

**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 2016**

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 31/03/2016 RM'000	Preceding Year Corresponding Quarter 31/03/2015 RM'000	Current Period To Date 31/03/2016 RM'000	Preceding Year Corresponding Period 31/03/2015 RM'000
Revenue	23,497	11,820	23,497	11,820
Cost of sales	(17,495)	(7,710)	(17,495)	(7,710)
<b>Gross Profit</b>	<b>6,002</b>	<b>4,110</b>	<b>6,002</b>	<b>4,110</b>
<b>Other income</b>				
Gain on foreign exchange	-	195	-	195
Impairment loss no longer required:				
- other investments	-	3	-	3
- receivables	102	20	102	20
Other incomes	110	38	110	38
	<u>212</u>	<u>256</u>	<u>212</u>	<u>256</u>
<b>Operating expenses</b>				
Depreciation & amortisation				
- total incurred	495	174	495	174
- absorbed into cost of sales	(105)	(105)	(105)	(105)
Impairment loss on:				
- other investments	22	-	22	-
Loss on foreign exchange	391	-	391	-
Loss on sale of property, plant and equipment	5	-	5	-
Other operating expenses	2,529	1,978	2,529	1,978
	<u>3,337</u>	<u>2,047</u>	<u>3,337</u>	<u>2,047</u>
<b>Results From Operating Activities</b>	<b>2,877</b>	<b>2,319</b>	<b>2,877</b>	<b>2,319</b>
Interest income	39	135	39	135
Interest expense	(600)	-	(600)	-
Net Finance Costs	<u>(561)</u>	<u>135</u>	<u>(561)</u>	<u>135</u>
<b>Profit Before Taxation</b>	<b>2,316</b>	<b>2,454</b>	<b>2,316</b>	<b>2,454</b>
Income Tax Expense	(678)	(619)	(678)	(619)
<b>Profit For The Period</b>	<b>1,638</b>	<b>1,835</b>	<b>1,638</b>	<b>1,835</b>
<b>Other Comprehensive Income, Net Of Tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>1,638</b>	<b>1,835</b>	<b>1,638</b>	<b>1,835</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	1,232	1,835	1,232	1,835
Non-controlling interests	406	-	406	-
<b>Total comprehensive income for the period</b>	<b>1,638</b>	<b>1,835</b>	<b>1,638</b>	<b>1,835</b>
<b>Earnings per share (Sen)</b>	<b>3.07</b>	<b>4.57</b>	<b>3.07</b>	<b>4.57</b>

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 2015.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>Unaudited As At 31/03/2016 RM'000</b>	<b>Audited As At 31/12/15 RM'000</b>
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	8,199	8,429
Goodwill on consolidation	39,316	39,316
Prepaid land lease payments	1,335	1,340
Investment properties	3,720	3,738
Deferred tax assets	395	395
	<u>52,965</u>	<u>53,218</u>
<b>Current Assets</b>		
Inventories	9,957	8,299
Trade receivables	49,597	47,888
Others receivables	2,405	2,286
Amount due from customers on contracts	432	89
Other investments	178	200
Tax recoverable	84	58
Short term deposits	6,261	4,382
Cash and bank balances	4,865	8,227
	<u>73,779</u>	<u>71,429</u>
<b>TOTAL ASSETS</b>	<b><u>126,744</u></b>	<b><u>124,647</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	40,182	40,182
Share premium	81,819	81,819
Accumulated losses	(62,017)	(63,249)
<b>Equity attributable to owners of the Company</b>	<u>59,984</u>	<u>58,752</u>
<b>Non-controlling interests</b>	<u>7,307</u>	<u>6,901</u>
<b>Total Equity</b>	<u>67,291</u>	<u>65,653</u>
<b>Non-Current Liabilities</b>		
Bank borrowings	30,000	30,000
Finance lease liabilities	638	727
Deferred tax liabilities	256	256
	<u>30,894</u>	<u>30,983</u>
<b>Current Liabilities</b>		
Trade payables	18,296	18,304
Others payables	4,011	5,701
Amount due to customers on contracts	1,454	1,738
Amount due to a director	1,099	-
Finance lease liabilities	617	588
Bank overdrafts	937	328
Bank borrowings	1,376	-
Tax payable	769	1,352
	<u>28,559</u>	<u>28,011</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>126,744</u></b>	<b><u>124,647</u></b>
<b>Net assets per share (RM)</b>	<b>1.49</b>	<b>1.46</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 2015.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<----- Attributable To Owners Of The Company ----->					
	Issued Capital RM'000	Share Premium RM'000	Accumulated Losses RM'000	Total Equity RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
<b>Balance as of 1.1.2016</b>	40,182	81,819	(63,249)	58,752	6,901	65,653
Total Comprehensive Income For The Period	-	-	1,232	1,232	406	1,638
<b>Balance as of 31.03.2016</b>	<u>40,182</u>	<u>81,819</u>	<u>(62,017)</u>	<u>59,984</u>	<u>7,307</u>	<u>67,291</u>
<b>Balance as of 1.1.2015</b>	40,182	81,819	(66,410)	55,591	-	55,591
Total Comprehensive Income For The Period	-	-	1,835	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>	<u>-</u>	<u>57,426</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 2015.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

<b>The Group</b>	<b>3 months ended 31/03/2016 RM'000</b>	<b>3 months ended 31/03/2015 RM'000</b>
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit before taxation	2,316	2,454
Adjustment for non-cash items	1,372	(132)
Operating Profit Before Working Capital Changes	<u>3,688</u>	<u>2,322</u>
Changes in working capital:		
Inventories	(1,658)	1,767
Receivables	(2,083)	71
Payables	(1,973)	(2,164)
Bills payable	1,376	-
Income tax paid	(1,288)	(399)
<b>Net Cash (Used in)/From Operating Activities</b>	<u>(1,938)</u>	<u>1,597</u>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(166)	(106)
Proceeds from disposal of property, plant & equipment	4	-
Interest received	39	135
<b>Net cash (used in)/from investing activities</b>	<u>(123)</u>	<u>29</u>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		
Finance costs paid	(600)	-
Repayment of finance lease liabilities	(145)	-
Advance from a director	1,099	-
<b>Net Cash From Financing Activities</b>	<u>354</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Net changes	(1,707)	1,626
Effect of exchange rate changes	(385)	148
Balance as of 1 January	12,281	17,003
<b>Balance as at end of financial period</b>	<u>10,189</u>	<u>18,777</u>

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

	<b>As at 31/03/2016 RM'000</b>	<b>As at 31/03/2015 RM'000</b>
Cash and bank balances	4,865	3,035
Bank overdrafts	(937)	(320)
Short term deposits with licensed financial institutions	6,261	16,062
	<u>10,189</u>	<u>18,777</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

## 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 2015.

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 2015.

### 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 2015.

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 2016. 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 2015.

### 4. Segmental Reporting

Segmental report for the financial period ended 31 March 2016 is as follows:

	Manufacturing & Trading	Construction	Investment Holding	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>3 Months Ended 31/03/2016</u></b>					
<b>Revenue</b>					
External revenue	9,162	14,335	-	-	23,497
Inter-segment revenue	4,858	-	84	(4,942)	-
Total revenue	<u>14,020</u>	<u>14,335</u>	<u>84</u>	<u>(4,942)</u>	<u>23,497</u>
<b>Results</b>					
Segment profit	1,081	1,809	(13)	-	2,877
Interest income	39	-	-	-	39
Finance cost	-	(50)	(550)	-	(600)
Profit before tax	<u>1,120</u>	<u>1,759</u>	<u>(563)</u>	<u>-</u>	<u>2,316</u>
<b><u>3 Months Ended 31/03/2015</u></b>					
<b>Revenue</b>					
External revenue	11,820	-	-	-	11,820
Inter-segment revenue	5,396	-	4,784	(10,180)	-
Total revenue	<u>17,216</u>	<u>-</u>	<u>4,784</u>	<u>(10,180)</u>	<u>11,820</u>
<b>Results</b>					
Segment profit	2,340	-	4,679	(4,700)	2,319
Interest income	135	-	-	-	135
Finance cost	-	-	-	-	-
Profit before tax	<u>2,475</u>	<u>-</u>	<u>4,679</u>	<u>(4,700)</u>	<u>2,454</u>

#### Sales Revenue By Geographical Market

	3 months ended 31/03/2016 RM'000	3 months ended 31/03/2015 RM'000
Malaysia	21,664	9,781
Other Countries*	1,833	2,039
	<u>23,497</u>	<u>11,820</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 2016.
- 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 in the current quarter ended 31 March 2016.
- 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 March 2016.
- 12. Capital Commitments**  
There is a capital commitment of RM0.96 million for the purchase of Property, Plant and Equipment, which has not been reflected in the interim financial statements for the current quarter ended 31 March 2016.
- 13. Contingent Liabilities / Assets**  
The Company has issued unsecured corporate guarantees totalling RM7.93 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's revenue increased by RM11.68 million (+98.8%) to RM23.5 million during the current quarter as compared to RM11.8 million achieved in the corresponding quarter in 2015, while Group's pretax profit decreased by RM0.14 million (-5.6%) to RM2.32 million as compared to RM2.45 million achieved in the corresponding quarter of 2015. Both revenue and pretax profit from the Paints and Investment Holding Divisions decreased during the quarter and were mitigated by the contribution from the construction arm, Paramount Bounty Sdn Bhd ("PBSB").

The Paints Division saw a reduction in revenue of RM2.66 million (-22.5%) to RM9.16 million in the current quarter as compared to the corresponding quarter in 2015. In March 2015, there was a substantial spike in customers' purchases prior to the implementation of the Goods and Services Tax ("GST"). The decrease in revenue was further compounded by the slowdown in economic activities locally as a result of the slowdown and uncertainties in the global economic environment and the restrained consumer spending due to lower commodity prices, the weak Ringgit and the higher cost of living subsequent to the implementation of GST. Pretax profit in the Paints Division declined by RM1.36 million (-54.7%) to RM1.12 million in the current quarter due to the lower sales and forex losses as the Ringgit strengthened partially.

The Investment Holding Division recorded a pretax loss of RM0.56 million in the current quarter due to the financing cost on the RM30.0 million loan utilised for the acquisition of PBSB, as compared to the pretax loss of RM0.11 million in the corresponding quarter in 2015.

In the current quarter, PBSB contributed RM14.3 million to the Group's revenue and RM1.76 million to the Group's pretax profit. The contribution from PBSB has helped to enhance the Group's revenue while cushioning the reduction in pretax profit from the Paints and Investment Holding Divisions.

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

	Current Quarter	Previous Quarter	Variance	
	31/03/16	31/12/15	RM'000	%
Revenue	23,497	21,621	1,876	8.7
Profit Before Tax	2,316	2,266	50	2.2
Profit After Tax	1,638	1,448	190	13.1

For the current quarter, revenue increased by RM1.88 million (+8.7%) while pretax profit increased marginally by RM0.05 million (+2.2%) to RM2.32 million as compared to the previous quarter. The increase in revenue was due to the higher progress billing (+RM3.46 million) by PBSB which compensated for the decrease in revenue (-RM1.58 million) of the Paints Division. The increase in pretax profit was mainly attributable to the Paints Division due to lower operating expenses as in the previous quarter there was a provision for impairment losses on trade receivables and slow-moving inventories.

#### 17. Prospects For 2016

The economic activities in Malaysia are expected to contract further in the remaining period of 2016 due to the influence of the uncertainties in the global economic environment and the cutback in government's expenditures together with the restrained consumer spending. The slowdown in economic activities 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. However, the Group's construction subsidiary is expected to be affected marginally by the slowdown in the residential properties segment based on its existing order book in hand. 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. Moreover, it is cautiously optimistic of securing additional new contracts in the current year.

Therefore, in spite of the expected slowdown in economic activities in 2016 which may affect the Group's manufacturing activities, the Board remains cautiously optimistic that the Group will continue to remain profitable in 2016. The Board expects the profit contribution from PBSB to cushion any reduction in profitability of the Paints Division.

#### 18. Variance From Profit Forecast

This note is not applicable.

#### 19. Income Tax Expense

	<b>Current Quarter 31/03/2016</b>	<b>Year to date 31/03/2016</b>
	RM'000	RM'000
Provision for current taxation		
- Current year	678	678
- Under/(Overprovision) in prior year	-	-
Provision for deferred taxation	-	-
	<u>678</u>	<u>678</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 March 2016 are as follows:

	<b>As At 31/03/2016</b>	<b>As At 31/03/2015</b>
	RM'000	RM'000
<b>Current</b>		
Unsecured:-		
Bank overdrafts	937	-
Bankers' acceptance	1,376	320
	<u>2,313</u>	<u>320</u>
<b>Non-current</b>		
Secured:-		
Term loan	30,000	-
	<u>32,313</u>	<u>320</u>

(b) There were no borrowings or debt securities denominated in foreign currencies.

#### 24. Accumulated Losses

The breakdown of the accumulated losses of the Group as at the reporting date is as follows:

	<b>As At 31/03/2016</b>	<b>As At 31/03/2015</b>
	RM'000	RM'000
<b>Analysed By:</b>		
- Realised Loss	(62,904)	(64,875)
- Unrealised Profit	887	300
	<u>(62,017)</u>	<u>(64,575)</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 6.0 sen (6.0%) per ordinary share of RM1.00 each, for the financial year ending 31 December 2016 (27 May 2015: Nil). The total dividend amounting to RM2,410,920 will be payable on 20 July 2016 to shareholders registered in the Record of Depositors on 21 June 2016.

**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 guaranteed PAT for the financial year ended 31 December 2015 has been fulfilled.

**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>	
	<u>31/03/2016</u>	<u>31/03/2015</u>	<u>31/03/2016</u>	<u>31/03/2015</u>
Profit attributable to owners of the Company (RM'000)	1,232	1,835	1,232	1,835
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>3.07</u>	<u>4.57</u>	<u>3.07</u>	<u>4.57</u>