

MERGE ENERGY BHD. (420099-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2017

	Unaudited As at 30.06.2017 RM'000	Audited As at 31.03.2017 RM'000
<b>ASSETS</b>		
<b>Non Current Assets</b>		
Property, plant and equipment	22,529	22,796
Investment properties	15,970	15,970
Investment in an associate	3,363	3,430
Intangible assets	856	856
	<b>42,718</b>	<b>43,052</b>
<b>Current Assets</b>		
Inventories	60	66
Amounts due from customers for contract works	3,084	9,544
Trade receivables	19,596	21,781
Other receivables, deposits and prepayments	1,418	1,705
Tax Recoverable	349	231
Amount due from associate	141	141
Deposits place with licensed banks	11,751	11,964
Cash and bank balances	5,667	6,004
	<b>42,066</b>	<b>51,436</b>
<b>TOTAL ASSETS</b>	<b>84,784</b>	<b>94,488</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To Owner Of The Parent</b>		
Share capital	74,713	74,713
Reserves		
Share premium	-	-
Accumulated losses	(15,191)	(13,796)
Shareholders' Equity	<b>59,522</b>	<b>60,917</b>
Non-Controlling Interests	1,767	1,979
<b>Total Equity</b>	<b>61,289</b>	<b>62,896</b>
<b>Non Current Liabilities</b>		
Loans and borrowing	2,034	2,156
Deferred tax liabilities	364	364
<b>Current Liabilities</b>		
Amounts due to customers for contract works	729	1,255
Trade payables	10,270	10,816
Other payables and accruals	5,315	9,118
Loans and borrowing	4,631	7,757
Provision for taxation	152	126
	<b>21,097</b>	<b>29,072</b>
<b>Total Liabilities</b>	<b>23,495</b>	<b>31,592</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>84,784</b>	<b>94,488</b>
Net assets per share attributable to owner of the parent of the company	<b>0.89</b>	<b>0.91</b>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2017.)

MERGE ENERGY BHD. (420099-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THREE MONTHS PERIOD  
ENDED 30 JUNE 2017

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR QUARTER	CURRENT YEAR TO-DATE	PRECEDING YEAR TO-DATE
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Revenue	6,099	27,269	6,099	27,269
Cost of Sales	(5,262)	(24,179)	(5,262)	(24,179)
Gross Profit	837	3,090	837	3,090
Other Operating Income	222	161	222	161
Total Income	1,059	3,251	1,059	3,251
Admin Operating Costs	(2,454)	(3,025)	(2,454)	(3,025)
Profit/(Loss) from Operation	(1,395)	226	(1,395)	226
Finance Costs	(145)	(172)	(145)	(172)
Share of Result in Associate	(67)	177	(67)	177
Profit/(Loss) before taxation and zakat	(1,607)	231	(1,607)	231
Taxation	(1)	(44)	(1)	(44)
Defered Taxation	-	-	-	-
Zakat	-	(69)	-	(69)
Profit/(Loss) after taxation and zakat	(1,608)	118	(1,608)	118
Total Comprehensive Income / (Loss) For The Period	(1,608)	118	(1,608)	118
Profit/(Loss) attributable to :				
Owners of the parent	(1,395)	139	(1,395)	139
Non-controlling interest	(213)	(21)	(213)	(21)
Profit/(Loss)	(1,608)	118	(1,608)	118
Total Comprehensive Income / (Loss) attributable to :				
Owners of the parent	(1,395)	139	(1,395)	139
Non-controlling interest	(213)	(21)	(213)	(21)
Total Comprehensive Income / (Loss)	(1,608)	118	(1,608)	118
Earnings per share : -- - basic / diluted	sen (2.08)	sen 0.21	sen (2.08)	sen 0.21

Notes :

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2017.

MERGE ENERGY BHD. (420099-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF  
CHANGES IN EQUITY AS AT 30 JUNE 2017

← Attributable to Equity Holders of the Company →

	Share Capital RM'000	Share Premium RM'000	Accumulated Losses RM'000	Total RM'000	Non Controlling Interests RM'000	Total Equity RM'000
At 1 April 2017	74,713		(13,796)	60,917	1,979	62,896
Total Comprehensive Income for the period			(1,395)	(1,395)	(213)	(1,608)
At 30 June 2017	74,713	-	(15,191)	59,522	1,767	61,289

← Attributable to Equity Holders of the Company →

	Share Capital RM'000	Share Premium RM'000	Accumulated Losses RM'000	Total RM'000	Non Controlling Interests RM'000	Total Equity RM'000
At 1 April 2016	67,000	7,713	(15,419)	59,294	1,916	61,210
Total Comprehensive Income for the period			139	139	(21)	118
At 30 June 2016	67,000	7,713	(15,280)	59,433	1,895	61,328

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2017.)

## MERGE ENERGY BHD. (420099-X)

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THREE MONTHS PERIOD ENDED 30 JUNE 2017

	<b>3 MONTHS PERIOD ENDED 30.06.2017</b>	<b>3 MONTHS PERIOD ENDED 30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	(1,606)	230
Adjustments for :		
Non-cash items	269	293
Non-operating items (which are investing / financing)	113	58
Operating profit before changes in working capital	(1,224)	581
Changes in working capital :		
Net changes in current assets	8,942	7,253
Net changes in current liabilities	(4,875)	(6,345)
Cash (used in) / generated from operations	2,843	1,489
Interest paid	-	-
Tax paid	(95)	(44)
Zakat	-	(69)
Net cash (used in) / generated from operating activities	2,748	1,376
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash generated from / (used in) investing activities	97	(1,255)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash used in financing activities	(1,276)	3,800
Net (decrease) / increase in cash and cash equivalents	1,569	3,921
Cash and cash equivalents at beginning of financial year	11,625	11,500
Cash and cash equivalents at end of the quarter	13,194	15,421

Notes :

**MERGE ENERGY BHD.**  
(Company No. 420099-X)  
(Incorporated In Malaysia)

**Notes to the Interim Financial Report**

**A1 Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with applicable approved Malaysian Financial Reporting Standards ("MFRS") No. 134 "Interim Financial Reporting" and Chapter 9 Part K paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Securities Exchange").

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 March 2017. There was no qualification in the audited financial statements for the year ended 31 March 2017.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the year ended 31 March 2017. The transition from previous FRSs to the new MFRSs had no impact on the Group financial position, financial performance, cash flow and the notes to the financial statement.

**A2 Seasonal or cyclical factors**

The business operations of the Group were not affected by any significant seasonal or cyclical factors.

**A3 Items affecting assets, liabilities, equity, net income or cash flows**

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the current financial quarter.

**A4 Change in estimates**

There were no significant changes in the estimates of amounts reported in the interim periods of prior financial years that have a material effect in the current financial period.

**A5 Debt and equity securities**

There were no issuance and repayment of debt and equity securities, share buy-back, share cancellations, share held as treasury shares and resale of treasury shares for the current financial year to-date.

**A6 Dividend paid**

No dividends were paid for the current quarter under review.

#### A7 Segment Revenue and Segment Result by Business Segments

Segment information is presented in respect of the Group's business segment. All inter-segment transactions have been entered into in the normal course of business and have been established under terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. The effects of the inter-segment transactions are eliminated on consolidation.

Business Segments	Investment Holding RM'000	Construction RM'000	Property Investment RM'000	Maintenance, Facility Management and Services RM'000	Oil & Gas RM'000	Others RM'000	Elimination RM'000	Group RM'000
<b>3 months ended 30 June 2017</b>								
<b>Revenue</b>								
External sales	-	4,928	16	963	192	-	-	6,099
Inter-segment sales	-	-	44	77	-	-	(121)	-
	-	4,928	60	1,040	192	-	(121)	6,099
Segment Profit / (Loss)	(148)	(973)	8	(109)	(319)	(1)	2	(1,540)
Share of results of Associate	-	(67)	-	-	-	-	-	(67)
Profit / (Loss) before tax	(148)	(1,040)	8	(109)	(319)	(1)	2	(1,607)
Taxation	-	-	(3)	2	-	-	-	(1)
Zakat	-	-	-	-	-	-	-	-
<b>Profit / (Loss) after taxation</b>	<b>(148)</b>	<b>(1,040)</b>	<b>5</b>	<b>(107)</b>	<b>(319)</b>	<b>(1)</b>	<b>2</b>	<b>(1,608)</b>

**A7 Segment Revenue and Segment Result by Business Segments (cont'd)**

Business Segments	Investment Holding RM'000	Construction RM'000	Property Investment RM'000	Maintenance, Facility Management and Services RM'000	Oil & Gas RM'000	Others RM'000	Elimination RM'000	Group RM'000
<b>3 months ended 30 June 2016</b>								
Revenue	-	22,702	13	3,092	1,461	-	-	27,268
External sales	-	-	56	14	-	-	(69)	1
Inter-segment sales		<u>22,702</u>	<u>69</u>	<u>3,106</u>	<u>1,461</u>		<u>(69)</u>	<u>27,269</u>
Segment Profit / (Loss)	(169)	(544)	12	811	(53)	(3)	-	54
Share of results of Associate	-	177	-	-	-	-	-	177
Profit / (Loss) before tax	(169)	<u>(367)</u>	<u>12</u>	<u>811</u>	<u>(53)</u>	<u>(3)</u>		<u>231</u>
Taxation	-	-	(3)	(41)	-	-	-	(44)
Zakat	-	-	-	(69)	-	-	-	(69)
<b>Profit / (Loss) after taxation</b>	<u>(169)</u>	<u>(367)</u>	<u>9</u>	<u>701</u>	<u>(53)</u>	<u>(3)</u>		<u>118</u>

## **A8 Valuation of property, plant and equipment and investment properties**

The valuation of property, plant and equipment has been brought forward without amendment from the previous annual financial statements for the year ended 31 March 2017.

## **A9 Material subsequent events**

On 1 August 2017, Merge Energy Bhd (the Company) has entered into a Share Purchase Agreement ("SPA") to acquire 300,000 ordinary shares ("Sale Shares") representing the entire equity interest in Arena Terbaik Sdn Bhd (Arena Terbaik) for a total cash consideration of Ringgit Malaysia Fifty Thousand (RM50,000) only ("Purchase Consideration").

The principal activities of Arena Terbaik are providing repairing and maintenance services and trading of parts and equipment specialized for motor vehicles.

Arena Terbaik has three (3) wholly-owned subsidiaries, Germis Sejagat Sdn Bhd, Pimpinan Terbaik Sdn Bhd and Syor Bernas Sdn Bhd (collectively referred to as, the "Subsidiaries").

The Subsidiaries are principally engaged in the business of dealing with motor vehicles and workshop of auto services and maintenance.

Pursuant to the Proposed Acquisition, MEB will acquire Arena Terbaik and the Subsidiaries (collectively referred to as, the "Target Group").

The Proposed Acquisition will serve as an opportunity for the Group to diversify into a different segment to sustain its current business setup. The Target Group which has the skill and expertise in dealing with trading, repairing and maintenance services of motor vehicles, would be able to provide a stable recurring income for the Group. Leveraging on its good track record, the right expertise and committed team MEB and the Target Group are optimistic that the prospect for the coming years would be positive.

Henceforth, the Board of Directors of the Company envisages that the Proposed Acquisition will contribute to the future earnings and growth of the MEB Group

The Company had on 1 August 2017 announced the acquisition.

There were no other material events subsequent to the end of the period under review, which are likely to affect the result of the Group's operation substantially.

## **A10 Changes in composition of the Group**

There were no changes in the composition of the Group for the current period under review.

## **A11 Contingent liabilities or contingent assets**

The Company has given corporate guarantees amounting to RM58.21 million (31/03/2017 : RM62.41 million) to licensed banks for banking and suppliers credit facilities granted to a subsidiary company. Consequently, the Company is contingently liable for the amount of banking facilities utilized by a subsidiary company amounting to RM26.15 million (31/03/2017 : RM29.82 million)



## **Additional information required by Bursa Malaysia Listing Requirements**

### **B1 Review of performance**

For the three months ended 30 June 2017, the Group recorded a loss before tax of RM1.61 million on the back of revenue of RM6.10 million compared to profit before tax of RM231,000 and revenue of RM27.27 million in the preceding year three months ended 30 June 2016, mainly due to significant drop in progress billings as our current projects had completed and no new projects secured.

### **B2 Comparison of the quarterly results to the results of the immediate preceding quarter**

In line to note B1, the Group current quarter recorded a loss before tax of RM1.61 million on the back of revenue of RM6.10 million against profit before tax of RM1.57 million and revenue of RM16.40 million of the immediate preceding quarter ended 31 March 2017. mainly due to significant drop in progress billings as our current projects had completed and no new projects secured.

### **B3 Prospects**

MEB and its subsidiaries ("Group") are primarily engaged in the business of construction, project management, trading and maintenance works, landscaping and integrated facilities management contract works.

The construction tender especially in water related is getting limited and increasingly competitive with many government agency scaling down on its budget. With this challenging background, on 1 August 2017 MEB has acquire Arena Terbaik, dealing with repairing and maintenance services and trading of parts and equipment specialized for motor vehicles to sustain its income and revenue stream and to reduce the Group's dependency on its construction business.

The Group also will continue to put more effort on the following areas :

- More aggressive in looking for lead project
- More business development activities
- Expand business beyond construction
- Focus on sustaining the Group's cashflow and financial position
- Reducing cost and operating expenditure
- Reassign human resources effectively

### **B4 Profit forecast**

Not applicable as no profit forecast was published.

**B5 Notes to Consolidated Statement of Comprehensive Income**

	Current Quarter 30 June 2017 RM'000	Current Year To-date 30 June 2017 RM'000
Interest Expenses	(145)	(145)
Interest Income	100	100
Depreciation of Property, Plant and Equipment	(269)	(269)
Foreign Exchange Gain / (Loss)	7	7

**B6 Taxation**

	Current Quarter 30 June 2017 RM'000	Current Year To-date 30 June 2017 RM'000
Income Tax		
- Prior Year	(2)	(2)
- Current Year	3	3
	-----	-----
	1	1
	=====	=====

Provision for tax was made in the current quarter on business and non business income derived mainly from operating income, rental, interest on repo and fixed deposit.

**B7 Unquoted investments and properties**

There was no sale of unquoted investments or properties for the current quarter and financial year to date.

**B8 Purchase or disposal of quoted investments**

There was no purchase or disposal of quoted investments for the current quarter.

**B9 Borrowing**

The Group borrowings as at 30 June 2017 are as follows: -

	30 June 2017 RM'000
<u>Short term borrowing</u>	
- Hire purchase creditor	344
- Bank Overdraft	4,224
- Term Loan	63
<u>Long term borrowing</u>	
- Hire purchase creditor	857
- Term Loan	1,177
<b>Total</b>	<b>6,665</b>

**B10 Material litigation**

There is no litigation for the financial year as at 30 June 2017.

**B11 Dividend**

No dividends were proposed or declared for the current quarter and financial year to date. (2017 : Nil).

**B12 Earnings per share**

The basic losses per share for the financial year has been calculated based on the consolidated losses after taxation attributable to the owner of the parent of RM1.40 million and on the number of ordinary shares issue of 67,000,000.

### B13 Realised and Unrealised Profit / Loss Disclosures

The following analysis is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the context of disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad

	As at 30 June 2017 RM'000	As at 31 Mar 2017 RM'000 (Audited)
Total retained profits / (accumulated losses) of Merge Energy Bhd and its subsidiaries :		
- Realised	(38,736)	(37,340)
- Unrealised	10,178	10,325
	<hr/>	<hr/>
	(28,558)	(27,015)
Total share of retained profits / (accumulated losses) of the associate :		
- Realised	(163)	(96)
- Unrealised	995	995
	<hr/>	<hr/>
	(27,726)	(26,116)
Add : Consolidation adjustments	12,535	12,320
	<hr/>	<hr/>
Total group retained profits / (accumulated losses) as per consolidated accounts	(15,191) =====	(13,796) =====

By Order of the Board  
Yew @ Yeoh Siew Yen  
MAICSA 7048094  
Company Secretary  
Shah Alam  
22 August 2017