

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 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 30/06/2015 RM'000	Preceding Year Corresponding Quarter 30/06/2014 RM'000	Current Period To Date 30/06/2015 RM'000	Preceding Year Corresponding Period 30/06/2014 RM'000
Revenue	9,752	11,553	21,572	23,180
Cost of sales	(6,378)	(7,743)	(14,088)	(15,392)
Gross Profit	3,374	3,810	7,484	7,788
Other income				
Gain on foreign exchange	202	-	396	-
Impairment loss no longer required:				
- other investments	3	1	7	7
- receivables	68	115	88	126
Other incomes	27	33	65	123
	<u>300</u>	<u>149</u>	<u>556</u>	<u>256</u>
Operating expenses				
Depreciation & amortisation				
- total incurred	(174)	(171)	(348)	(349)
- absorbed into cost of sales	105	101	210	208
Loss on foreign exchange	-	(26)	-	(17)
Property, plant and equipment written off	-	(1)	-	(12)
Other operating expenses	(2,522)	(2,703)	(4,499)	(4,590)
	<u>(2,591)</u>	<u>(2,800)</u>	<u>(4,637)</u>	<u>(4,760)</u>
Results From Operating Activities	1,083	1,159	3,403	3,284
Interest income	133	122	268	231
Interest expense	-	-	-	-
Net Finance Income	133	122	268	231
Profit Before Taxation	1,216	1,281	3,671	3,515
Income Tax Expense	(430)	(514)	(1,049)	(1,069)
Profit For The Period	786	767	2,622	2,446
Other Comprehensive Income, Net Of Tax	-	-	-	-
Total Comprehensive Income For The Period Attributable To Shareholders	786	767	2,622	2,446
Earnings per share (Sen)	1.96	1.91	6.53	6.09

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 2014.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As At 30/06/2015 RM'000	Audited As At 31/12/2014 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	5,936	6,147
Goodwill on consolidation	10,878	10,878
Prepaid land lease payment	1,351	1,363
Investment properties	768	772
Capital work-in-progress	0	0
Deferred tax assets	237	237
	<u>19,170</u>	<u>19,397</u>
Current Assets		
Inventories	9,665	11,290
Trade receivables	13,004	13,353
Others receivables	4,723	1,205
Other Investments	130	123
Tax recoverable	21	56
Short term deposits	18,948	15,867
Cash and bank balances	3,466	1,458
	<u>49,957</u>	<u>43,352</u>
TOTAL ASSETS	<u>69,127</u>	<u>62,749</u>
EQUITY AND LIABILITIES		
Capital and Reserves		
Share Capital	40,182	40,182
Share Premium	81,819	81,819
Accumulated loss	(63,788)	(66,410)
Total Equity	<u>58,213</u>	<u>55,591</u>
Non-Current Liabilities		
Deferred tax liabilities	293	293
Current Liabilities		
Trade payables	3,838	3,146
Others payables	2,107	3,228
Bank overdrafts	4,403	321
Tax payable	273	170
	<u>10,621</u>	<u>6,865</u>
TOTAL EQUITY AND LIABILITIES	<u>69,127</u>	<u>62,749</u>
Net assets per share (RM)	1.45	1.38

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

	Issued Capital RM'000	Share Premium RM'000	Accumulated Loss RM'000	Total Equity RM'000
Balance as of 1.1.2015	40,182	81,819	(66,410)	55,591
Total Comprehensive Income For The Period	-	-	2,622	2,622
Balance as of 30.06.2015	<u>40,182</u>	<u>81,819</u>	<u>(63,788)</u>	<u>58,213</u>
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	<u>40,182</u>	<u>81,819</u>	<u>(68,788)</u>	<u>53,213</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

The Group	6 months ended 30/06/2015 RM'000	6 months ended 30/06/2014 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation	3,671	3,515
Adjustment for non-cash items	(15)	(33)
Operating Profit Before Working Capital Changes	<u>3,656</u>	<u>3,482</u>
Changes in working capital:		
Inventories	1,625	128
Receivables	(3,081)	316
Payables	(429)	(2,173)
Income tax paid	(911)	(1,045)
Net Cash From Operating Activities	<u>860</u>	<u>708</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(121)	(115)
Proceeds from disposal of property, plant & equipment	-	374
Interest received	268	231
Net cash from investing activities	<u>147</u>	<u>490</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,007	1,198
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	17,004	15,791
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u>18,011</u>	<u>16,989</u>

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

	As at 30/06/2015 RM'000	As at 30/06/2014 RM'000
Cash and bank balances	3,466	1,031
Bank overdrafts	(4,403)	(1,144)
Short term deposits with licensed financial institutions	18,948	17,102
	<u>18,011</u>	<u>16,989</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 30 June 2015 is as follows:

	6 months ended 30/06/2015 RM'000	6 months ended 30/06/2014 RM'000
Segmental Revenue		
Manufacturing and retailing	32,210	34,773
Investment holding	9,868	8,626
	<u>42,078</u>	<u>43,399</u>
Eliminations of inter-segment sales	(20,506)	(20,219)
External sales	<u>21,572</u>	<u>23,180</u>
Segmental Results		
Manufacturing and retailing	3,935	3,270
Investment holding	9,168	8,472
	<u>13,103</u>	<u>11,742</u>
Eliminations	(9,700)	(8,458)
Segment results	<u>3,403</u>	<u>3,284</u>
Net finance income	268	231
Profit Before Tax	<u>3,671</u>	<u>3,515</u>
Income Tax Expenses	(1,049)	(1,069)
Profit For The Period	<u>2,622</u>	<u>2,446</u>
Other Comprehensive Income, net of tax	-	-
Total Comprehensive Income For the Period	<u><u>2,622</u></u>	<u><u>2,446</u></u>

Sales Revenue By Geographical Market

	6 months ended 30/06/2015 RM'000	6 months ended 30/06/2014 RM'000
Malaysia	17,499	18,677
Other Countries*	4,073	4,503
	<u>21,572</u>	<u>23,180</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 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 30 June 2015.
- 10. Material Events Not Reflected In The Financial Statements**
The Company had on 27 March 2015 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 70% of the equity interest in Paramount Bounty Sdn Bhd ("PBSB"), for a total cash consideration of RM42,000,000. Except for the deposit payment of RM4,200,000, the proposed acquisition has not been reflected in the financial statements of the current quarter under review, pending completion.
- 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 2015. However, the proposed acquisition of a 70% equity interest in PBSB has been approved by the shareholders at an Extraordinary General Meeting held on 15 July 2015 and was subsequently deemed completed on 3 August 2015.
- 12. Capital Commitments**
As the proposed acquisition of PBSB was only deemed completed on 3 August 2015, the Company has a capital commitment of RM42.0 million arising therefrom, of which RM4.2 million has been reflected in the financial statements for the period ending 30 June 2015.
- 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**
The proposed acquisition of a 70% equity interest in PBSB was deemed completed on 3 August 2015 and the company will be treated as a subsidiary from that date.

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 RM1.80 million (-15.59%) to RM9.75 million during the current quarter as compared to RM11.55 million achieved in the corresponding quarter in 2014, while Group pretax profit decreased by RM0.07million (-5.07%) to RM1.22 million as compared to RM1.28 million achieved in the corresponding quarter of 2014.

The decrease in revenue in the current quarter was due mainly to the slower sales arising from the implementation of the Goods and Services Tax ("GST") on 1 April 2015 and the frontloading of purchases by customers in the previous quarter prior to the implementation of GST. In spite of the substantial reduction in revenue, the minimal reduction in pretax profit in the current quarter can be attributed to the improvement in profit margin due to lower raw materials cost, forex gains and lower operating expenses, as compared to the corresponding quarter in 2014.

For the current year todate period, Group revenue decreased by RM1.61 million (-6.94%) to RM21.57 million while pretax profit increased by RM0.16 million (4.44%) to RM3.67 million as compared to the Group revenue of RM23.18 million and pretax profit of RM3.52 million achieved in the corresponding period of 2014. The decrease in revenue during the current year was due mainly to the slower local sales (-RM1.18 million) arising from the prevailing uncertainties in the market as a results of the weakening ringgit, falling commodities prices and the implementation of GST. The increase in pretax profit was mainly attributable to the lower raw materials cost, forex gains and lower operating expenses.

16. Comparison With Previous Quarter's Results

	Current Quarter 30/06/15	Previous Quarter 31/03/15	Variance	
	RM'000	RM'000	RM'000	%
Revenue	9,752	11,820	(2,068)	(17.49)
Profit Before Tax	1,216	2,454	(1,238)	(50.45)
Profit After Tax	786	1,835	(1,049)	(57.16)

For the current quarter, revenue decreased by 17.49% to RM9.75 million while pretax profit decreased by 50.45% to RM1.22 million as compared to the previous quarter's revenue of RM11.82 million and pretax profit of RM2.45 million respectively. The decrease in revenue was mainly attributable to the implementation of the Goods and Services Tax ("GST") on 1 April 2015 and the frontloading of purchases by customers in the previous quarter. The decrease in pretax profit was attributable to the lower revenue and the corporate exercise expenses incurred in the current quarter.

17. Prospects For 2015

The current economic activities of Malaysia have been affected by the uncertainties generated by the slowdown in the Asian economies, the falling commodities prices, the weakening Ringgit and the implementation of GST. These uncertainties are expected to dampen consumer spending which may result in lower sales of the Group's auto refinish products locally. However, the Group expects to at least maintain its export sales due to the weaker Ringgit even though the Asean region is also experiencing a slowdown in their economic activities.

The Group's revenue and profitability will most likely be affected by the uncertainties in the Malaysian economy in the short term as further weakening of the Ringgit will increase the cost of imported materials. However, with PBSB, becoming a subsidiary in August 2015, this construction arm is expected to contribute positively to the profitability of the Group due to its outstanding orderbook. Therefore, barring any unforeseen circumstances, the Board is optimistic that the Group will continue to remain profitable in the remaining period of 2015.

18. Variance From Profit Forecast

This note is not applicable.

19. Income Tax Expense

	Current Quarter 30/06/2015 RM'000	Period to date 30/06/2015 RM'000
Provision for current taxation - Current year	430	1,049

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

The proposed acquisition of a 70% equity interest in PBSB which was deemed completed on 3 August 2015 and likewise the proposed diversification. Subsequent to this, there is no other outstanding corporate proposal.

23. Group Borrowings And Debt Securities

(a) The Group's borrowings as of 30 June 2015 is as follows:

	As At 30/06/2015 RM'000	As At 30/06/2014 RM'000
Short Term Borrowings		
Unsecured	4,403	1,144

(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 30/06/2015 RM'000	As At 30/06/2014 RM'000
Analysed By:		
- Realised Loss	(64,196)	(68,815)
- Unrealised Gain	408	27
	<u>(63,788)</u>	<u>(68,788)</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 6% per ordinary share for the financial year ending 31 December 2015 (26 May 2014 : 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 ended 31 December 2014). The total dividend amounting to RM2,410,920 will be payable on 30 September 2015 to shareholders registered in the Record of Depositors on 7 September 2015.

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>30/06/2015</u>	<u>30/06/2014</u>	<u>30/06/2015</u>	<u>30/06/2014</u>
Net profit for the period (RM'000)	786	767	2,622	2,446
Weighted average number of ordinary shares in issue ('000)	40,182	40,182	40,182	40,182
Basic earnings per share (Sen)	<u>1.96</u>	<u>1.91</u>	<u>6.53</u>	<u>6.09</u>