

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 4TH QUARTER ENDED 31 DECEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 31/12/2014 RM'000	Preceding Year Corresponding Quarter 31/12/2013 RM'000	Current Period To Date 31/12/2014 RM'000	Preceding Year Corresponding Period 31/12/2013 RM'000
Revenue	11,782	11,498	46,531	47,711
Cost of sales	(8,175)	(7,675)	(31,329)	(31,695)
Gross Profit	3,607	3,823	15,202	16,016
Other income				
Gain on foreign exchange	185	78	111	107
Impairment loss no longer required:				
- other investments	-	7	-	6
- slow-moving inventories	34	7	34	7
- receivables	130	397	264	469
Other incomes	30	27	183	110
	379	516	592	699
Operating expenses				
Bad debts written off	-	(25)	-	(25)
Depreciation & amortisation				
- total incurred	(166)	(204)	(685)	(746)
- absorbed into cost of sales	99	105	409	423
Impairment loss on:				
- other investments	(37)	-	(4)	-
- slow-moving inventories	(341)	(84)	(341)	(84)
- receivables	(339)	(208)	(338)	(208)
Property, plant and equipment written off	(45)	-	(57)	-
Other operating expenses	(1,990)	(1,929)	(8,619)	(7,780)
	(2,819)	(2,345)	(9,635)	(8,420)
Results From Operating Activities	1,167	1,994	6,159	8,295
Interest income	133	99	471	356
Interest expense	-	-	-	-
Net Finance Costs	133	99	471	356
Profit Before Taxation	1,300	2,093	6,630	8,651
Income Tax Expense	(331)	(552)	(1,871)	(2,127)
Profit For The Period	969	1,541	4,759	6,524
Other Comprehensive Income, Net Of Tax	-	-	-	-
Total Comprehensive Income For The Period Attributable To Shareholders	969	1,541	4,759	6,524
Earnings per share (Sen)	2.41	3.84	11.84	16.24

The Condensed Consolidated Statements 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

	Unaudited As At 31/12/2014 RM'000	Audited As At 31/12/2013 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	6,147	6,918
Goodwill on consolidation	10,878	10,878
Prepaid land lease payment	1,363	1,385
Investment properties	772	782
Capital work-in-progress	0	0
Deferred tax assets	270	215
	<u>19,430</u>	<u>20,178</u>
Current Assets		
Inventories	11,290	12,000
Trade receivables	13,367	13,161
Others receivables	1,189	1,088
Other Investments	123	127
Tax recoverable	124	13
Short term deposits	15,867	15,130
Cash and bank balances	1,458	1,006
	<u>43,418</u>	<u>42,525</u>
TOTAL ASSETS	<u>62,848</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	(66,475)	(67,216)
Total Equity	<u>55,526</u>	<u>54,785</u>
Non-Current Liabilities		
Deferred tax liabilities	391	388
Current Liabilities		
Trade payables	3,177	3,627
Others payables	3,244	3,336
Bank overdrafts	272	345
Tax payable	238	222
	<u>6,931</u>	<u>7,530</u>
TOTAL EQUITY AND LIABILITIES	<u>62,848</u>	<u>62,703</u>
Net assets per share (RM)	1.38	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	-	-	4,759	4,759
First Interim Dividend (Note 26)	-	-	(4,018)	(4,018)
Balance as of 31.12.2014	<u>40,182</u>	<u>81,819</u>	<u>(66,475)</u>	<u>55,526</u>
Balance as of 1.1.2013	40,182	81,819	(70,526)	51,475
Total Comprehensive Income For The Period	-	-	6,524	6,524
First Interim Dividend (Note 26)	-	-	(3,214)	(3,214)
Balance as of 31.12.2013	<u>40,182</u>	<u>81,819</u>	<u>(67,216)</u>	<u>54,785</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	12 months ended 31/12/2014 RM'000	12 months ended 31/12/2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,630	8,651
Adjustment for non-cash items	530	178
Operating Profit Before Working Capital Changes	<u>7,160</u>	<u>8,829</u>
Changes in working capital:		
Inventories	402	(1,123)
Receivables	(381)	1,857
Payables	(543)	393
Income tax paid	(2,029)	(2,088)
Income tax refund	12	39
Net Cash From Operating Activities	<u>4,621</u>	<u>7,907</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(258)	(758)
Proceeds from disposal of property, plant & equipment	374	3
Interest received	471	356
Net cash from/ (used in) investing activities	<u>587</u>	<u>(399)</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>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,190	4,293
Effect of exchange rate changes	72	20
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	15,791	11,478
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u>17,053</u>	<u>15,791</u>

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

	As at 31/12/2014 RM'000	As at 31/12/2013 RM'000
Cash and bank balances	1,458	1,006
Bank overdrafts	(272)	(345)
Short term deposits with licensed financial institutions	15,867	15,130
	<u>17,053</u>	<u>15,791</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 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

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 December 2014 is as follows:

	12 months ended 31/12/2014 RM'000	12 months ended 31/12/2013 RM'000
Segmental Revenue		
Manufacturing and retailing	68,784	72,139
Investment holding	8,794	7,604
	<u>77,578</u>	<u>79,743</u>
Eliminations of inter-segment sales	(31,047)	(32,032)
External sales	<u>46,531</u>	<u>47,711</u>
Segmental Results		
Manufacturing and retailing	6,166	8,290
Investment holding	8,451	7,273
	<u>14,617</u>	<u>15,563</u>
Eliminations	(8,458)	(7,268)
Segment results	<u>6,159</u>	<u>8,295</u>
Net finance income	471	356
Profit Before Tax	<u>6,630</u>	<u>8,651</u>
Income Tax Expenses	(1,871)	(2,127)
Profit For The Period	4,759	6,524
Other Comprehensive Income, net of tax	-	-
Total Comprehensive Income For the Period	<u>4,759</u>	<u>6,524</u>

Sales Revenue By Geographical Market

	12 months ended 31/12/2014 RM'000	12 months ended 31/12/2013 RM'000
Malaysia	37,201	39,398
Other Countries*	9,330	8,313
	<u>46,531</u>	<u>47,711</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 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 31 December 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 December 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 December 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 increased by RM0.28 million (2.43%) to RM11.78 million during the current quarter as compared to RM11.50 million achieved in the corresponding quarter in 2013, while Group pretax profit decreased by RM0.79million (-37.8%) to RM1.30 million as compared to RM2.09 million achieved in the corresponding quarter of 2013.

Although there was a marginal increase in revenue in the current quarter, the economic activities in the local market were affected by the prevailing uncertainties arising from the weakening ringgit and falling crude oil prices. This was possibly compounded further by the impending implementation of the Goods and Services Tax ("GST"). The decrease in pretax profit was mainly due to higher operating costs and higher impairment loss on inventories and receivables as compared to the corresponding quarter in 2013.

For the current year, Group revenue decreased by RM1.18 million (-2.47%) to RM46.53 million while pretax profit decreased by RM2.02 million (-23.35%) to RM6.63 million as compared to the Group revenue of RM47.71 million and pretax profit of RM8.65 million achieved in the corresponding year of 2013. The decrease in revenue during the current year was due to the slower local sales (-RM2.2 million) while pretax profit was impacted by the lower revenue, higher operating costs and higher impairment losses on inventories and receivables.

16. Comparison With Previous Quarter's Results

	Current Quarter	Previous Quarter	Variance	
	31/12/14	30/09/14	RM'000	%
Revenue	11,782	11,568	214	1.8
Profit Before Tax	1,300	1,815	(515)	(28.4)
Profit After Tax	969	1,343	(374)	(27.8)

For the current quarter, revenue increased marginally to RM11.78 million while pretax profit decreased by 28.4% to RM1.30 million as compared to the previous quarter's revenue of RM11.57 million and pretax profit of RM1.82 million respectively. The decrease in pretax profit was mainly attributable to the higher operating costs and higher impairment losses on inventories and receivables, in the current quarter.

17. Prospects For 2015

The global economy continues to experience uncertainty due to a number of social, political as well as economic factors. With the expectation of higher interest rate arising from the strengthening economic growth in USA, the capital outflow and appreciating US Dollar are creating volatility in the financial and commodities markets and many economies, including Malaysia, are likely to experience slower growth in the coming months. 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 the weakening ringgit, falling oil revenue and the impending implementation of GST is likely 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 financial year 2015.

18. Variance From Profit Forecast

This note is not applicable.

19. Income Tax Expense

	Current Quarter	Year to date
	31/12/2014	31/12/2014
	RM'000	RM'000
Provision for current taxation		
- Current year	388	1,904
- Under/(Overprovision) in prior year	-	24
Provision for deferred taxation	(57)	(57)
	<u>331</u>	<u>1,871</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 December 2014 is as follows:

	As At	As At
	31/12/2014	31/12/2013
	RM'000	RM'000
Short Term Borrowings		
Secured	<u>272</u>	<u>345</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 31/12/2014	As At 31/12/2013
	RM'000	RM'000
Analysed By:		
- Realised Loss	66,668	67,232
- Unrealised (Gain)	(193)	(16)
	<u>66,475</u>	<u>67,216</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 : A First Single-tier Interim Dividend of 8%). The total dividend amounting to RM4,018,200 was paid on 9 July 2014. No further dividend payment is recommended for the current financial year.

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>	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Net profit for the period (RM'000)	969	1,541	4,759	6,524
Weighted average number of ordinary shares in issue ('000)	40,182	40,182	40,182	40,182
Basic earnings per share (Sen)	<u>2.41</u>	<u>3.84</u>	<u>11.84</u>	<u>16.24</u>