

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 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Quarter 12/31/2016 RM'000	Preceding Year Corresponding Quarter 12/31/2015 RM'000	Current Period To Date 12/31/2016 RM'000	Preceding Year Corresponding Period 12/31/2015 RM'000
Continuing Operations				
Revenue	17,336	10,876	70,837	23,347
Cost of sales	(14,310)	(7,871)	(58,295)	(17,378)
Gross Profit	3,026	3,005	12,542	5,969
Other income				
Impairment loss no longer required:				
- other investments	-	67	-	77
- receivables	-	111	-	111
Other incomes	79	46	345	210
	<u>79</u>	<u>224</u>	<u>345</u>	<u>398</u>
Operating expenses				
Depreciation & amortisation				
- total incurred	315	348	1,253	576
- absorbed into cost of sales	-	-	-	-
Impairment loss on:				
- other investments	(7)	-	61	-
Loss on sale of property, plant and equipment	-	-	5	-
Other operating expenses	722	387	2,224	2,246
	<u>1,030</u>	<u>735</u>	<u>3,543</u>	<u>2,822</u>
Results From Operating Activities	2,075	2,494	9,344	3,545
Interest income	5	-	17	-
Interest expense	(596)	(573)	(2,426)	(769)
Net Finance Costs	<u>(591)</u>	<u>(573)</u>	<u>(2,409)</u>	<u>(769)</u>
Profit Before Taxation	1,484	1,921	6,935	2,776
Income Tax Expense	(702)	(792)	(2,526)	(1,516)
Profit From Continuing Operations	782	1,129	4,409	1,260
Discontinued Operations				
Profit from discontinued operations, net of tax	1,273	319	4,304	5,401
Profit For The Period	2,055	1,448	8,713	6,661
Other Comprehensive Income, Net Of Tax	-	-	-	-
Total Comprehensive Income For The Period	2,055	1,448	8,713	6,661
Total comprehensive income attributable to:				
Owners of the Company - continuing operations	291	615	2,308	171
Owners of the Company - discontinued operations	1,273	319	4,304	5,401
Non-controlling interests	491	514	2,101	1,089
Total comprehensive income for the period	2,055	1,448	8,713	6,661
Earnings per share (Sen)				
- Continuing Operations	0.72	1.53	5.74	0.42
- Discontinued Operations	3.17	0.79	10.71	13.44
	<u>3.89</u>	<u>2.32</u>	<u>16.45</u>	<u>13.86</u>

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.

MERCURY INDUSTRIES BERHAD
(Company No. 105550 - K)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As At 12/31/2016 RM'000	Audited As At 12/31/2015 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	3,526	8,429
Goodwill on consolidation	28,438	39,316
Prepaid land lease payment	-	1,340
Investment properties	2,914	3,738
Deferred tax assets	63	395
	<u>34,941</u>	<u>53,218</u>
Current Assets		
Inventories	-	8,299
Trade receivables	50,165	47,888
Others receivables	770	2,286
Amount due from customers on contracts	9,457	89
Other Investments	139	200
Tax recoverable	-	58
Short term deposits	9,017	4,382
Cash and bank balances	838	8,227
	<u>70,386</u>	<u>71,429</u>
Assets held for sale	47,207	-
	<u>117,593</u>	<u>71,429</u>
TOTAL ASSETS	<u>152,534</u>	<u>124,647</u>
EQUITY AND LIABILITIES		
Equity		
Share Capital	40,182	40,182
Share Premium	81,819	81,819
Accumulated losses	(61,459)	(63,249)
Equity attributable to owners of the Company	<u>60,542</u>	<u>58,752</u>
Non-controlling interests	<u>9,002</u>	<u>6,901</u>
Total Equity	<u>69,544</u>	<u>65,653</u>
Non-Current Liabilities		
Term loan > 12 months	28,302	30,000
Finance lease liabilities	1,072	727
Deferred tax liabilities	-	256
	<u>29,374</u>	<u>30,983</u>
Current Liabilities		
Trade payables	29,505	18,304
Others payables	7,958	5,701
Amount due to customers on contracts	-	1,738
Finance lease liabilities	924	588
Term loan < 12 months	1,698	-
Bank overdrafts	998	328
Bank borrowings	1,984	-
Tax payable	562	1,352
Proposed Dividend	2,411	-
	<u>46,040</u>	<u>28,011</u>
Liabilities held for sale	7,576	-
	<u>53,616</u>	<u>28,011</u>
TOTAL EQUITY AND LIABILITIES	<u>152,534</u>	<u>124,647</u>
Net assets per share (RM)	1.5067	1.4621

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.

MERCURY INDUSTRIES BERHAD
(Company No. 105550 - K)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<----- Attributable To Owners Of The Company ----->					
	Issued Capital	Share Premium	Accumulated Loss	Total Equity	Non- Controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	6,612	6,612	2,101	8,713
First Interim Dividend (Note 8)	-	-	(2,411)	(2,411)	-	(2,411)
Second Interim Dividend (Note 27)	-	-	(2,411)	(2,411)	-	(2,411)
Balance as of 31.12.2016	<u>40,182</u>	<u>81,819</u>	<u>(61,459)</u>	<u>60,542</u>	<u>9,002</u>	<u>69,544</u>
Balance as of 1.1.2015	40,182	81,819	(66,410)	55,591	-	55,591
Total Comprehensive Income						
For The Period	-	-	5,572	5,572	1,089	6,661
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>(63,249)</u>	<u>58,752</u>	<u>6,901</u>	<u>65,653</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.

MERCURY INDUSTRIES BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The Group	12 months ended 12/31/2016 RM'000	12 months ended 12/31/2015 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation from continuing operations	6,935	2,776
Profit before taxation from discontinued operations	5,653	7,145
	<u>12,588</u>	<u>9,921</u>
Adjustment for non-cash items	4,392	1,570
	<u>16,980</u>	<u>11,491</u>
Changes in working capital:		
Inventories	(1,930)	2,769
Receivables	(22,687)	3,427
Payables	18,259	(2,960)
Bills payable	1,984	-
Income tax paid	(4,695)	(4,356)
Income tax refund	-	53
	<u>7,911</u>	<u>10,424</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Acquisition of subsidiary company, net of cash acquired	-	(42,517)
Purchase of property, plant and equipment	(831)	(239)
Proceeds from disposal of property, plant & equipment	4	-
Interest received	236	403
	<u>(591)</u>	<u>(42,353)</u>
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		
Dividend paid to shareholders	(2,411)	(2,411)
Drawdown of term loan	-	30,000
Finance costs paid	(2,425)	(769)
Repayment of finance lease liabilities	(701)	(195)
	<u>(5,537)</u>	<u>26,625</u>
CASH AND CASH EQUIVALENTS		
Net changes	1,783	(5,304)
Effect of exchange rate changes	11	581
Balance as of 1 January	12,281	17,004
	<u>14,075</u>	<u>12,281</u>

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

	As at 12/31/2016 RM'000	As at 12/31/2015 RM'000
Cash equivalents of discontinued operations	5,218	-
Cash and bank balances	838	8,227
Bank overdrafts	(998)	(328)
Short term deposits with licensed financial institutions	9,017	4,382
	<u>14,075</u>	<u>12,281</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 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 December 2016 is as follows:

	<i>Discontinued Operations</i>	<i><-- Continuing Operations --></i>			
	Manufacturing & Trading	Construction	Investment Holding	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
12 Months Ended 31/12/2016					
Revenue					
External revenue	39,494	70,837	-	-	110,331
Inter-segment revenue	28,053	-	8,736	(36,789)	-
Total revenue	<u>67,547</u>	<u>70,837</u>	<u>8,736</u>	<u>(36,789)</u>	<u>110,331</u>
Results					
Segment profit	13,925	9,672	8,071	(16,890)	14,778
Interest income	219	17	-	-	236
Finance cost	-	(242)	(2,184)	-	(2,426)
Profit before tax	<u>14,144</u>	<u>9,447</u>	<u>5,887</u>	<u>(16,890)</u>	<u>12,588</u>
12 Months Ended 31/12/2015					
Revenue					
External revenue	43,064	23,347	-	-	66,411
Inter-segment revenue	39,315	-	10,136	(49,451)	-
Total revenue	<u>82,379</u>	<u>23,347</u>	<u>10,136</u>	<u>(49,451)</u>	<u>66,411</u>
Results					
Segment profit	25,347	5,097	8,248	(28,405)	10,287
Interest income	403	-	-	-	403
Finance cost	-	(32)	(737)	-	(769)
Profit before tax	<u>25,750</u>	<u>5,065</u>	<u>7,511</u>	<u>(28,405)</u>	<u>9,921</u>

Note: With the proposed disposal of the Silverlight Group, the comparison segments in 2015 have been reclassified accordingly.

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Sales Revenue By Geographical Market

	12 months ended 12/31/2016	12 months ended 12/31/2015
	RM'000	RM'000
Malaysia - continuing operations	70,837	23,347
Malaysia - discontinued operations	30,850	33,628
	<u>101,687</u>	<u>56,975</u>
Other Countries - discontinued operations*	8,644	9,436
	<u>110,331</u>	<u>66,411</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

There was no dividend paid during the financial quarter under review.

A First Single Tier Interim Dividend of 6% for the financial year ending 31 December 2016 (2015: A First Single Tier Interim Dividend of 6%) was paid on 20 July 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 31 December 2016.

10. Material Events Not Reflected In The Financial Statements

On 23 November 2016, the Company entered into a conditional Share Sale Agreement ("SSA") with Interglobal Dynasty Sdn Bhd ("IDSB") for the proposed disposal of 10,000,000 shares of Silverlight Prospects Sdn Bhd ("SPSB"), representing its entire equity interest in SPSB to IDSB for a cash consideration of RM50,500,000. The proposed disposal of SPSB was approved by the non-interested shareholders of the Company at the Extraordinary General Meeting held on 27 February 2017.

In accordance with MFRS 5, the assets and liabilities of the Silverlight Group have been reclassified as "Assets held for sale" or "Liabilities held for sale" where appropriate.

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 2016.

12. Capital Commitments

There is a capital commitment of RM1.57 million for the purchase of Property, Plant and Equipment, which has not been reflected in the interim financial statements for the period ending 31 December 2016.

13. Contingent Liabilities / Assets

The Company has issued unsecured corporate guarantees totalling RM19.59 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 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

The Group's revenue increased by RM5.59 million (+25.9%) to RM27.21 million during the current quarter as compared to RM21.62 million achieved in the corresponding quarter in 2015, while Group's pretax profit increased by RM0.75 million (+33.0%) to RM3.02 million as compared to RM2.27 million achieved in the corresponding quarter of 2015. The increase in revenue was contributed solely by the construction arm, Paramount Bounty Sdn Bhd ("PBSB"). while the increase in pretax profit was contributed by the Paints Division.

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The Paints Division saw a decrease in revenue of RM0.87 million (-8.1%) to RM9.87 million in the current quarter as compared to the corresponding quarter in 2015. In spite of the weaker Ringgit, the decrease in revenue was mainly from the export market due to the slowdown in the regional economic activities. Pretax profit in the Paints Division increased by RM1.19 million (+343.1%) to RM1.53 million in the current period due to the lower impairment loss on receivables and a substantial forex gain as compared to the corresponding period in 2015. With the proposed disposal of the Silverlight Group, this Division is treated as "Discontinued Operations" for reporting purposes.

The Investment Holding Division, after excluding the dividend income from subsidiary companies, saw a pretax loss of RM0.77 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 RM0.5 million was also mainly attributed to the financing cost relating to the acquisition of PBSB.

In the current quarter, PBSB contributed RM17.34 million to the Group's revenue and RM2.26 million to the Group's pretax profit as compared to RM10.88 million and RM2.42 million respectively in the corresponding quarter in 2015. The lower pretax profit was attributed to the higher operating overheads. The contribution from PBSB has helped to enhance the Group's revenue during the current quarter.

For the current year under review, Group's revenue increased by RM43.9 million (+66.1%) while pretax profit increased by RM2.67 million (+26.9%) to RM110.33 million and RM12.59 million respectively as compared to the revenue of RM66.4 million and pretax profit of RM9.92 million achieved in 2015. The increase in both revenue and pretax profit was attributed to PBSB whose contribution for the current year was RM70.84 million and RM9.45 million respectively. PBSB's revenue and pretax profit increased by RM47.5 million(+203.4%) and RM4.36 million (+86.1%) respectively as compared to 2015, as it was only acquired in August 2015.

In the Paints Division, the full year revenue decreased by RM3.57 million (-8.3%) to RM39.49 million while pretax profit decreased by RM1.51 million (-21.1%) to RM5.65 million as compared to 2015. Both the local and export markets recorded a decrease in revenue which can be attributed to the restrained consumer spending in the face of higher cost of living in Malaysia and the economic uncertainties in both the local and the regional economies. The reduction in pretax profit of the Paints Division was mainly due to the lower revenue, higher impairment losses on trade receivables and inventories and a substantial reduction in forex gains to only RM0.97 million as compared to a forex gain of RM1.07 million in 2015.

16. Comparison With Previous Quarter's Results

	Current Quarter	Previous Quarter	Variance	
	31/12/16	30/09/16	RM'000	%
Continuing Operations	RM'000	RM'000	RM'000	%
Revenue	17,336	20,956	(3,620)	(17.3)
Profit Before Tax	1,484	2,747	(1,263)	(46.0)
Profit After Tax	782	1,875	(1,093)	(58.3)
Discontinued Operations				
Revenue	9,874	9,770	104	1.1
Profit Before Tax	1,532	1,511	21	1.4
Profit After Tax	1,273	1,094	179	16.4

For the current quarter, revenue decreased by RM3.52 million (-11.4%) while pretax profit decreased by RM1.24 million (-29.2%) to RM27.21million and RM3.02 million respectively as compared to the previous quarter. The decrease in revenue was due to the lower progress billing (-RM3.62 million) by PBSB which has resulted in a reduction in pretax profit of RM1.07 million (-32.1%) in the Construction Division. Increase in operating expenses in the other Divisions contributed further to the reduction in the pretax profit.

17. Prospects For 2017

In tandem with the uncertainties and slower growth in the global economy, Malaysia's Gross Domestic Product is only projected to grow between 4.0 - 4.5% in 2017. In view of the increasingly challenging business environment in the auto refinish industry, the Board has proposed to divest the Paints Division for RM50.5 million and focus on the Construction Division, which has overtaken the Paints Division in both revenue and pretax profit contribution in 2016. In spite of the slowdown in the residential property sector, PBSB has been able to obtain new construction contracts. On 20/2/2017, it accepted a contract worth RM238 million for the construction and completion of 1632 Small Office Home Office units, 32 retails units and other related facilities in Ulu Klang. With the increasing orderbook in hand and the interest savings from the repayment of the RM30 million term loan, and barring any unforeseen circumstances, the Board expects the Group to remain profitable in 2017 despite the cessation of the profit contribution from the Paints Division resulting from its disposal.

18. Variance From Profit Forecast

This note is not applicable.

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19. Discontinued Operations

The results of the discontinued operations are as summarised below:

	Current Quarter 12/31/2016 RM'000	Corresponding Quarter 12/31/2015 RM'000	Year To Date 12/31/2016 RM'000	Year to date 12/31/2015 RM'000
Revenue	9,874	10,745	39,494	43,064
Cost of goods sold	(6,067)	(6,800)	(25,170)	(27,875)
Other incomes	444	113	978	1,828
Operating expenses	(2,719)	(3,713)	(9,649)	(9,852)
Profit before taxation	<u>1,532</u>	<u>345</u>	<u>5,653</u>	<u>7,165</u>
Income Tax	(259)	(26)	(1,349)	(1,764)
Profit for the period	<u>1,273</u>	<u>319</u>	<u>4,304</u>	<u>5,401</u>

20. Income Tax Expense

	Current Quarter 12/31/2016 RM'000	Year to date 12/31/2016 RM'000
Provision for current taxation		
- Current year	602	2,426
- Underprovision in prior year	55	55
Provision for deferred taxation	45	45
	<u>702</u>	<u>2,526</u>

21. Gain or Loss On Derivatives

This is not applicable as the Group does not deal in derivatives.

22. Exceptional Items

There were no exceptional items during the financial quarter under review.

23. Status Of Corporate Proposals

Except for the proposed disposal of SPSB which is pending completion after the approval by the non-interested shareholders at the Extraordinary General Meeting held on 27 February 2017, there is no other outstanding corporate proposal.

24. Group Borrowings And Debt Securities

(a) The Group's borrowings as of 31 December 2016 is as follows:

	As At 12/31/2016 RM'000	As At 12/31/2015 RM'000
Current		
Unsecured:-		
Bank overdrafts	998	328
Bankers' acceptance	1,984	-
Secured:-		
Term loan	<u>1,698</u>	<u>-</u>
	<u>4,680</u>	<u>328</u>
Non-Current		
Secured:-		
Term loan	<u>28,302</u>	<u>30,000</u>
	<u>32,982</u>	<u>30,328</u>

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

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25. Accumulated Loss

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

	As At 12/31/2016	As At 12/31/2015
	RM'000	RM'000
Analysed By:		
- Realised Loss	(61,816)	(63,787)
- Unrealised Gain	357	538
	<u>(61,459)</u>	<u>(63,249)</u>

26. Changes In Material Litigation

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

27. Dividend Payable

On 15 November 2016, the Board declared a Second 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. The total dividend amounting to RM2,410,920 was paid on 12 January 2017 to shareholders registered in the Record of Depositors on 15 December 2016.

With this second interim dividend, the total dividend payable for the financial year ended 31 December 2016 amounted to 12.0 sen per share (2015: 6.0 sen).

28. 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 2016 is RM7.0 million.

29. 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:-

	Current Quarter		Year to date	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Profit attributable to owners of the Company (RM'000):				
- continuing operations	291	615	2,308	171
- discontinued operations	1,273	319	4,304	5,401
	<u>1,564</u>	<u>934</u>	<u>6,612</u>	<u>5,572</u>
Weighted average number of ordinary shares in issue ('000)	40,182	40,182	40,182	40,182
Basic earnings per share (Sen):				
- continuing operations	0.72	1.53	5.74	0.42
- discontinued operations	3.17	0.79	10.71	13.44
	<u>3.89</u>	<u>2.32</u>	<u>16.45</u>	<u>13.86</u>