pretax profit decreased by RM1.23 million (-18.73%) to RM5.33 million as compared to the Group revenue of RM36.21 million and pretax profit of RM6.56 million achieved in the corresponding period of 2013. The decrease in revenue during the current year was due to the slower local sales (-RM2.1 million) while pretax profit was impacted by the lower revenue and higher operating costs.

16. Comparison With Previous Quarter's Results

	Current Quarter	Previous Quarter	Variance	
	30/09/14	30/06/14	RM'000	%
Revenue	11,568	11,553	15	0.1
Profit Before Tax	1,815	1,281	534	41.6
Profit After Tax	1,343	767	576	75.0

For the current quarter, revenue increased marginally to RM11.57 million while pretax profit increased by 41.6% to RM1.82 million as compared to the previous quarter's revenue of RM11.55 million and pretax profit of RM1.28 million respectively. The increase in pretax profit was mainly attributable to the lower operating costs in the current quarter.

17. Prospects For 2014

The global economy continues to experience uncertainty due to a number of social, political as well as economic factors. The capital outflow and appreciating US Dollar arising from the ending of Quantitative Easing are creating a downward trend in the financial and commodities markets and many economies are likely to experience slower growth in the coming months, including Malaysia. However, in spite of the current economic environment, Malaysia and the countries in the Asean region are still experiencing relatively healthy growth in motor vehicles sales. This will continue to support the Group's principal activities in the auto refinish industry.

While the Group's revenue is substantially dependent on the increasing motor vehicles population, the uncertainties generated by subsidies rationalisation and the impending implementation of GST may continue to affect the Group's local sales in the short term. While falling crude oil prices will result in lower cost of petroleum-based raw materials, the benefit will be partially offset by the weakening Ringgit. 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 final quarter of 2014.

18. Variance From Profit Forecast

This note is not applicable.

19. Income Tax Expense

	Current Quarter	Period to date
	30/09/2014	30/09/2014
	RM'000	RM'000
Provision for current taxation		
- Current year	447	1,516
- Under/(Overprovision) in prior year	25	25
	<u>472</u>	<u>1,541</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 2014 is as follows:

	As At	As At
	30/09/2014	30/09/2013
	RM'000	RM'000
Short Term Borrowings		
Unsecured	<u>363</u>	<u>250</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 30/09/2014	As At 30/09/2013
	RM'000	RM'000
Analysed By:		
- Realised Loss	(67,444)	(68,805)
- Unrealised Loss	(1)	47
	<u>(67,445)</u>	<u>(68,758)</u>

25. Changes In Material Litigation

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

26. Dividend Payable

No dividend has been declared for the current quarter ended 30 September 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>30/09/2014</u>	<u>30/09/2013</u>	<u>30/09/2014</u>	<u>30/09/2013</u>
Net profit for the period (RM'000)	1,343	1,639	3,789	4,983
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>3.34</u>	<u>4.08</u>	<u>9.43</u>	<u>12.40</u>