

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

## **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 2018. There was no qualification in the audited financial statements for the year ended 31 March 2018.

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 2018. 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
<b>6 months ended 30 September 2018</b>									
<b>Revenue</b>									
External sales	-	17,816	32	1,791	3,234	796	-	-	23,669
Inter-segment sales	-	-	123	171	-	113	-	(407)	-
	<u>-</u>	<u>17,816</u>	<u>155</u>	<u>1,962</u>	<u>3,234</u>	<u>909</u>	<u>-</u>	<u>(407)</u>	<u>23,669</u>
Segment Profit / (Loss)	(502)	(1,181)	37	(56)	564	(356)	(5)	33	(1,466)
Finance costs	-	(198)	-	(7)	(33)	-	-	-	(238)
Share of results of Associate	-	-	-	-	-	-	-	-	-
Profit / (Loss) before tax	<u>(502)</u>	<u>(1,379)</u>	<u>37</u>	<u>(63)</u>	<u>531</u>	<u>(356)</u>	<u>(5)</u>	<u>33</u>	<u>(1,704)</u>
Taxation	-	-	(7)	-	(17)	(5)	-	-	(29)
Deferred Taxation	-	-	-	-	-	-	-	-	-
Zakat	-	-	-	-	-	-	-	-	-
<b>Profit / (Loss) after taxation</b>	<u><u>(502)</u></u>	<u><u>(1,379)</u></u>	<u><u>30</u></u>	<u><u>(63)</u></u>	<u><u>514</u></u>	<u><u>(361)</u></u>	<u><u>(5)</u></u>	<u><u>33</u></u>	<u><u>(1,733)</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
<b>6 months ended 30 September 2017</b>									
<b>Revenue</b>									
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	-	-	-	-	-	-	-	-	-
<b>Profit / (Loss) after taxation</b>	<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>

## **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 2018.

## **A10 Material subsequent events**

On 22 November 2018, the Board of Directors of Merge Energy Bhd ("MEB") entered into a Share Purchase Agreement ("SPA") with En Hamdan bin Mohamed and En Mohd Rosidi bin Hassan (collectively referred to as "Purchasers") to dispose its entire 300,000 ordinary shares ("Sale Shares") representing 100% equity interest in Arena Terbaik Sdn Bhd ("Arena Terbaik") for a total cash consideration of Ringgit Malaysia : One (RM1.00) only ("Disposal Consideration").

Arena Terbaik, wholly-owned subsidiary of MEB, was incorporated in Malaysia on 1<sup>st</sup> February 2013 as a private limited company under the Companies Act, 1965. The issued and paid up share capital of Arena Terbaik is RM300,000.00 comprising 300,000 ordinary shares.

Arena Terbaik is principally engaged in the business of providing repairing and maintenance services and trading of parts and equipment specialized for motor vehicles.

Arena Terbaik is the beneficial and registered owner of the entire ordinary equity interest in Gerimis 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 Disposal, MEB will disposed Arena Terbaik and the Subsidiaries (collectively referred to as, the "**Arena Group**").

The Disposal will allow the Group to mitigate its losses and to streamline its operations to focus on its core business and the expected gain arising from the Disposal is RM194,460/-. The Disposal is not expected to pose any risk factors which could materially and/or adversely affect the business operations and financial performance of MEB.

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 RM69.23 million (31/03/2018 : RM49.61 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 RM26.87 million (31/03/2018 : RM14.24 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		CURRENT YEAR TO-DATE	PRECEDING YEAR TO-DATE	
	30.09.2018 RM'000	30.09.2017 RM'000	Change %	30.09.2018 RM'000	30.09.2017 RM'000	Change %
Revenue	14,585	5,314	174%	23,669	11,413	107%
Operating Profit / (Loss)	(1,378)	(565)	144%	(1,466)	(1,960)	-25%
Profit / (Loss) Before Interest and Tax	(1,378)	(619)	123%	(1,466)	(2,080)	-30%
Profit / (Loss) Before Tax	(1,511)	(701)	116%	(1,704)	(2,307)	-26%
Profit / (Loss) After Tax	(1,528)	(704)	117%	(1,733)	(2,311)	-25%
Profit / (Loss) Attributable to Owners of the Company	(1,479)	(622)	138%	(1,939)	(2,017)	-4%

#### **Quarterly**

For the current quarter under review, the Group recorded revenue of RM14.59 million and loss before tax of RM1.51 million as compared to corresponding preceding year quarter revenue of RM5.31 million and loss before tax of RM701,000 respectively.

The revenue increase of 174% was mainly due to the contribution by the new project ie, Loji Rawatan Air Pagoh. Nonetheless, the losses before tax also increase by 116% was mainly due to lower profit margin and insufficient to cover the administration operating costs.

#### **Year-to-date**

For the six months ended 30 September 2018 the Group recorded revenue of RM23.67 million and losses before tax of RM1.70 million as compared to corresponding preceding year six months period ended 30 September 2017 revenue of RM11.41 million and losses before tax of RM2.31 million respectively.

The revenue increase by 107% mainly due to contribution by the new project, ie Loji Rawatan Air Pagoh. In line of the above increase and the effectiveness of the project and stringent administrative cost control, the losses before tax were mitigate.

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

	CURRENT QUARTER ENDED 30.09.2018 RM'000	IMMEDIATE PRECEDING QUARTER ENDED 30.06.2018 RM'000	Change %
Revenue	14,585	9,084	61%
Operating Profit / (Loss)	(1,378)	(89)	1448%
Profit / (Loss) Before Interest and Tax	(1,378)	(89)	1448%
Profit / (Loss) Before Tax	(1,511)	(194)	679%
Profit / (Loss) After Tax	(1,528)	(206)	642%
Profit / (Loss) Attributable to Owners of the Company	(1,479)	(461)	221%

For the current quarter under review, the Group's suffered further losses of RM1.51 million, despite a high revenue of RM14.59 million an increase of 61% from the preceding quarter.

The higher revenue were contributed by the new project ie, Loji Rawatan Air Pagoh. The losses before tax were mainly due to lower profit margin and insufficient to cover the administration operating costs.

## **B3 Prospects**

The Group will continue in pursuing to secure new contract and business opportunities in various states in Malaysia.

In view of the challenging times, The Group has started stringent cost reduction exercise, enhances operational efficiency and restructure of resources throughout the Group.

Barring unforeseen circumstances, the Director are of the opinion that based on the remaining balance of order book, the performance of the Group for forthcoming financial period is expected to be challenging.

**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-18 RM'000	Preceding Year Quarter 30-Sep-17 RM'000	Current YTD 30-Sep-18 RM'000	Preceding Year YTD 30-Sep-17 RM'000
Interest (Income)/ Loss	(33)	10	(66)	(90)
Interest Expenses	133	82	238	227
Depreciation Expenses	331	307	665	576
Foreign Exchange (Gain) / Loss	17	(5)	19	(12)

**B6 Taxation**

	Current Quarter 30-Sep-18 RM'000	Preceding Year Quarter 30-Sep-17 RM'000	Current YTD 30-Sep-18 RM'000	Preceding Year YTD 30-Sep-17 RM'000
- Prior Year Tax	5	0	5	(2)
- Current Year Tax	12	3	24	6
	17	3	29	4

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-18 RM'000	As at 30-Sep-17 RM'000
<u>Short Term Borrowing (Secured)</u>		
- Bank Overdraft	6,910	2,504
- Hire Purchase	352	343
- Term Loan	65	63
<u>Long Term Borrowing (Secured)</u>		
- Hire Purchase	636	772
- Term Loan	1,124	1,166
Total Borrowing	9,087	4,848

**B10 Material litigation**

There is no material litigation for the financial year as at 30 September 2018.

**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 RM1.94 million and on the number of ordinary shares issue of 67,000,000.

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