

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 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 30/09/2015 RM'000	Preceding Year Corresponding Quarter 30/09/2014 RM'000	Current Period To Date 30/09/2015 RM'000	Preceding Year Corresponding Period 30/09/2014 RM'000
Revenue	23,218	11,568	44,790	34,749
Cost of sales	(16,514)	(7,761)	(30,601)	(23,154)
Gross Profit	6,704	3,807	14,189	11,595
Other income				
Gain on foreign exchange	775	-	1,171	-
Impairment loss no longer required:				
- other investments	3	27	10	34
- receivables	91	8	179	134
Other incomes	191	30	256	153
	<u>1,060</u>	<u>65</u>	<u>1,616</u>	<u>321</u>
Operating expenses				
Depreciation & amortisation				
- total incurred	404	171	751	520
- absorbed into cost of sales	(107)	(102)	(317)	(310)
Loss on foreign exchange	-	57	-	74
Property, plant and equipment written off	-	-	-	12
Other operating expenses	3,388	2,039	7,889	6,629
	<u>3,685</u>	<u>2,165</u>	<u>8,323</u>	<u>6,925</u>
Results From Operating Activities	4,079	1,707	7,482	4,991
Interest income	100	108	368	339
Interest expense	(196)	-	(196)	-
Net Finance Costs	(96)	108	172	339
Profit Before Taxation	3,983	1,815	7,654	5,330
Income Tax Expense	(1,392)	(472)	(2,441)	(1,541)
Profit For The Period	2,591	1,343	5,213	3,789
Other Comprehensive Income, Net Of Tax	-	-	-	-
Total comprehensive income for the period	2,591	1,343	5,213	3,789
Total comprehensive income attributable to:				
Owners of the Company	2,016	1,343	4,638	3,789
Non-controlling interests	575	-	575	-
Total comprehensive income for the period	2,591	1,343	5,213	3,789
Earnings per share (Sen)	5.02	3.34	11.54	9.43

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

	Unaudited As At 30/09/2015 RM'000	Audited As At 31/12/2014 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	8,711	6,147
Goodwill on consolidation	39,316	10,878
Prepaid land lease payment	1,346	1,363
Investment properties	3,755	772
Deferred tax assets	394	237
	<u>53,522</u>	<u>19,397</u>
Current Assets		
Inventories	9,608	11,290
Trade receivables	53,745	13,353
Others receivables	1,018	1,205
Other Investments	133	123
Tax recoverable	-	56
Short term deposits	1,525	15,867
Cash and bank balances	7,911	1,458
	<u>73,940</u>	<u>43,352</u>
TOTAL ASSETS	<u>127,462</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	<u>(64,183)</u>	<u>(66,410)</u>
Equity attributable to owners of the Company	57,818	55,591
Non-controlling interests	<u>6,387</u>	<u>-</u>
Total Equity	<u>64,205</u>	<u>55,591</u>
Non-Current Liabilities		
Hire purchase creditors	676	-
Bank borrowings	30,000	-
Deferred tax liabilities	293	293
	<u>30,969</u>	<u>293</u>
Current Liabilities		
Trade payables	22,818	3,146
Others payables	6,895	3,228
Hire purchase creditors	478	-
Bank overdrafts	367	321
Tax payable	1,730	170
	<u>32,288</u>	<u>6,865</u>
TOTAL EQUITY AND LIABILITIES	<u>127,462</u>	<u>62,749</u>
Net assets per share (RM)	1.44	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

<----- Attributable To Owners Of The Company ----->

	Issued Capital RM'000	Share Premium RM'000	Accumulated Loss RM'000	Total Equity RM'000	Non- controlling interests RM'000	Total Equity RM'000
Balance as of 1.1.2015	40,182	81,819	(66,410)	55,591	-	55,591
Total Comprehensive Income For The Period	-	-	4,638	4,638	575	5,213
First Interim Dividend (Note 8)	-	-	(2,411)	(2,411)	-	(2,411)
Acquisition of new subsidiary	-	-	-	-	5,812	5,812
Balance as of 30.09.2015	<u>40,182</u>	<u>81,819</u>	<u>(64,183)</u>	<u>57,818</u>	<u>6,387</u>	<u>64,205</u>
Balance as of 1.1.2014	40,182	81,819	(67,216)	54,785	-	54,785
Total Comprehensive Income For The Period	-	-	3,789	3,789	-	3,789
First Interim Dividend (Note 8)	-	-	(4,018)	(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>	<u>-</u>	<u>54,556</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	9 months ended 30/09/2015 RM'000	9 months ended 30/09/2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,654	5,330
Adjustment for non-cash items	(309)	1
Operating Profit Before Working Capital Changes	<u>7,345</u>	<u>5,331</u>
Changes in working capital:		
Inventories	1,682	597
Receivables	452	140
Payables	28	(878)
Income tax paid	(3,015)	(1,694)
Income tax refund	4	-
Net Cash From Operating Activities	<u>6,496</u>	<u>3,496</u>
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		
Acquisition of subsidiary company, net of cash acquired	(42,517)	-
Purchase of property, plant and equipment	(298)	(257)
Proceeds from disposal of property, plant & equipment	-	374
Interest received	368	339
Net cash (used in)/from investing activities	<u>(42,447)</u>	<u>456</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Dividend paid to shareholders	(2,411)	(4,018)
Drawdown of term loan	30,000	-
Finance costs paid	(196)	-
Repayment for HP creditor	(76)	-
Net Cash From/(used in) Financing Activities	<u>27,317</u>	<u>(4,018)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(8,634)	(66)
Effect of exchange rate changes	699	(32)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	17,004	15,791
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>9,069</u>	<u>15,693</u>

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

	As at 30/09/2015 RM'000	As at 30/09/2014 RM'000
Cash and bank balances	7,911	1,357
Bank overdrafts	(367)	(363)
Short term deposits with licensed financial institutions	1,525	14,699
	<u>9,069</u>	<u>15,693</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 year ended 30 September 2015 is as follows:

	Manufacturing & Trading RM'000	Construction RM'000	Investment Holding RM'000	Eliminations RM'000	Consolidated RM'000
9 Months Ended 30/9/2015					
Revenue					
External revenue	32,319	12,471	-	-	44,790
Inter-segment revenue	15,580	-	28,657	(44,237)	-
Total revenue	<u>47,899</u>	<u>12,471</u>	<u>28,657</u>	<u>(44,237)</u>	<u>44,790</u>
Results					
Segment profit	6,438	2,656	26,793	(28,405)	7,482
Interest income	368	-	-	-	368
Finance cost	-	(15)	(181)	-	(196)
Profit before tax	<u>6,806</u>	<u>2,641</u>	<u>26,612</u>	<u>(28,405)</u>	<u>7,654</u>
9 Months Ended 30/9/2014					
Revenue					
External revenue	34,749	-	-	-	34,749
Inter-segment revenue	17,008	-	8,710	(25,718)	-
Total revenue	<u>51,757</u>	<u>-</u>	<u>8,710</u>	<u>(25,718)</u>	<u>34,749</u>
Results					
Segment profit	4,958	-	8,491	(8,458)	4,991
Interest income	339	-	-	-	339
Finance cost	-	-	-	-	-
Profit before tax	<u>5,297</u>	<u>-</u>	<u>8,491</u>	<u>(8,458)</u>	<u>5,330</u>

Sales Revenue By Geographical Market

	9 months ended 30/09/2015 RM'000	9 months ended 30/09/2014 RM'000
Malaysia	38,044	27,967
Other Countries*	6,746	6,782
	<u>44,790</u>	<u>34,749</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 6% for the financial year ending 31 December 2015 (2014 : A First Single-tier Interim Dividend of 8% and a First Single Tier Interim Special Dividend of 2%), was paid on 30 September 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 September 2015.

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

The acquisition of a 70% equity interest in Paramount Bounty Sdn Bhd ("PBSB") was deemed completed on 3 August 2015. PBSB is now a subsidiary of the Company.

12. Capital Commitments

There is a capital commitment of RM1,306,200 for the purchase of property, plant and equipment which has not been reflected in the financial statements ended 30 September 2015.

13. Contingent Liabilities / Assets

The Company has issued unsecured corporate guarantees totalling RM3.91 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 RM11.65 million (+100.7%) to RM23.22 million during the current quarter as compared to RM11.57 million achieved in the corresponding quarter in 2014, while Group pretax profit increased by RM2.17 million (+119.4%) to RM3.98 million as compared to RM1.82 million achieved in the corresponding quarter in 2014. The increase in both revenue and pretax profit in the current quarter was mainly due to the maiden contribution from the 70% owned subsidiary PBSB whose principal activities include those of civil and building construction works. PBSB officially became a subsidiary company on 3 August 2015.

PBSB, the construction arm of the Group contributed a revenue of RM12.47 million and pretax profit of RM2.64 million during the current quarter. As for the other business segments, revenue decreased by RM0.82 million (-7.1%) to RM10.75 million while pretax profit decreased by RM0.48 million (-26.2%) to RM1.34 million as compared to the revenue of RM11.57 million and pretax profit of RM1.82 million achieved in the corresponding quarter in 2014. The decrease in revenue can be attributed to the slowdown in consumer spending due to the weaker Ringgit and lower commodities prices. These were further compounded by the higher cost of goods and services arising from the implementation of the Goods and Services Tax ("GST"). The decrease in pretax profit was mainly attributable to the expenses incurred for the acquisition of PBSB even though it was partially offset by the forex gain.

For the current year to date, Group revenue increased by RM10.04 million (+28.9%) to RM44.79 million while pretax profit increased by RM2.32 million (+43.6%) to RM7.65 million as compared to the Group revenue of RM34.75 million and Group pretax profit of RM5.33 million achieved in the corresponding period in 2014. The increase in revenue and pretax profit in the current year was attributable to the contribution from the newly acquired subsidiary, PBSB. For the other business segments, there was a decrease in revenue of RM2.43 million (-7.0%) to RM32.3 million and a decrease in pretax profit of RM0.32 million (-5.9%) to RM5.01 million as compared to the corresponding period in 2014. The decrease in pretax profit was due to the lower revenue and the corporate exercise expenses even after taking into account the forex gain of RM1.17 million.

16. Comparison With Previous Quarter's Results

	Current Quarter	Previous Quarter	Variance	
	30/09/15	30/06/15	RM'000	%
Revenue	23,218	9,752	13,466	138.1
Profit Before Tax	3,983	1,216	2,767	227.4
Profit After Tax	2,591	786	1,805	229.6

For the current quarter, the newly acquired subsidiary, PBSB made a maiden contribution to revenue of RM12.47 million and pretax profit of RM2.64 million. Revenue for the other business segments increased by RM0.99 million (+10.2%) while pretax profit also increased by RM0.13 million (+10.4%). Other segments' revenue in the previous quarter was lower due to frontloading of purchases by the customers in the first quarter prior to the implementation of GST while the increase in other segments' pretax profit in the current quarter can be attributed to the higher revenue.

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 further dampen consumer spending for the remaining quarter of the year, 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.

While the revenue and pretax profit from the auto refinish products are expected to decline due to the slowdown in the Malaysian economic activities, the contribution from the newly acquired construction arm, PBSB is expected to compensate for the reduction because of its unbilled contracts in hands. Therefore, barring any unforeseen circumstances, the Board is optimistic that the revenue and profitability of the Group for the fourth quarter of 2015 will be positive, in particular with the contribution from PBSB.

18. Variance From Profit Forecast

This note is not applicable.

19. Income Tax Expense

	Current Quarter	Period to date
	30/09/2015	30/09/2015
	RM'000	RM'000
Provision for current taxation		
- Current year	1,373	2,422
- Under/(Overprovision) in prior year	19	19
	<u>1,392</u>	<u>2,441</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 as of the date of this report.

23. Group Borrowings And Debt Securities

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

	As At	As At
	30/09/2015	30/09/2014
	RM'000	RM'000
Short Term Borrowings		
Unsecured	367	363
Long Term Borrowings		
Secured	30,000	-
	<u>30,367</u>	<u>363</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 date is as follows:

	As At 30/09/2015	As At 30/09/2014
	RM'000	RM'000
Analysed By:		
- Realised Loss	(65,599)	(67,444)
- Unrealised Loss	<u>1,416</u>	<u>(1)</u>
	<u><u>(64,183)</u></u>	<u><u>(67,445)</u></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 2015.

27. Earnings Per Ordinary share

The basic earnings per share is calculated by dividing the profit for the period attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period:-

	<u>Current Quarter</u>		<u>Period to date</u>	
	<u>30/09/2015</u>	<u>30/09/2014</u>	<u>30/09/2015</u>	<u>30/09/2014</u>
Profit attributable to owners of the Company (RM'000)	2,016	1,343	4,638	3,789
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><u>5.02</u></u>	<u><u>3.34</u></u>	<u><u>11.54</u></u>	<u><u>9.43</u></u>