

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 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 30/06/2016 RM'000	Preceding Year Corresponding Quarter 30/06/2015 RM'000	Current Period To Date 30/06/2016 RM'000	Preceding Year Corresponding Period 30/06/2015 RM'000
Revenue	28,898	9,752	52,394	21,572
Cost of sales	(22,426)	(6,378)	(39,921)	(14,088)
Gross Profit	6,472	3,374	12,473	7,484
Other income				
Gain on foreign exchange	40	202	-	396
Impairment loss no longer required:				
- other investments	-	3	-	7
- receivables	239	68	341	88
Other incomes	250	27	360	65
Write back of directors' fee	-	-	-	-
	529	300	701	556
Operating expenses				
Depreciation & amortisation				
- total incurred	459	174	954	348
- absorbed into cost of sales	(97)	(105)	(202)	(210)
Impairment loss on:				
- other investments	30	-	52	-
- receivables	545	-	545	-
Loss on foreign exchange	-	-	351	-
Loss on sale of property, plant and equipment	-	-	5	-
Other operating expenses	2,511	2,522	5,041	4,499
	3,448	2,591	6,746	4,637
Results From Operating Activities	3,553	1,083	6,428	3,403
Interest income	60	133	99	268
Interest expense	(614)	-	(1,213)	-
Net Finance Costs	(554)	133	(1,114)	268
Profit Before Taxation	2,999	1,216	5,314	3,671
Income Tax Expense	(948)	(430)	(1,626)	(1,049)
Profit For The Period	2,051	786	3,688	2,622
Other Comprehensive Income, Net Of Tax	-	-	-	-
Total comprehensive income for the period	2,051	786	3,688	2,622
Total comprehensive income attributable to:				
Owners of the Company	1,579	786	2,811	2,622
Non-controlling interests	472	-	877	-
Total comprehensive income for the period	2,051	786	3,688	2,622
Earnings per share (Sen)	3.93	1.96	6.99	6.53

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

	Unaudited As At 30/06/2016 RM'000	Audited As At 12/31/2015 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	8,108	8,429
Goodwill on consolidation	39,316	39,316
Prepaid land lease payment	1,329	1,340
Investment properties	3,703	3,738
Deferred tax assets	395	395
	<u>52,851</u>	<u>53,218</u>
Current Assets		
Inventories	8,784	8,299
Trade receivables	53,082	47,888
Others receivables	1,881	2,286
Amount due from customers on contracts	4,606	89
Other Investments	148	200
Tax recoverable	-	58
Short term deposits	8,329	4,382
Cash and bank balances	5,974	8,227
	<u>82,804</u>	<u>71,429</u>
TOTAL ASSETS	<u>135,655</u>	<u>124,647</u>
EQUITY AND LIABILITIES		
Equity		
Share Capital	40,182	40,182
Share Premium	81,819	81,819
Accumulated losses	(62,849)	(63,249)
Equity attributable to owners of the Company	<u>59,152</u>	<u>58,752</u>
Non-controlling interests	<u>7,778</u>	<u>6,901</u>
Total Equity	<u>66,930</u>	<u>65,653</u>
Non-Current Liabilities		
Bank borrowings	30,000	30,000
Finance lease liabilities	583	727
Deferred tax liabilities	256	256
	<u>30,839</u>	<u>30,983</u>
Current Liabilities		
Trade payables	23,074	18,304
Others payables	5,194	5,701
Amount due to customers on contracts	599	1,738
Amount due to a director	1,649	-
Finance lease liabilities	680	588
Bank overdrafts	1,490	328
Bank borrowings	1,996	-
Tax payable	793	1,352
Proposed Dividend	2,411	-
	<u>37,886</u>	<u>28,011</u>
TOTAL EQUITY AND LIABILITIES	<u>135,655</u>	<u>124,647</u>
Net assets per share (RM)	1.47	1.46

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 Loss RM'000	Total Equity RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
Balance as of 1.1.2016	40,182	81,819	(63,249)	58,752	6,901	65,653
Total Comprehensive Income For The Period	-	-	2,811	2,811	877	3,688
First Interim Dividend (Note 26)	-	-	(2,411)	(2,411)	-	(2,411)
Balance as of 30.06.2016	<u>40,182</u>	<u>81,819</u>	<u>(62,849)</u>	<u>59,152</u>	<u>7,778</u>	<u>66,930</u>
Balance as of 1.1.2015	40,182	81,819	(66,410)	55,591	-	55,591
Total Comprehensive Income For The Period	-	-	2,622	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>	<u>-</u>	<u>58,213</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 2015.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The Group	6 months ended 30/06/2016 RM'000	6 months ended 30/06/2015 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation	5,314	3,671
Adjustment for non-cash items	2,678	(15)
Operating Profit Before Working Capital Changes	7,992	3,656
Changes in working capital:		
Inventories	(484)	1,625
Receivables	(9,625)	(3,081)
Payables	3,137	(429)
Bills payable	1,996	-
Income tax paid	(2,128)	(911)
Net Cash From Operating Activities	888	860
CASH FLOWS(USED IN)/FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(345)	(121)
Proceeds from disposal of property, plant & equipment	4	-
Interest received	99	268
Net Cash (Used in)/From Investing Activities	(242)	147
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs paid	(1,212)	-
Repayment of finance lease liabilities	(303)	-
Advance from a director	1,649	-
Net Cash From Financing Activities	134	-
CASH AND CASH EQUIVALENTS		
Net changes	780	1,007
Effect of exchange rate changes	(248)	-
Balance as of 1 January	12,281	17,004
Balance as at end of financial period	12,813	18,011

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

	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000
Cash and bank balances	5,974	3,466
Bank overdrafts	(1,490)	(4,403)
Short term deposits with licensed financial institutions	8,329	18,948
	12,813	18,011

The Condensed Consolidated statement of Cash Flow 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 30 June 2016 is as follows:

	Manufacturing & Trading RM'000	Construction RM'000	Investment Holding RM'000	Eliminations RM'000	Consolidated RM'000
6 Months Ended 30/06/2016					
Revenue					
External revenue	19,850	32,544	-	-	52,394
Inter-segment revenue	9,662	-	7,108	(16,770)	-
Total revenue	<u>29,512</u>	<u>32,544</u>	<u>7,108</u>	<u>(16,770)</u>	<u>52,394</u>
Results					
Segment profit	2,518	3,984	6,866	(6,940)	6,428
Interest income	99	-	-	-	99
Finance cost	-	(114)	(1,099)	-	(1,213)
Profit before tax	<u>2,617</u>	<u>3,870</u>	<u>5,767</u>	<u>(6,940)</u>	<u>5,314</u>
6 Months Ended 30/06/2015					
Revenue					
External revenue	21,572	-	-	-	21,572
Inter-segment revenue	10,638	-	9,868	(20,506)	-
Total revenue	<u>32,210</u>	<u>-</u>	<u>9,868</u>	<u>(20,506)</u>	<u>21,572</u>
Results					
Segment profit	3,935	-	9,168	(9,700)	3,403
Interest income	268	-	-	-	268
Finance cost	-	-	-	-	-
Profit before tax	<u>4,203</u>	<u>-</u>	<u>9,168</u>	<u>(9,700)</u>	<u>3,671</u>

Sales Revenue By Geographical Market

	6 months ended 30/06/2016 RM'000	6 months ended 30/06/2015 RM'000
Malaysia	47,680	17,499
Other Countries*	4,714	4,073
	<u>52,394</u>	<u>21,572</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 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 for the current quarter ended 30 June 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 30 June 2016.

12. Capital Commitments

There is a capital commitment of RM1.02 million for the purchase of Property, Plant and Equipment, which has not been reflected in the interim financial statements for the period ending 30 June 2016.

13. Contingent Liabilities / Assets

The Company has issued unsecured corporate guarantees totalling RM17.76 million to certain financial institutions and building materials suppliers for credit facilities granted to certain of its subsidiary companies. Accordingly, the Company is contingently liable to such financial institutions and suppliers 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 quarter 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 RM19.1 million (+196.3%) to RM28.9 million during the current quarter as compared to RM9.8 million achieved in the corresponding quarter in 2015, while Group's pretax profit increased by RM1.78 million (+146.6%) to RM2.99 million as compared to RM1.22 million achieved in the corresponding quarter of 2015. Both the increase in revenue and pretax profit were mostly contributed by the construction arm, Paramount Bounty Sdn Bhd ("PBSB").

The Paints Division saw an increase in revenue of RM0.94 million (+9.6%) to RM10.7 million in the current quarter as compared to the corresponding quarter in 2015. The increase in revenue was mainly contributed by the export market. In spite of the increase in revenue, pretax profit in the Paints Division decreased by RM0.23 million (-13.4%) to RM1.5 million in the current period due to lower forex gain and the impairment loss on receivables.

The Investment Holding Division, after excluding the dividend income from subsidiary companies, saw a pretax loss of RM0.61 million in the current quarter due to the financing cost on the RM30.0 million loan utilised for the acquisition of PBSB. In the corresponding quarter in 2015, the pretax loss of RM0.51 million was mainly attributed to the corporate exercise expenses relating to the acquisition of PBSB.

In the current quarter, PBSB contributed RM18.2 million to the Group's revenue and RM2.11 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. There was no comparable figures in the corresponding quarter in 2015 as PBSB was only acquired in August 2015.

For the current year todate period, Group's revenue increased by RM30.8 million (+142.9%) while pretax profit increased by RM1.64 million (+44.7%) as compared to the corresponding period in 2015. PBSB's contribution for the current period was RM32.5 million in revenue and RM3.87 million in pretax profit. Although export sales increased by RM0.64 million (+15.6%), the local sales of the Paints Division decreased by RM2.36 million (-13.5%) while pretax profit decreased by RM1.59 million (-37.7%) in the current period. The poorer performance by the Paints Division can be attributed to the restrained consumer spending in the face of higher cost of living and economic uncertainties, the reversal of forex gains into forex losses and the impairment loss on receivables.

16. Comparison With Previous Quarter's Results

	Current Quarter	Previous Quarter	Variance	
	30/06/16	31/03/16	RM'000	%
Revenue	28,898	23,497	5,401	23.0
Profit Before Tax	2,999	2,316	683	29.5
Profit After Tax	2,051	1,638	413	25.2

For the current quarter, revenue increased by RM5.40 million (+23.0%) while pretax profit increased by RM0.68 million (+29.5%) to RM3.0 million as compared to the previous quarter. The increase in revenue was due to the higher progress billing (+RM3.88 million) by PBSB and the increase in revenue (+RM1.53 million) of the Paints Division. The increase in pretax profit was contributed by both the Paints and Construction Divisions due to the higher revenue achieved.

17. Prospects For 2016

The economic activities in Malaysia are expected to contract further in the remaining period of 2016, in tandem with falling commodity prices and the uncertainties in the global economic environment. The curtailment in government expenditure together with the restrained consumer spending is likely to cause the nation's economic activities to slow further. Although the local sales of the Group's auto refinishing products will continue to be affected, the Group will strive to increase its export sales by capitalising on the weaker Ringgit. As for the Group's construction subsidiary, it is expected to contribute positively to the Group's revenue and profitability based on its existing order book in hand and additional new contracts that are likely to be secured in the near term..

Therefore, against the backdrop of the economic environment mentioned above, 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

	Current Quarter 30/06/2016 RM'000	Year to date 30/06/2016 RM'000
Provision for current taxation		
- Current year	948	1,626
- Under/(Overprovision) in prior year	-	-
Provision for deferred taxation	-	-
	<u>948</u>	<u>1,626</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 30 June 2016 is as follows:

	As At 30/06/2016 RM'000	As At 30/06/2015 RM'000
Current		
Unsecured:-		
Bank overdrafts	1,490	4,403
Bankers' acceptance	1,996	-
	<u>3,486</u>	<u>4,403</u>
Non-Current		
Secured:-		
Term loan	30,000	-
	<u>33,486</u>	<u>4,403</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 30/06/2016 RM'000	As At 30/06/2015 RM'000
Analysed By:		
- Realised Loss	63,866	64,196
- Unrealised Gain	<u>(1,017)</u>	<u>(408)</u>
	<u><u>62,849</u></u>	<u><u>63,788</u></u>

25. Changes In Material Litigation

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

26. Dividend Payable

The Board had on 25 May 2016 declared 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 was paid 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>30/06/2016</u>	<u>30/06/2015</u>	<u>30/06/2016</u>	<u>30/06/2015</u>
Profit attributable to owners of the Company (RM'000)	1,579	786	2,811	2,622
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>3.93</u>	<u>1.96</u>	<u>6.99</u>	<u>6.53</u>