

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 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 31-12-15 RM'000	Preceding Year Corresponding Quarter 31-12-14 RM'000	Current Year To Date 31-12-15 RM'000	Preceding Year Corresponding Period 31-12-14 RM'000
Revenue	21,621	11,568	66,411	46,531
Cost of sales	(14,794)	(7,761)	(45,395)	(31,329)
Gross Profit	6,827	3,807	21,016	15,202
Other income				
Gain on foreign exchange	-	-	1,074	121
Impairment loss no longer required:				
- other investments	67	27	77	-
- slow-moving inventories	26	-	26	34
- receivables	135	8	314	170
Other incomes	76	30	332	183
	304	65	1,823	508
Operating expenses				
Depreciation & amortisation				
- total incurred	524	171	1,276	685
- absorbed into cost of sales	(107)	(102)	(424)	(409)
Impairment loss on:				
- other investments	-	-	-	4
- slow-moving inventories	248	-	248	341
- receivables	384	-	384	244
Loss on foreign exchange	97	57	-	10
Loss on sale of property, plant and equipment	1	-	1	-
Property, plant and equipment written off	1	-	1	57
Other operating expenses	3,178	2,039	11,067	8,619
	4,326	2,165	12,553	9,551
Results From Operating Activities	2,805	1,707	10,286	6,159
Interest income	35	108	403	471
Interest expense	(573)	-	(769)	-
Net Finance Costs	(538)	108	(366)	471
Profit Before Taxation	2,267	1,815	9,920	6,630
Income Tax Expense	(764)	(472)	(3,205)	(1,806)
Profit For The Period	1,503	1,343	6,715	4,824
Other Comprehensive Income, Net Of Tax	-	-	-	-
Total comprehensive income for the period	1,503	1,343	6,715	4,824
Total comprehensive income attributable to:				
Owners of the Company	989	1,343	5,626	4,824
Non-controlling interests	514	-	1,089	-
Total comprehensive income for the period	1,503	1,343	6,715	4,824
Earnings per share (Sen)	2.46	3.34	14.00	12.01

The Condensed Consolidated Statements 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 31-12-15 RM'000	Audited As At 31-12-14 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	8,429	6,147
Goodwill on consolidation	39,316	10,878
Prepaid land lease payment	1,340	1,363
Investment properties	3,737	772
Deferred tax assets	435	237
	<u>53,257</u>	<u>19,397</u>
Current Assets		
Inventories	8,299	11,290
Trade receivables	47,889	13,353
Others receivables	2,298	1,205
Amount due from customers	89	-
Other Investments	200	123
Tax recoverable	-	56
Short term deposits	4,901	15,867
Cash and bank balances	7,708	1,458
	<u>71,384</u>	<u>43,352</u>
TOTAL ASSETS	<u>124,641</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	(63,195)	(66,410)
Equity attributable to owners of the Company	58,806	55,591
Non-controlling interests	6,901	-
Total Equity	<u>65,707</u>	<u>55,591</u>
Non-Current Liabilities		
Bank borrowings	30,000	-
Deferred tax liabilities	240	293
	<u>30,240</u>	<u>293</u>
Current Liabilities		
Trade payables	18,304	3,146
Others payables	5,588	3,228
Amount due to customers	1,738	-
Hire purchase creditors	1,316	-
Bank overdrafts	328	321
Tax payable	1,420	170
	<u>28,694</u>	<u>6,865</u>
TOTAL EQUITY AND LIABILITIES	<u>124,641</u>	<u>62,749</u>
Net assets per share (RM)	1.46	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 Interest 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	-	-	5,626	5,626	1,089	6,715
First Interim Dividend (Note 8)	-	-	(2,411)	(2,411)	-	(2,411)
Acquisition of new subsidiary	-	-	-	-	5,812	5,812
Balance as of 31.12.2015	<u>40,182</u>	<u>81,819</u>	<u>(63,195)</u>	<u>58,806</u>	<u>6,901</u>	<u>65,707</u>
Balance as of 1.1.2014	40,182	81,819	(67,216)	54,785	-	54,785
Total Comprehensive Income For The Period	-	-	4,824	4,824	-	4,824
First Interim Dividend (Note 8)	-	-	(4,018)	(4,018)	-	(4,018)
Balance as of 31.12.2014	<u>40,182</u>	<u>81,819</u>	<u>(66,410)</u>	<u>55,591</u>	<u>-</u>	<u>55,591</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	12 months ended 31-12-15 RM'000	12 months ended 31-12-14 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,920	6,630
Adjustment for non-cash items	196	530
Operating Profit Before Working Capital Changes	10,116	7,160
Changes in working capital:		
Inventories	3,266	402
Receivables	5,395	(256)
Payables	(3,770)	(639)
Income tax paid	(4,356)	(2,029)
Income tax refund	53	12
Net Cash From Operating Activities	10,704	4,650
CASH FLOWS (USED IN)/ FROM/ INVESTING ACTIVITIES		
Acquisition of subsidiary company, net of cash acquired	(42,517)	-
Purchase of property, plant and equipment	(519)	(258)
Proceeds from disposal of property, plant & equipment	-	374
Interest received	403	471
Net cash (used in)/from investing activities	(42,633)	587
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Dividend paid to shareholders	(2,411)	(4,018)
Drawdown of term loan	30,000	-
Finance costs paid	(769)	-
Repayment for HP creditor	(195)	-
Net Cash From/(used in) Financing Activities	26,625	(4,018)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,304)	1,219
Effect of exchange rate changes	581	(6)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	17,004	15,791
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	12,281	17,004

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

	As at 31-12-15 RM'000	As at 31-12-14 RM'000
Cash and bank balances	7,708	1,458
Bank overdrafts	(328)	(321)
Short term deposits with licensed financial institutions	4,901	15,867
	12,281	17,004

The Condensed Consolidated Statement of Cash Flows 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 31 December 2015 is as follows:

	Manufacturing & Trading RM'000	Construction RM'000	Investment Holding RM'000	Eliminations RM'000	Consolidated RM'000
<u>12 Months Ended 31/12/2015</u>					
Revenue					
External revenue	43,064	23,347	-	-	66,411
Inter-segment revenue	20,710	-	28,741	(49,451)	-
Total revenue	<u>63,774</u>	<u>23,347</u>	<u>28,741</u>	<u>(49,451)</u>	<u>66,411</u>
Results					
Segment profit	6,749	5,097	26,846	(28,406)	10,286
Interest income	403	-	-	-	403
Finance cost	-	(32)	(737)	-	(769)
Profit before tax	<u>7,152</u>	<u>5,065</u>	<u>26,109</u>	<u>(28,406)</u>	<u>9,920</u>
<u>12 Months Ended 31/12/2014</u>					
Revenue					
External revenue	46,531	-	-	-	46,531
Inter-segment revenue	22,253	-	8,794	(31,047)	-
Total revenue	<u>68,784</u>	<u>-</u>	<u>8,794</u>	<u>(31,047)</u>	<u>46,531</u>
Results					
Segment profit	6,147	-	8,449	(8,437)	6,159
Interest income	471	-	-	-	471
Finance cost	-	-	-	-	-
Profit before tax	<u>6,618</u>	<u>-</u>	<u>8,449</u>	<u>(8,437)</u>	<u>6,630</u>

Sales Revenue By Geographical Market

	12 months ended 31-12-15 RM'000	12 months ended 31-12-14 RM'000
Malaysia	56,976	37,201
Other Countries*	9,435	9,330
	<u>66,411</u>	<u>46,531</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 ended 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 31 December 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

There were no changes in the composition of the Group for the current quarter ended 31 December 2015.

12. Capital Commitments

There is a capital commitment of RM1.16 million for the purchase of Property, Plant and Equipment, which has not been reflected in the interim financial statements for the year ended 31 December 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 Company has on 22 January 2016 announced that Paramount Bounty Sdn Bhd ("PBSB"), the 70% owned subsidiary had on 21 January 2016 accepted the award of a contract worth RM106.6 million for the construction and completion of 648 units of serviced apartments under PR1MA Homes in Melaka.

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 RM10.05 million (+86.9%) to RM21.62 million during the current quarter as compared to RM11.57 million achieved in the corresponding quarter in 2014, while Group pretax profit increased by RM0.45 million (+24.9%) to RM2.27 million as compared to RM1.82 million achieved in the corresponding quarter of 2014. The increase in both revenue and pretax profit in the current quarter was mainly due to the contribution by the newly acquired subsidiary PBSB.

The Paints Division saw a reduction in revenue of RM0.82 million (-7.1%) in the current quarter as compared to the corresponding quarter in 2014. This was mainly attributable to the slowdown in consumer spending due to the lower commodity prices, the weakening Ringgit and the higher cost of living arising from the implementation of the Goods and Services Tax ("GST"). This was further compounded by the slowdown and uncertainties in the global economies. However, this shortfall in revenue was more than compensated by the revenue contribution of RM10.87 million by the construction subsidiary PBSB. Although PBSB contributed a pretax profit of RM2.42 million during the current quarter, the other business segments experienced a pretax loss of RM0.16 million as compared to a pretax profit of RM1.82 million in the corresponding quarter. This loss is mainly due to the interest charge arising from the RM30 million term loan utilised to acquire PBSB and the impairment losses on trade receivables and slow-moving inventories.

For the current year, Group revenue increased by RM19.88 million (+42.7%) to RM66.4 million while pretax profit increased by RM3.29 million (+49.6%) to RM9.92 million as compared to the Group revenue of RM46.5 million and pretax profit of RM6.63 million achieved in 2014. The increase in revenue and pretax profit was significantly enhanced by the acquisition of PBSB in August 2015. Since it became a subsidiary, PBSB has contributed RM23.35 million to the Group's revenue and RM5.06 million to the Group's pretax profit. As for the other business segments, there was a decrease in revenue of RM3.46 million (-7.4%) to RM43.06 million due to the factors stated earlier. Pretax profit also decreased by RM1.77 million (-26.8%) to RM4.85 million as compared to 2014 even though there was a forex gain of RM1.07 million. Pretax profit decreased due to the lower revenue, the corporate exercise expenses and the interest charge relating to the acquisition of PBSB.

16. Comparison With Previous Quarter's Results

	Current Quarter 31/12/15	Previous Quarter 30/09/15	Variance	
	RM'000	RM'000	RM'000	%
Revenue	21,621	23,218	(1,597)	(6.9)
Profit Before Tax	2,267	3,983	(1,716)	(43.1)
Profit After Tax	1,503	2,591	(1,088)	(42.0)

For the current quarter, revenue decreased by RM1.6 million (-6.9%) to RM21.62 million while pretax profit decreased by RM1.72 million (-43.1%) to RM2.27 million as compared to the previous quarter. The reduction in revenue was mainly due to the lower progress billing by PBSB while the decrease in pretax profit was mainly attributable to the reduction in forex gain amounting to RM0.87 million, the impairment losses on trade receivables and slow-moving inventories (+ RM0.56 million) and higher interest charges (+RM0.38 million).

17. Prospects For 2016

The economic activities in Malaysia in 2016 are expected to be significantly affected by the uncertainties in the global economic environment. In the face of falling commodity prices, the Malaysian government has revised downward its operating and capital expenditures budget for 2016. Together with the cutback in consumer spending arising from the weaker Ringgit, falling commodity prices and the implementation of GST, the slowdown in economic growth is likely to result in lower sales of the Group's auto refinish products locally. To compensate for the expected lower sales, the Group will strive to increase its export sales by capitalising on the weaker Ringgit even though the Asean region is also experiencing a slowdown in their economic activities. The Group's construction subsidiary is unlikely to be affected by the slowdown in the residential properties segment based on its existing orderbook in hand and it is confident of securing further new contracts. In January 2016, it was awarded a contract worth RM106.6 million for the construction and completion of 648 units of serviced apartments under PR1MA Homes.

In spite of the expected slowdown in economic activities in 2016 which may affect the Group's manufacturing activities, the Board remains optimistic that the Group will continue to remain profitable in 2016. In view of the new contract obtained in January 2016, the Board expects the profit contribution from PBSB to compensate for any reduction in profitability of the Paints Division.

18. Variance From Profit Forecast

This note is not applicable.

19. Income Tax Expense

	Current Quarter 31-12-15 RM'000	Year to date 31-12-15 RM'000
Provision for current taxation		
- Current year	857	3,279
- Under/(Overprovision) in prior year	-	19
Provision for deferred taxation	(93)	(93)
	<u>764</u>	<u>3,205</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 2015 are as follows:

	As At 31-12-15 RM'000	As At 31-12-14 RM'000
Short Term Borrowings		
Unsecured	328	321
Long Term Borrowings		
Secured	30,000	-
	<u>30,328</u>	<u>321</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 31-12-15 RM'000	As At 31-12-14 RM'000
Analysed By:		
- Realised Loss	(64,128)	(66,574)
- Unrealised gain	933	164
	<u>(63,195)</u>	<u>(66,410)</u>

25. Changes In Material Litigation

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

26. Dividend Payable

There is no dividend declared for the current quarter.

27. Profit Guarantee

In the acquisition of the 70% equity interest in PBSB, the Vendor has guaranteed that PBSB will achieve an audited profit after tax ("PAT") of RM6.6 million per annum for each of the financial year ending 31 December 2015, 31 December 2016 and 31 December 2017.

The unaudited PAT of PBSB for the financial year ended 31 December 2015 is RM6.81 million.

28. 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>Year to date</u>	
	31-12-15	31-12-14	31-12-15	31-12-14
Profit attributable to owners of the Company (RM'000)	989	1,343	5,626	4,824
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>2.46</u>	<u>3.34</u>	<u>14.00</u>	<u>12.01</u>