

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
9 months ended 31 December 2017									
Revenue									
External sales	-	12,436	49	2,513	2,427	797	-	-	18,222
Inter-segment sales	-	-	131	186	-	109	-	(426)	-
	<u>-</u>	<u>12,436</u>	<u>180</u>	<u>2,699</u>	<u>2,427</u>	<u>906</u>	<u>-</u>	<u>(426)</u>	<u>18,222</u>
Segment Profit / (Loss)	(637)	(2,742)	(40)	(440)	(450)	(420)	(6)	1,227	(3,508)
Finance costs	-	(258)	-	(11)	(51)	-	-	-	(320)
Share of results of Associate	-	(175)	-	-	-	-	-	-	(175)
Profit / (Loss) before tax	<u>(637)</u>	<u>(3,175)</u>	<u>(40)</u>	<u>(451)</u>	<u>(501)</u>	<u>(420)</u>	<u>(6)</u>	<u>1,227</u>	<u>(4,003)</u>
Taxation	-	(20)	(11)	39	120	(97)	-	-	31
Zakat	-	-	-	-	-	-	-	-	-
Profit / (Loss) after taxation	<u>(637)</u>	<u>(3,195)</u>	<u>(51)</u>	<u>(412)</u>	<u>(381)</u>	<u>(517)</u>	<u>(6)</u>	<u>1,227</u>	<u>(3,972)</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
9 months ended 31 December 2016									
Revenue									
External sales	-	60,291	41	6,410	4,357	-	-	-	71,099
Inter-segment sales	-	-	166	105	-	-	-	(271)	-
	<u>-</u>	<u>60,291</u>	<u>207</u>	<u>6,515</u>	<u>4,357</u>	<u>-</u>	<u>-</u>	<u>(271)</u>	<u>71,099</u>
Segment Profit / (Loss)	(551)	(57)	4	1,665	272	-	(9)	6	1,330
Finance Costs	-	(326)	-	(9)	(43)	-	-	-	(378)
Share of results of Associate	-	177	-	-	-	-	-	-	177
Profit / (Loss) before tax	<u>(551)</u>	<u>(206)</u>	<u>4</u>	<u>1,656</u>	<u>229</u>	<u>-</u>	<u>(9)</u>	<u>6</u>	<u>1,129</u>
Taxation	-	(85)	(9)	(251)	28	-	-	-	(317)
Deferred Taxation	-	-	-	-	-	-	-	-	-
Zakat	-	-	-	(69)	-	-	-	-	(69)
Profit / (Loss) after taxation	<u><u>(551)</u></u>	<u><u>(291)</u></u>	<u><u>(5)</u></u>	<u><u>1,336</u></u>	<u><u>257</u></u>	<u><u>-</u></u>	<u><u>(9)</u></u>	<u><u>6</u></u>	<u><u>743</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

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

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 RM14.19 million (31/03/2017 : RM29.82 million)

Additional information required by Bursa Malaysia Listing Requirements

B1 Review of performance

	INDIVIDUAL PERIOD (3rd quarter)			CUMULATIVE PERIOD		
	CURRENT YEAR QUARTER	PRECEDING YEAR QUARTER	Change %	CURRENT YEAR TO-DATE	PRECEDING YEAR TO-DATE	Change %
	31.12.2017 RM'000	31.12.2016 RM'000		31.12.2017 RM'000	31.12.2016 RM'000	
Revenue	6,809	17,969	-62%	18,222	71,099	-74%
Operating Profit / (Loss)	(1,546)	181	-954%	(3,508)	1,330	-364%
Profit / (Loss) Before Interest and Tax	(1,601)	181	-985%	(3,683)	1,507	-344%
Profit / (Loss) Before Tax	(1,695)	41	-4234%	(4,003)	1,129	-455%
Profit / (Loss) After Tax	(1,660)	(107)	1451%	(3,972)	743	-635%
Profit / (Loss) Attributable to Owners of the Company	(1,716)	(180)	853%	(3,734)	640	-683%

Quarterly

For the current quarter under review, the Group recorded revenue of RM6.81 million and loss after tax of RM1.66 million as compared to corresponding preceding year quarter revenue of RM17.97 million and loss after tax of RM107,000 was mainly due to most of the mega projects has completed and the progress were fully recognized in the previous quarter. The ongoing projects in hand are mainly maintenance works and small jobs from the subsidiaries. No new project secured up to the reporting date.

Year-to-date

In line with the above, the Group recorded nine months revenue of RM18.22 million and loss after tax of 3.97 million, a decrease of 74% and 635% as compared to revenue of RM71.10 million and profit of RM743,000 respectively in the corresponding preceding nine months period ended 31 December 2016. The Group recorded greater losses in the nine months for the same reason mentioned above thus not able to cover the operating costs.

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

	CURRENT QUARTER ENDED 31.12.2017 RM'000	IMMEDIATE PRECEDING QUARTER ENDED 30.09.2017 RM'000	Change %
Revenue	6,809	5,314	28%
Operating Profit / (Loss)	(1,546)	(565)	-174%
Profit / (Loss) Before Interest and Tax	(1,601)	(619)	-159%
Profit / (Loss) Before Tax	(1,695)	(701)	-142%
Profit / (Loss) After Tax	(1,660)	(704)	-136%
Profit / (Loss) Attributable to Owners of the Company	(1,716)	(622)	-176%

For the current quarter under review, the Group's revenue was RM6.81 million, an increase of 28% from the preceding quarter revenue of RM5.31 million while the loss after tax for the quarter stood at RM1.66 million as compare to the preceding quarter loss of RM704,000 000 was mainly due to most of the mega projects has completed and the progress were fully recognized in the previous quarter. The ongoing projects in hand are mainly maintenance works and small jobs from the subsidiaries. No new project secured up to the reporting date.

B3 Prospects

The Board of directors expected that the Group's business is still tough and challenging. These challenges include high finance costs and shortage of working capital funds. The challenging environment will remain in this financial year ending 31 March 2018.

Nevertheless, the Group will continue to focus on getting more projects through tendering and proposal and stringent cost control.

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 31-Dec-17 RM'000	Preceding Year Quarter 31-Dec-16 RM'000	Current YTD 31-Dec-17 RM'000	Preceding Year YTD 31-Dec-16 RM'000
Interest (Income)/ Loss	(32)	(259)	(122)	(264)
Interest Expenses	94	140	320	378
Depreciation Expenses	328	262	904	832
Foreign Exchange (Gain) / Loss	(12)	(4)	(24)	(5)
	378	139	1,078	941

B6 Taxation

	Current Quarter 31-Dec-17 RM'000	Preceding Year Quarter 31-Dec-16 RM'000	Current YTD 31-Dec-17 RM'000	Preceding Year YTD 31-Dec-16 RM'000
- Prior Year	(38)	31	(40)	32
- Current Year	3	117	9	285
	(35)	148	(31)	317

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 31-Dec-17 RM'000	As at 31-Dec-16 RM'000
<u>Short Term Borrowing (Secured)</u>		
- Letter of Credit / Trust Receipt	-	1,024
- Bank Overdraft	3,198	5,139
- Hire Purchase	325	392
- Term Loan	64	62
<u>Long Term Borrowing (Secured)</u>		
- Hire Purchase	682	1,004
- Term Loan	1,156	1,197
Total Borrowing	5,425	8,818

B10 Material litigation

There is no material litigation for the financial year as at 31 December 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 RM3.73 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 31 Dec 2017 RM'000	As at 31 Mar 2017 RM'000 (Audited)
Total retained profits / (accumulated losses) of Merge Energy Bhd and its subsidiaries :		
- Realised	(41,245)	(37,340)
- Unrealised	10,177	10,325
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	(31,068)	(27,015)
Total share of retained profits / (accumulated losses) of the associate :		
- Realised	(271)	(96)
- Unrealised	995	995
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	(30,344)	(26,116)
Add : Consolidation adjustments	12,814	12,320
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Total group retained profits / (accumulated losses) as per consolidated accounts	(17,530) =====	(13,796) =====

By Order of the Board
Yew @ Yeoh Siew Yen
MAICSA 7048094
Company Secretary
Shah Alam
27 February 2018