

Notes to the Interim Financial Report

A1 Corporate Information

The Company is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

A2 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.

A3 Seasonal or cyclical factors

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

A4 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.

A5 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.

A6 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.

A7 Dividend paid

No dividends were paid for the current quarter under review.

A8 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	Auto Service and Maintenance Workshop RM'000	Others RM'000	Elimination RM'000	Group RM'000
6 months ended 30 September 2017									
Revenue									
External sales	-	8,215	32	1,752	1,114	348	-	-	11,461
Inter-segment sales	-	-	87	131	-	-	-	(266)	(48)
	<u>-</u>	<u>8,215</u>	<u>119</u>	<u>1,883</u>	<u>1,114</u>	<u>348</u>	<u>-</u>	<u>(266)</u>	<u>11,413</u>
Segment Profit / (Loss)	(428)	(1,855)	-	(250)	(488)	(164)	-	1,225	(1,960)
Finance costs	-	(185)	-	(8)	(34)	-	-	-	(227)
Share of results of Associate	-	(120)	-	-	-	-	-	-	(120)
Profit / (Loss) before tax	<u>(428)</u>	<u>(2,160)</u>	<u>-</u>	<u>(258)</u>	<u>(522)</u>	<u>(164)</u>	<u>-</u>	<u>1,225</u>	<u>(2,307)</u>
Taxation	-	-	(6)	2	-	-	-	-	(4)
Zakat	-	-	-	-	-	-	-	-	-
Profit / (Loss) after taxation	<u><u>(428)</u></u>	<u><u>(2,160)</u></u>	<u><u>(6)</u></u>	<u><u>(256)</u></u>	<u><u>(522)</u></u>	<u><u>(164)</u></u>	<u><u>-</u></u>	<u><u>1,225</u></u>	<u><u>(2,311)</u></u>

A8 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	Auto Service and Maintenance Workshop RM'000	Others RM'000	Elimination RM'000	Group RM'000
6 months ended 30 September 2016									
Revenue									
External sales	-	44,843	27	5,052	3,207	-	-	-	53,129
Inter-segment sales	-	-	111	47	-	-	-	(158)	-
		<u>44,843</u>	<u>138</u>	<u>5,099</u>	<u>3,207</u>	<u>-</u>	<u>-</u>	<u>(158)</u>	<u>53,129</u>
Segment Profit / (Loss)	(373)	369	9	1,020	125	-	(5)	4	1,149
Finance Costs	-	(207)	-	(5)	(26)	-	-	-	(238)
Share of results of Associate	-	177	-	-	-	-	-	-	177
Profit / (Loss) before tax	<u>(373)</u>	<u>339</u>	<u>9</u>	<u>1,015</u>	<u>99</u>	<u>-</u>	<u>(5)</u>	<u>4</u>	<u>1,088</u>
Taxation	-	(57)	(6)	(82)	(24)	-	-	-	(169)
Deferred Taxation	-	-	-	-	-	-	-	-	-
Zakat	-	-	-	(69)	-	-	-	-	(69)
Profit / (Loss) after taxation	<u><u>(373)</u></u>	<u><u>282</u></u>	<u><u>3</u></u>	<u><u>864</u></u>	<u><u>75</u></u>	<u><u>-</u></u>	<u><u>(5)</u></u>	<u><u>4</u></u>	<u><u>850</u></u>

A9 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.

A10 Material subsequent events

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.

A11 Changes in composition of the Group

On 1 August 2017, Merge Energy Bhd acquired 100% equity interest in Arena Terbaik Sdn Bhd for a cash consideration of RM50,000.

(a) The effect of the acquisition on the financial results of the Group during the financial quarter are as follows : -

	30-Sep-17 RM'000
Revenue	348
Operating Costs	(512)
Profit before tax	(164)
Taxation	0
Increase in Group Losses	(164)

(b) The effect of acquisition on the financial position of the Group at the end of the financial quarter are as follows : -

	30-Sep-17 RM'000
Property, plant and equipment	1,254
Inventories	252
Trade and other receivable	2,718
Cash and cash equipvalent	322
Trade and other payable	(3,265)
Deferred tax liabilities	(10)
Net assets acquired	1,271
Bargain purchase	(1,221)
Acquisition satisfied by cash	50
Cash and cash equipvalent of the subsidiary company acquired	(322)
Cash flow on acquisition, net of cash inflow	(272)

A12 Contingent liabilities or contingent assets

The Company has given corporate guarantees amounting to RM49.61 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 subsidiaries company amounting to RM14.42 million (31/03/2017 : RM29.82 million)

Additional information required by Bursa Malaysia Listing Requirements

B1 Review of performance

	INDIVIDUAL PERIOD (2nd quarter)			CUMULATIVE PERIOD		
	CURRENT YEAR QUARTER	PRECEDING YEAR QUARTER	Change %	CURRENT YEAR TO-DATE	PRECEDING YEAR TO-DATE	Change %
	30.09.2017 RM'000	30.09.2016 RM'000		30.09.2017 RM'000	30.09.2016 RM'000	
Revenue	5,314	25,860	-79%	11,413	53,129	-79%
Operating Profit / (Loss)	(565)	922	-161%	(1,960)	1,149	-271%
Profit / (Loss) Before Interest and Tax	(619)	922	-167%	(2,080)	1,326	-257%
Profit / (Loss) Before Tax	(701)	856	-182%	(2,307)	1,088	-312%
Profit / (Loss) After Tax	(704)	732	-196%	(2,311)	850	-372%
Profit / (Loss) Attributable to Owners of the Company	(622)	681	-191%	(2,017)	820	-346%

Quarterly

For the quarter under review, the Group recorded revenue of RM5.31 million and net loss of RM704,000, a decrease of 79% and 196% respectively as compare to RM25.86 million and RM732,000 in the corresponding quarter ended 30 September 2016. The declined were mainly due to significant drop in progress billings as our current projects had completed and no new projects secured.

Year-to-date

In line of the above movement it had an effect on the six months result, the Group recorded revenue of RM11.41 million and net loss of 2.31 million, a decrease of 79% and 372% as compare to RM53.13 million and RM820,000 respectively in the corresponding preceding six months period ended 30 September 2016.

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

	CURRENT QUARTER ENDED 30.09.2017 RM'000	IMMEDIATE PRECEDING QUARTER ENDED 30.06.2017 RM'000	Change %
Revenue	5,314	6,099	-13%
Operating Profit / (Loss)	(565)	(1,395)	59%
Profit / (Loss) Before Interest and Tax	(619)	(1,462)	58%
Profit / (Loss) Before Tax	(701)	(1,607)	56%
Profit / (Loss) After Tax	(704)	(1,608)	56%
Profit / (Loss) Attributable to Owners of the Company	(622)	(1,395)	55%

For the current quarter under review, the Group's revenue was RM5.31 million, a decline of 13% from the preceding quarter revenue of RM6.10 million while the loss after tax for the quarter stood at RM704,000. The Group still recorded losses for the current quarter however the losses had been mitigated by effective cost control.

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 Group is expected to operate in a very challenging environment. Nevertheless, the Group will continue to focus on getting more projects through tendering and proposal and stringent cost control in the current financial year.

B4 Profit forecast

Not applicable as no profit forecast was published.

B5 Profit Before Tax

Profit before tax is arrived at after charging / (crediting) :-

	Current Quarter 30-Sep-17 RM'000	Preceding Quarter 30-Sep-16 RM'000	Current YTD 30-Sep-17 RM'000	Preceding YTD 30-Sep-16 RM'000
Interest (Income)/ Loss	10	(5)	(90)	(5)
Interest Expenses	82	66	227	238
Depreciation Expenses	307	278	576	570
Foreign Exchange (Gain) / Loss	(5)	(21)	(12)	(70)
	92	61	137	233

B6 Taxation

	Current Quarter 30-Sep-17 RM'000	Preceding Quarter 30-Sep-16 RM'000	Current YTD 30-Sep-17 RM'000	Preceding YTD 30-Sep-16 RM'000
- Prior Year	0	0	(2)	0
- Current Year	3	124	6	169
	3	124	4	169

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 are as follows: -

	As at 30-Sep-17 RM'000	As at 30-Sep-16 RM'000
<u>Short Term Borrowing (Secured)</u>		
- Letter of Credit / Trust Receipt	0	2,445
- Bank Overdraft	2,504	3,972
- Hire Purchase	343	382
- Term Loan	63	62
<u>Long Term Borrowing (Secured)</u>		
- Hire Purchase	772	1,006
- Term Loan	1,166	1,206
Total Borrowing	4,848	9,073

B10 Material litigation

There is no material litigation for the financial year as at 30 September 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 RM2.02 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 Sept 2017 RM'000	As at 31 Mar 2017 RM'000 (Audited)
Total retained profits / (accumulated losses) of Merge Energy Bhd and its subsidiaries :		
- Realised	(39,638)	(37,340)
- Unrealised	10,176	10,325
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	(29,462)	(27,015)
Total share of retained profits / (accumulated losses) of the associate :		
- Realised	(216)	(96)
- Unrealised	995	995
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	(28,683)	(26,116)
Add : Consolidation adjustments	12,869	12,320
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Total group retained profits / (accumulated losses) as per consolidated accounts	(15,814) =====	(13,796) =====

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