

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
9 months ended 31 December 2018									
Revenue									
External sales	-	30,237	49	2,793	4,134	922	-	-	38,135
Inter-segment sales	-	-	178	234	-	113	-	(525)	-
	<u>-</u>	<u>30,237</u>	<u>227</u>	<u>3,027</u>	<u>4,134</u>	<u>1,035</u>	<u>-</u>	<u>(525)</u>	<u>38,135</u>
Segment Profit / (Loss)	(957)	(572)	43	(113)	648	(425)	(9)	(369)	(1,754)
Finance costs	-	(328)	-	(11)	(49)	-	-	-	(388)
Share of results of Associate	-	-	-	-	-	-	-	-	-
Profit / (Loss) before tax	<u>(957)</u>	<u>(900)</u>	<u>43</u>	<u>(124)</u>	<u>599</u>	<u>(425)</u>	<u>(9)</u>	<u>(369)</u>	<u>(2,142)</u>
Taxation	-	-	(14)	-	(17)	(5)	-	-	(36)
Deferred Taxation	-	-	-	-	-	-	-	-	-
Zakat	-	-	-	-	-	-	-	-	-
Profit / (Loss) after taxation	<u>(957)</u>	<u>(900)</u>	<u>29</u>	<u>(124)</u>	<u>582</u>	<u>(430)</u>	<u>(9)</u>	<u>(369)</u>	<u>(2,178)</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 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><u>(637)</u></u>	<u><u>(3,195)</u></u>	<u><u>(51)</u></u>	<u><u>(412)</u></u>	<u><u>(381)</u></u>	<u><u>(517)</u></u>	<u><u>(6)</u></u>	<u><u>1,227</u></u>	<u><u>(3,972)</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

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 during the financial quarter under review except for the following : -

On 22 November 2018, the Company has disposed 300,000 ordinary shares in Arena Terbaik Sdn Bhd ("ATSB"), representing 100% of the total number of issued shares of ATSB for a total cash consideration of RM1 to En Hamdan bin Mohamed and En Mohd Rosidi bin Hassan. Upon completion of the disposal, ATSB has ceased to be a subsidiary of Merge Energy Bhd.

On 30 November 2018, the Company has completed the disposal of ATSB.

A12 Contingent liabilities or contingent assets

The Company has given corporate guarantees amounting to RM56.83 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 RM23.16 million (31/03/2018 : RM14.24 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		CURRENT YEAR TO-DATE	PRECEDING YEAR TO-DATE	
	31.12.2018 RM'000	31.12.2017 RM'000	Change %	31.12.2018 RM'000	31.12.2017 RM'000	Change %
Revenue	14,466	6,809	112%	38,135	18,222	109%
Operating Profit / (Loss)	(288)	(1,546)	-81%	(1,754)	(3,508)	-50%
Profit / (Loss) Before Interest and Tax	(288)	(1,601)	-82%	(1,754)	(3,683)	-52%
Profit / (Loss) Before Tax	(438)	(1,695)	-74%	(2,142)	(4,003)	-46%
Profit / (Loss) After Tax	(444)	(1,660)	-73%	(2,178)	(3,972)	-45%
Profit / (Loss) Attributable to Owners of the Company	(471)	(1,716)	-73%	(2,411)	(3,734)	-35%

Quarterly

For the current quarter under review, the Group recorded revenue of RM14.47 million and loss before tax of RM438,000 million as compared to corresponding preceding year quarter revenue of RM6.81 million and loss before tax of RM1.70 million respectively.

The revenue increased by 112% mainly contributed by the new on going project Loji Rawatan Air Pagoh, Iris Synergy Sdn Bhd and finalization of the completed projects. In line with the increased in revenue, the loss before tax reduced by 74% compared to corresponding quarter.

Year-to-date

For the nine months ended 31 December 2018 the Group recorded accumulated revenue of RM38.14 million and loss before tax of RM2.14 million as compared to corresponding preceding year nine months period ended 31 December 2017 revenue of RM18.22 million and losses before tax of RM4.00 million respectively.

The revenue increased by 109% mainly contributed by the new on going project Loji Rawatan Air Pagoh, Iris Synergy Sdn Bhd and finalization of the completed projects. In line with the increased in revenue, the effectiveness of monitoring the project and stringent administrative cost control, the loss before tax were mitigated.

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

	CURRENT QUARTER ENDED 31.12.2018 RM'000	IMMEDIATE PRECEDING QUARTER ENDED 30.09.2018 RM'000	Change %
Revenue	14,466	14,585	-1%
Operating Profit / (Loss)	(288)	(1,378)	-79%
Profit / (Loss) Before Interest and Tax	(288)	(1,378)	-79%
Profit / (Loss) Before Tax	(438)	(1,511)	-71%
Profit / (Loss) After Tax	(444)	(1,528)	-71%
Profit / (Loss) Attributable to Owners of the Company	(471)	(1,479)	-68%

For the current quarter under review, the Group recorded revenue of RM14.47 million and the loss before tax of RM438,000 however the loss has been reduced by 71% from the preceding quarter due to higher gross profit margin. The gross profit margin were contributed by the new project ie, Loji Rawatan Air Pagoh, oil & gas subsidiary and finalization of completed project.

Despite, the Group current quarter showing an improved gross profit but still not sufficient to cover the administration operating costs.

B3 Prospects

The Group will pursue new business area whilst continuing to secure new opportunities within our existing business.

The Group has started stringent cost reduction, reorganizing its operations, explore the possibility of liquidating non-core assets of the Group to enhance the operational efficiency as well as strengthening the cash position of the Group.

The Directors are positive on the outlook of the Group barring the challenges.

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-18 RM'000	Preceding Year Quarter 31-Dec-17 RM'000	Current YTD 31-Dec-18 RM'000	Preceding Year YTD 31-Dec-17 RM'000
Interest (Income)/ Loss	(35)	(32)	(101)	(163)
Interest Expenses	150	94	388	320
Depreciation Expenses	310	328	975	904
Provision of doubtful debts	246	0	246	0
Foreign Exchange (Gain) / Loss	(1)	(12)	(23)	(24)
Loss on disposal of Arena Terbaik Sdn Bhd	9	0	9	0

B6 Taxation

	Current Quarter 31-Dec-18 RM'000	Preceding Year Quarter 31-Dec-17 RM'000	Current YTD 31-Dec-18 RM'000	Preceding Year YTD 31-Dec-17 RM'000
- Prior Year Tax	0	(38)	5	(40)
- Current Year Tax	6	3	31	9
	6	(35)	36	(31)

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-18 RM'000	As at 31-Dec-17 RM'000
<u>Short Term Borrowing (Secured)</u>		
- Bank Overdraft	4,254	3,198
- Hire Purchase	276	325
- Term Loan	65	64
<u>Long Term Borrowing (Secured)</u>		
- Hire Purchase	413	682
- Term Loan	1,114	1,156
Total Borrowing	6,122	5,425

B10 Material litigation

There is no material litigation for the financial year as at 31 December 2018.

B11 Dividend

No dividends were proposed or declared for the current quarter and financial year to date. (2018 : 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 RM2.41 million and on the number of ordinary shares issue of 67,000,000.

By Order of the Board
Hani Syamira Abdul Hamid
LS 0009872
Company Secretary
Shah Alam
26 February 2019