

STELLA HOLDINGS BERHAD

(formerly known as Merge Energy Bhd)
Company No. 199701004603 (420099-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	Unaudited As at 30.09.2019 RM'000	Audited As at 31.03.2019 RM'000
ASSETS		
Non Current Assets		
Property, plant and equipment	4,595	4,884
Investment properties	15,611	15,980
Intangible assets	856	856
	21,062	21,720
Current Assets		
Inventories	43	47
Contract assets	8,650	17,874
Trade receivables	15,600	10,212
Other receivables, deposits and prepayments	2,639	1,859
Current tax assets	36	187
Deposits placed with licensed banks	5,018	3,687
Cash and bank balances	7,753	2,958
	39,739	36,824
Assets held for sale	16,035	16,035
TOTAL ASSETS	76,836	74,579
EQUITY AND LIABILITIES		
Equity Attributable To Owner Of The Parent		
Share capital	74,713	74,713
Reserves		
Accumulated losses	(31,143)	(28,857)
Shareholders' Equity	43,570	45,856
Non-Controlling Interest	2,567	2,161
Total Equity	46,137	48,017
Non Current Liabilities		
Loans and borrowings	1,248	1,477
Deferred tax liabilities	215	215
	1,463	1,692
Current Liabilities		
Contract liabilities	1,815	1,447
Trade payables	10,814	8,137
Other payables, accruals and deposits	11,329	10,712
Loans and borrowings	5,264	4,570
Current tax liabilities	14	4
	29,236	24,870
Total Liabilities	30,699	26,562
TOTAL EQUITY AND LIABILITIES	76,836	74,579
Net assets per share attributable to owner of the parent	0.65	0.68

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2019.)

STELLA HOLDINGS BERHAD

(Formerly Known As Merge Energy Bhd)

Company No. 199701004603 (420099-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2019

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR QUARTER	CURRENT YEAR TO-DATE	PRECEDING YEAR TO-DATE
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Revenue	23,282	14,585	47,393	23,669
Cost of Sales	(20,873)	(13,946)	(43,854)	(21,041)
Gross Profit	2,409	639	3,539	2,628
Other Operating Income	207	191	407	386
Total Income	2,616	830	3,946	3,014
Admin Operating Costs	(2,739)	(2,208)	(5,355)	(4,480)
Loss from Operation	(123)	(1,378)	(1,409)	(1,466)
Finance Costs	(161)	(133)	(274)	(238)
Loss before taxation	(284)	(1,511)	(1,683)	(1,704)
Taxation	(194)	(17)	(197)	(29)
Loss after taxation	(478)	(1,528)	(1,880)	(1,733)
Total Comprehensive Loss For The Period	(478)	(1,528)	(1,880)	(1,733)
Profit / (Loss) attributable to :				
Owners of the parent	(875)	(1,479)	(2,286)	(1,939)
Non-controlling interest	397	(49)	406	206
Loss	(478)	(1,528)	(1,880)	(1,733)
Total Comprehensive Income / (Loss) attributable to : Owners of the parent Non- controlling interest	(875) 397	(1,479) (49)	(2,286) 406	(1,939) 206
Total Comprehensive Loss	(478)	(1,528)	(1,880)	(1,733)
Earnings per share : -- - basic / diluted	sen (1.31)	sen (2.21)	sen (3.41)	sen (2.89)

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 2019.

STELLA HOLDINGS BERHAD

(formerly known as Merge Energy Bhd)

Company No. 199701004603 (420099-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AS AT 30 SEPTEMBER 2019

Six Months Ended 30 September 2019

← 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 2019	74,713	-	(28,857)	45,856	2,161	48,017
Total comprehensive loss for the period			(2,286)	(2,286)	406	(1,880)
At 30 September 2019	74,713	-	(31,143)	43,570	2,567	46,137

Six Months Ended 30 September 2018

← 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 2018	74,713	-	(23,769)	50,944	1,811	52,755
Total comprehensive loss for the period			(1,939)	(1,939)	206	(1,733)
At 30 September 2018	74,713	-	(25,708)	49,005	2,017	51,022

(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 2019.)

STELLA HOLDINGS BERHAD

(formerly known as Merge Energy Bhd)
Company No. 199701004603 (420099-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2019

	Note	3 MONTHS PERIOD ENDED 30.09.2019	3 MONTHS PERIOD ENDED 30.09.2018
		<u>RM'000</u>	<u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(1,683)	(1,705)
Adjustments for :			
Non-cash items		299	665
Non-operating items (which are investing / financing)		<u>1,793</u>	<u>130</u>
Operating profit / (loss) before changes in working capital		409	(910)
Changes in working capital :			
Net changes in current assets		3,061	(242)
Net changes in current liabilities		<u>3,660</u>	<u>2,634</u>
Cash generated from operations		7,130	1,482
Tax (paid) / refunded		(36)	2
Net cash from operating activities		<u>7,094</u>	<u>1,484</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities		(2,490)	(2,064)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash (used in) financing activities		<u>(582)</u>	<u>(178)</u>
Net increase / (decrease) in cash and cash equivalents		4,022	(758)
Cash and cash equivalents at beginning of financial year		<u>(1,303)</u>	<u>2,068</u>
Cash and cash equivalents at end of the quarter	(i)	<u>2,719</u>	<u>1,310</u>
Note (i) :			
Represented by :			
Cash and bank balances		7,753	8,219
Deposits placed with licensed banks		5,018	5,885
Less : Pledge deposits		<u>(5,018)</u>	<u>(5,885)</u>
		7,753	8,219
Less : Bank Overdraft		<u>(5,034)</u>	<u>(6,909)</u>
		<u>2,719</u>	<u>1,310</u>

The Condensed Consolidated Statements Of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2019.

STELLA HOLDINGS BERHAD

(formerly known as Merge Energy Bhd)
Company No. 199701004603 (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 condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 : Interim Financial Reporting in Malaysia and the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 31 March 2019.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the annual financial statements for the financial year ended 31 March 2019 except for those standards, amendments and interpretations which are effective from the annual period beginning on or after 1 April 2019 as disclosed below.

New MFRSs

MFRS 16 Leases

Amendments / Improvements to MFRSs

MFRS 3 Business Combinations
MFRS 9 Financial Instruments
MFRS 11 Joint Arrangements
MFRS 112 Income Taxes
MFRS 119 Employee Benefits
MFRS 123 Borrowing Costs
MFRS 128 Investments in Associates and Joint Ventures
MFRS 140 Investment Property

New IC Int

IC Int 23 Uncertainty Over Income Tax Treatments

The adoption of these new standards, amendments / improvements and new IC Int interpretations have no material impact to these interim financial statements.

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 2019									
Revenue									
External sales	-	42,419	32	(13)	4,955	-	-	-	47,393
Inter-segment sales	1,000	-	111	1	-	-	-	(1,112)	-
	1,000	42,419	143	(12)	4,955	-	-	(1,112)	47,393
Segment Profit / (Loss)	(162)	(276)	40	(972)	962	-	(5)	(996)	(1,409)
Finance costs	-	(215)	-	(27)	(32)	-	-	-	(274)
Profit / (Loss) before tax	(162)	(491)	40	(999)	930	-	(5)	(996)	(1,683)
Taxation	-	(87)	(9)	-	(101)	-	-	-	(197)
Profit / (Loss) after taxation	<u>(162)</u>	<u>(578)</u>	<u>31</u>	<u>(999)</u>	<u>829</u>	<u>-</u>	<u>(5)</u>	<u>(996)</u>	<u>(1,880)</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 2018									
Revenue									
External sales	-	17,816	32	1,791	3,234	796	-	-	23,669
Inter-segment sales	-	-	123	171	-	113	-	(407)	-
	-	17,816	155	1,962	3,234	909	-	(407)	23,669
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	(502)	(1,379)	37	(63)	531	(356)	(5)	33	(1,704)
Taxation	-	-	(7)	-	(17)	(5)	-	-	(29)
Deferred Taxation	-	-	-	-	-	-	-	-	-
Zakat	-	-	-	-	-	-	-	-	-
Profit / (Loss) after taxation	<u>(502)</u>	<u>(1,379)</u>	<u>30</u>	<u>(63)</u>	<u>514</u>	<u>(361)</u>	<u>(5)</u>	<u>33</u>	<u>(1,733)</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 2019.

A10 Material subsequent events

(i) Proposed development

On 27 August 2019, the Company announced its proposed joint venture agreement between Paramount Ventures Sdn Bhd a wholly-owned subsidiary of Merge Energy Bhd and Amni Corporation (M) Sdn Bhd in relation to a residential development project at Kuantan, Pahang.

(ii) On 10 October 2019, in the Notice of Extraordinary General Meeting, all the following resolution as set out below were duly approved : -

- Proposed disposal of lands by Mewah Kota Sdn Bhd ("MKSB"), A wholly owned subsidiary of Stella for various parcels of lands contiguous to each other („lands"), all of which are located at Bandar Serendah, Daerah Ulu Selangor, Selangor Darul Ehsan ("Proposed Land Disposal").
- Proposed development pursuant to a joint venture agreement dated 4 July 2019 entered into between Paramount Ventures Sdn Bhd ("PVSB" or "Developer"), a wholly owned subsidiary of Stella and Mega 3 Housing Sdn Bhd ("M3H" or landowner") ("JVA") to develop a mixed development project ("project") located at Pasir Panjang, Port Dickson, Negeri Sembilan.
- Proposed diversification of the principal activities of the company and its subsidiaries ("Stella Group" or "Group") to include property development ("proposed diversification").
- Proposed change of company name from "Merge Energy Bhd" to Stella Holdings Berhad" ("Proposed change of name").
- Proposed Revocation of the existing memorandum and articles of association and proposed adoption of new constitution of the company.
- Proposed reduction of Stella's issued share capital pursuant to section 117 of the companies act 2016 ("ACT") by reducing and cancelling the share capital of Stella which is lost or not represented by available assets, equivalent to the entire accumulated losses of the compant ot offset the credit arising against such accumulated losses ("Proposed share capital reduction").

(iii) Proposed change of company name

We refer to our announcements dated 28 May 2019, 18 September 2019 and 10 October 2019 in relation to the proposed change of the company's name.

The Board of Directors of the Company wishes to announce that the Company has received the Notice of Registration on Change of Name of Company dated 22 October 2019 issued by the Companies Commission of Malaysia.

Accordingly, the name of the Company has been changed from "Merge Energy Bhd" to "Stella Holdings Berhad" with effect from 22 October 2019.

This announcement is dated 23 October 2019.

Saved as disclosed above, 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 RM49.93 million (31/03/2019 : RM50.83 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 utilised by subsidiaries company amounting to RM13.25 million (31/03/2019 : RM14.52 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 %
	30.09.2019 RM'000	30.09.2018 RM'000		30.09.2019 RM'000	30.09.2018 RM'000	
Revenue	23,282	14,585	60%	47,393	23,669	100%
Operating Loss	(123)	(1,378)	-91%	(1,409)	(1,466)	-4%
Loss Before Interest and Tax	(123)	(1,378)	-91%	(1,409)	(1,466)	-4%
Loss Before Tax	(284)	(1,511)	-81%	(1,683)	(1,704)	-1%
Loss After Tax	(478)	(1,528)	-69%	(1,880)	(1,733)	8%
Loss Attributable to Owners of the Company	(875)	(1,479)	-41%	(2,286)	(1,939)	18%

Quarterly

For the current quarter under review, the Group recorded revenue of RM23.28 million and loss before tax of RM284,000 as compared to corresponding preceding year quarter revenue of RM14.59 million and loss before tax of RM1.51 million respectively.

The revenue increased by 60% mainly contributed by on going project Loji Rawatan Air Pagoh and oil & gas sector. In line with the increase of the above revenue the loss before tax has been mitigated further by 81% as compared to corresponding preceding year quarter.

Year-to-date

For the six months ended 30 September 2019 the Group recorded revenue of RM47.39 million and loss before tax of RM1.68 million as compared to corresponding preceding six months period ended 30 September 2018 revenue of RM23.67 million and losses before tax of RM1.70 million respectively.

The revenue increase by 100% mainly due to the contribution by Loji Rawatan Air Pagoh and oil & gas sector. The operating costs also increased due to the one off costs for the recent corporate exercise and restructuring of the Group during the period under review.

The taxation has also increase due to payment of real property gain tax of RM87,000 from the property disposal which lead to increase of the loss after tax as compare to the year to-date.

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

	CURRENT QUARTER ENDED 30.09.2019 RM'000	IMMEDIATE PRECEDING QUARTER ENDED 30.06.2019 RM'000	Change %
Revenue	23,282	24,111	-3%
Operating Loss	(123)	(1,284)	-90%
Loss Before Interest and Tax	(123)	(1,284)	-90%
Loss Before Tax	(284)	(1,398)	-80%
Loss After Tax	(478)	(1,402)	-66%
Loss Attributable to Owners of the Company	(875)	(1,411)	-38%

The Group current quarter recorded slightly lower revenue of RM23.28 million compared to the preceding quarter revenue of RM24.11 million. However the gross profit margin has improved mainly from oil & gas sector (42% margin) that mitigate the loss before tax as compare to the immediate preceding quarter.

B3 Prospects

On 10 October 2019, the shareholders had approved all the resolutions tabled in the Extraordinary General Meeting as stated below. The Group believe that the financial earnings will be enhance and strengthen and the Board of Directors are positive on the outlook with the execution of the following exercises : -

- (i) Proposed disposal of lands by Mewah Kota Sdn Bhd ("MKSB"), A wholly owned subsidiary of Stella for various parcels of lands contiguous to each other („lands"), all of which are located at Bandar Serendah, Daerah Ulu Selangor, Selangor Darul Ehsan ("Proposed Land Disposal").
- (ii) Proposed development pursuant to a joint venture agreement dated 4 July 2019 entered into between Paramount Ventures Sdn Bhd ("PVSB" or "Developer"), a wholly owned subsidiary of Stella and Mega 3 Housing Sdn Bhd ("M3H" or landowner") ("JVA") to develop a mixed development project ("project") located at Pasir Panjang, Port Dickson, Negeri Sembilan.

- (iii) Proposed diversification of the principal activities of the company and its subsidiaries ("Stella Group" or "Group") to include property development ("proposed diversification").
- (iv) Proposed change of company name from "Merge Energy Bhd" to Stella Holdings Berhad" ("Proposed change of name").
- (v) Proposed Revocation of the existing memorandum and articles of association and proposed adoption of new constitution of the company.
- (vi) Proposed reduction of Stella's issued share capital pursuant to section 117 of the companies act 2016 ("ACT") by reducing and cancelling the share capital of Stella which is lost or not represented by available assets, equivalent to the entire accumulated losses of the company to offset the credit arising against such accumulated losses ("Proposed share capital reduction").

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-19 RM'000	Preceding Year Quarter 30-Sep-18 RM'000	Current YTD 30-Sep-19 RM'000	Preceding Year YTD 30-Sep-18 RM'000
Interest Income	2	(33)	(27)	(66)
Interest Expenses	161	133	274	238
Depreciation Expenses	147	331	299	665
Foreign Exchange (Gain) / Loss	25	(1)	33	(4)

B6 Taxation

	Current Quarter 30-Sep-19 RM'000	Preceding Year Quarter 30-Sep-18 RM'000	Current YTD 30-Sep-19 RM'000	Preceding Year YTD 30-Sep-18 RM'000
- Prior Year Tax	0	5	0	5
- Current Year Tax	194	12	197	24
	194	17	197	29

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 period 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-19 RM'000	As at 31-Mar-19 RM'000
<u>Short Term Borrowings (Secured)</u>		
- Bank Overdraft	5,034	4,261
- Finance Lease	166	268
- Term Loan	64	41
<u>Long Term Borrowings (Secured)</u>		
- Finance Lease	166	350
- Term Loan	1,082	1,127
Total Borrowings	6,512	6,047

B10 Material litigation

There is no material litigation for the financial period as at 30 September 2019.

B11 Dividend

No dividends were proposed or declared for the current quarter and financial year to date. (2019 : 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 RM2.29 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
19 November 2019