

**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 2015**

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter <b>31/03/2015</b> RM'000	Preceding Year Corresponding Quarter <b>31/03/2014</b> RM'000	Current Period To Date <b>31/03/2015</b> RM'000	Preceding Year Corresponding Period <b>31/03/2014</b> RM'000
Revenue	11,820	11,627	11,820	11,627
Cost of sales	(7,710)	(7,649)	(7,710)	(7,649)
<b>Gross Profit</b>	<b>4,110</b>	<b>3,978</b>	<b>4,110</b>	<b>3,978</b>
<b>Other income</b>				
Gain on foreign exchange	195	9	195	9
Impairment loss no longer required:				
- other investments	3	6	3	6
- receivables	20	11	20	11
Other incomes	38	89	38	89
	<u>256</u>	<u>115</u>	<u>256</u>	<u>115</u>
<b>Operating expenses</b>				
Depreciation & amortisation				
- total incurred	(174)	(177)	(174)	(177)
- absorbed into cost of sales	105	107	105	107
Property, plant and equipment written off	-	(12)	-	(12)
Other operating expenses	(1,978)	(1,887)	(1,978)	(1,887)
	<u>(2,047)</u>	<u>(1,969)</u>	<u>(2,047)</u>	<u>(1,969)</u>
<b>Results From Operating Activities</b>	<b>2,319</b>	<b>2,124</b>	<b>2,319</b>	<b>2,124</b>
Interest income	135	109	135	109
Interest expense	-	-	-	-
<b>Net Finance Costs</b>	<b>135</b>	<b>109</b>	<b>135</b>	<b>109</b>
<b>Profit Before Taxation</b>	<b>2,454</b>	<b>2,233</b>	<b>2,454</b>	<b>2,233</b>
Income Tax Expense	(619)	(555)	(619)	(555)
<b>Profit For The Period</b>	<b>1,835</b>	<b>1,678</b>	<b>1,835</b>	<b>1,678</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><u>1,835</u></b>	<b><u>1,678</u></b>	<b><u>1,835</u></b>	<b><u>1,678</u></b>
<b>Earnings per share (Sen)</b>	<b>4.57</b>	<b>4.18</b>	<b>4.57</b>	<b>4.18</b>

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2014.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>Unaudited As At 31/03/2015 RM'000</b>	<b>Audited As At 31/12/2014 RM'000</b>
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	6,087	6,147
Goodwill on consolidation	10,878	10,878
Prepaid land lease payment	1,357	1,363
Investment properties	770	772
Capital work-in-progress	0	0
Deferred tax assets	237	237
	<u>19,329</u>	<u>19,397</u>
<b>Current Assets</b>		
Inventories	9,523	11,290
Trade receivables	13,900	13,353
Others receivables	608	1,205
Other Investments	127	123
Tax recoverable	22	56
Short term deposits	16,062	15,867
Cash and bank balances	3,035	1,458
	<u>43,277</u>	<u>43,352</u>
<b>TOTAL ASSETS</b>	<b><u>62,606</u></b>	<b><u>62,749</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Share Capital	40,182	40,182
Share Premium	81,819	81,819
Accumulated loss	(64,575)	(66,410)
<b>Total Equity</b>	<b><u>57,426</u></b>	<b><u>55,591</u></b>
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	293	293
<b>Current Liabilities</b>		
Trade payables	2,403	3,146
Others payables	1,808	3,228
Bank overdrafts	320	321
Tax payable	356	170
	<u>4,887</u>	<u>6,865</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>62,606</u></b>	<b><u>62,749</u></b>
<b>Net assets per share (RM)</b>	<b>1.43</b>	<b>1.38</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 2014.

**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 1.1.2015</b>	40,182	81,819	(66,410)	55,591
Total Comprehensive Income For The Period	-	-	1,835	1,835
<b>Balance as of 31.03.2015</b>	<u>40,182</u>	<u>81,819</u>	<u>(64,575)</u>	<u>57,426</u>
<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>

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 2014.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

<b>The Group</b>	<b>3 months ended 31/03/2015 RM'000</b>	<b>3 months ended 31/03/2014 RM'000</b>
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit before taxation	2,454	2,233
Adjustment for non-cash items	(132)	13
Operating Profit Before Working Capital Changes	<u>2,322</u>	<u>2,246</u>
Changes in working capital:		
Inventories	1,767	1,065
Receivables	71	(255)
Payables	(2,164)	(2,535)
Income tax paid	(399)	(522)
<b>Net Cash From/(Used in) Operating Activities</b>	<u>1,597</u>	<u>(1)</u>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(106)	(113)
Proceeds from disposal of property, plant & equipment	-	371
Interest received	135	109
<b>Net cash from investing activities</b>	<u>29</u>	<u>367</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,626	366
Effect of exchange rate changes	148	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	17,003	15,791
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<u>18,777</u>	<u>16,157</u>

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

	<b>As at 31/03/2015 RM'000</b>	<b>As at 31/03/2014 RM'000</b>
Cash and bank balances	3,035	782
Bank overdrafts	(320)	(366)
Short term deposits with licensed financial institutions	16,062	15,741
	<u>18,777</u>	<u>16,157</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 2014.

## 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 2014.

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 2014.

### 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 2014.

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 2015. 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 2014.

### 4. Segmental Reporting

Segmental report for the financial period ended 31 March 2015 is as follows:

	<b>3 months ended 31/03/2015 RM'000</b>	<b>3 months ended 31/03/2014 RM'000</b>
<b>Segmental Revenue</b>		
Manufacturing and retailing	17,216	17,552
Investment holding	4,784	84
	<u>22,000</u>	<u>17,636</u>
Eliminations of inter-segment sales	(10,180)	(6,009)
External sales	<u>11,820</u>	<u>11,627</u>
<b>Segmental Results</b>		
Manufacturing and retailing	2,340	2,101
Investment holding	4,679	23
	<u>7,019</u>	<u>2,124</u>
Eliminations	(4,700)	-
Segment results	<u>2,319</u>	<u>2,124</u>
Net finance income	135	109
Profit Before Tax	<u>2,454</u>	<u>2,233</u>
Income Tax Expenses	(619)	(555)
Profit For The Period	<u>1,835</u>	<u>1,678</u>
Other Comprehensive Income, net of tax	-	-
Total Comprehensive Income For the Period	<u><u>1,835</u></u>	<u><u>1,678</u></u>

### Sales Revenue By Geographical Market

	<b>3 months ended 31/03/2015 RM'000</b>	<b>3 months ended 31/03/2014 RM'000</b>
Malaysia	9,781	9,045
Other Countries*	<u>2,039</u>	<u>2,582</u>
	<u><u>11,820</u></u>	<u><u>11,627</u></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 2015.
- 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 2015.
- 10. Material Events Not Reflected In The Financial Statements**  
The proposed acquisition of a seventy percent (70%) equity interest in Paramount Bounty Sdn Bhd has not been reflected in the financial statements of the current quarter under review.
- 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 2015.
- 12. Capital Commitments**  
On 27 March 2015, the Company entered into a conditional Share Sale Agreement with its Executive Director, Dato' Tiong Kwing Hee to acquire from him 700,000 ordinary shares of RM1.00 each, representing seventy percent (70%) of the equity interest in Paramount Bounty Sdn Bhd, for a total cash consideration of RM42.0 million.
- 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 RM0.19 million (+1.66%) to RM11.82 million during the current quarter as compared to RM11.63 million achieved in the corresponding quarter in 2014, while Group pretax profit increased marginally by RM0.22million (+9.89%) to RM2.45 million as compared to RM2.23 million achieved in the corresponding quarter of 2014.

The marginal increase in pretax profit in the current quarter was mainly attributable to the higher interest income and gain on foreign exchange as compared to the corresponding quarter in 2014.

Revenue in the local market increased by RM0.74 million (+8.1%) as compared to the corresponding period last year due to higher purchases by customers prior to the implementation of the Goods and Services Tax (GST) on 1 April 2015. Revenue in the export market however reduced by RM0.34 million (-14.85%).

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

	Current Quarter	Previous Quarter	Variance	
	31/03/15	31/12/14	RM'000	%
Revenue	11,820	11,782	38	0.32
Profit Before Tax	2,454	1,300	1,154	88.77
Profit After Tax	1,835	1,036	799	77.12

Revenue improved marginally in the current quarter while pretax profit increased by RM1.15 million (+88.77%) to RM2.45 million as compared to the previous quarter. The significant increase in pretax profit of RM1.15 million in the current quarter was attributable to lower raw materials cost and zero impairment loss as compared to impairment losses of RM0.55 million in the previous 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 are likely to experience slower growth. In Malaysia, the convergent of falling crude oil, rubber and palm oil prices, the weakening Ringgit and the implementation of GST is likely to give rise to a slowdown in consumption and economic growth which may affect the Group's principal activities in the auto refinish industry.

As the Group's revenue is substantially dependent on the increasing motor vehicles population, these uncertainties 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. In spite of these uncertainties and barring any unforeseen circumstances, the Board is optimistic that the Group will continue to remain profitable in financial year 2015.

## 18. Variance From Profit Forecast

This note is not applicable.

## 19. Income Tax Expense

	<b>Current Quarter 31/03/2015 RM'000</b>	<b>Period to date 31/03/2015 RM'000</b>
Provision for current taxation		
- Current year	<u>619</u>	<u>619</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

On 27 March 2015, the Company announced to BMSB the following:

(a) that the Company had on even date, entered into a conditional share sale agreement with Dato' Tiong Kwing Hee ("Dato' Tiong") to acquire 700,000 ordinary shares of RM1.00 each in PBSB representing seventy percent (70%) of the equity interest in PBSB from Dato' Tiong for a total cash consideration of RM42.0 million; and

(b) that Mercury and its subsidiaries propose to diversify its existing core business to include construction business,

which are collectively referred to as "The Proposals". The said Proposals are pending shareholders' approval to be obtained at an Extraordinary General Meeting to be convened at a date to be determined later.

## 23. Group Borrowings And Debt Securities

(a) The Group's borrowings as of 31 March 2015 is as follows:

	<b>As At 31/03/2015 RM'000</b>	<b>As At 31/03/2014 RM'000</b>
<b>Short Term Borrowings</b>		
Secured	<u>320</u>	<u>366</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:

	<b>As At 31/03/2015 RM'000</b>	<b>As At 31/03/2014 RM'000</b>
<b>Analysed By:</b>		
- Realised Loss	(64,875)	(65,583)
- Unrealised Loss	300	45
	<u>(64,575)</u>	<u>(65,538)</u>

## 25. Changes In Material Litigation

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

## 26. Dividend Payable

No interim dividend has been declared during the current quarter ended 31 March 2015. (31 March 2014: First Single Tier Interim Dividend of 8% and a First Single Tier Interim Special Dividend of 2%)

**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>31/03/2015</u>	<u>31/03/2014</u>	<u>31/03/2015</u>	<u>31/03/2014</u>
Net profit for the period (RM'000)	1,835	1,678	1,835	1,678
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>4.57</u>	<u>4.18</u>	<u>4.57</u>	<u>4.18</u>