MERGE ENERGY BHD
(420099-X)

Annual Report 2019

CONTENTS

MERGE ENERGY BHD / ANNUAL REPORT 2019

CORPORATE PROFILE

Merge Energy Bhd ("MEB") is a strategic investment holding company listed on the Main Market of Bursa Malaysia Securities Berhad on 17 November 1998.

The Group was established as a construction group 38 years ago via Mewah Kota Sdn Bhd, which was involved in small and medium sized contracts for building of schools, houses, water treatment plants, pipe laying, security fencing and piling works. From then on, the Group gradually progressed to establish itself as a reliable contractor capable of undertaking bigger and more complex engineering and infrastructure projects nationwide. It has achieved good records in terms of quality and timely completion of works undertaken, all of which attributed to its recognition as a reputable contractor and project manager.

MEB's core activities and expertise are in the construction, project management, trading and maintenance works in the following areas :

- Water treatment plants
- Sewage and sludge treatment plants and facilities
- Pipe laying and reservoirs construction
- Buildings
- Refurbishment and maintenance works
- Earthworks, roads and drainage

Over the years, MEB expanded its business by acquiring several companies to develop new potential market.

In 2013, MEB acquired Iris Synergy Sdn Bhd, a company providing support to the oil and gas industries. Its core business is to provide solution to all industrial water needs in the said industries including for petrochemical plant and rigs.

Through its other subsidiaries, MEB is also involved in valve supply, installation, maintenance and exercise; property development and property investment; landscaping and integrated facilities management contract works including pest control services; auto service and maintenance workshop.

MEB through its subsidiaries is accredited with the following licenses, which include :

- Construction Industry Development Board Malaysia ("CIDB") Grade G7
- Suruhanjaya Perkhidmatan Air Negara ("SPAN")
- ISO 9001:2015 quality management system certification
- Felda Holdings Bhd
- Petronas Licence to supply product/service

Leveraging on its expertise and strong track record, MEB's roadmap for the future lies in expanding its presence in both the public and private sectors.

CORPORATE INFORMATION

Board of Directors

Dato' Hj Mohamad Haslah bin Mohamad Amin
Non-Independent Executive Chairman

Dato' Tan Gee Swan @ Tan Suan Ching
Non-Independent Executive Director

Dato' Lee Tian Hock
Non-Independent Non-Executive Director

Dato' Kamarulzaman bin Jamil
Independent Non-Executive Director

Puan Czarina Alia binti Abdul Razak
Independent Non-Executive Director

Tuan Hj Mohamad Nor bin Abas
Independent Non-Executive Director

Encik Shahrizam bin A Shukor
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
En Shahrizam Bin A Shukor

Members
Dato' Kamarulzaman bin Jamil
Tuan Hj Mohamad Nor Bin Abas

NOMINATION COMMITTEE

Chairman
Dato' Kamarulzaman bin Jamil

Members
Puan Czarina Alia binti Abdul Razak
Tuan Hj Mohamad Nor Bin Abas

REMUNERATION COMMITTEE

Chairman
Puan Czarina Alia binti Abdul Razak

Members
Dato' Tan Gee Swan @ Tan Suan Ching
Dato' Kamarulzaman bin Jamil

RISK MANAGEMENT COMMITTEE

Chairman
En Shahrizam bin A Shukor

Members
Dato' Kamarulzaman bin Jamil
Puan Czarina Alia binti Abdul Razak

EXECUTIVE COMMITTEE

Chairman
Dato' Hj Mohamad Haslah bin Mohamad Amin

Member
Puan Raizita binti Ahmad @ Harun
Dato' Ir Hj Mohd Hasdillah bin Hj Hashim
En Mohd Azali bin Abdul Rahman
Mr Ng Jun Lip
Mr Tan Yu Jian

COMPANY SECRETARY

Puan Hani Syamira Abdul Hamid
(LS 0009872)

REGISTERED OFFICE AND BUSINESS ADDRESS

No. 2 Jalan Apollo U5/190
Bandar Pinggiran Subang, Seksyen U5
40150 Shah Alam, Selangor, Malaysia
Tel: 603-7847 2900
Fax: 603-7845 3900
E-mail: meb@merge-energy.com.my
Website: www.merge-energy.com.my

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301
Petaling Jaya, Selangor, Malaysia
Tel No.: 603-7841 8052
Fax No.: 603-7841 8151 / 8152
Helpdesk E-mail: BSR.Helpdesk@boardroomlimited.com

AUDITORS

Baker Tilly Monteiro Heng PLT
Chartered Accountants
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel: 603-2297 1000
Fax: 603-2282 9980

BANKERS

Malayan Banking Berhad
Maybank Islamic Berhad
AmBank (M) Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Construction Sector, Main Market
Stock Code : 5006

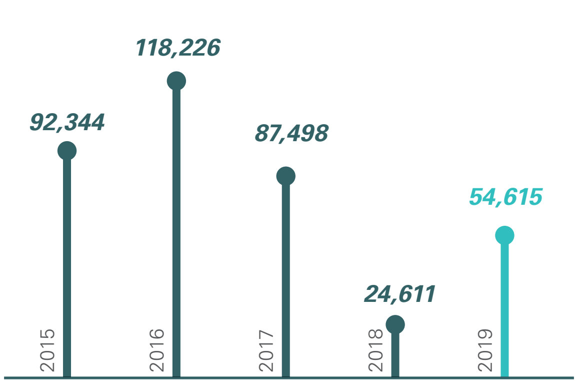
CORPORATE STRUCTURE

MERGE ENERGY BHD
(420099-X)

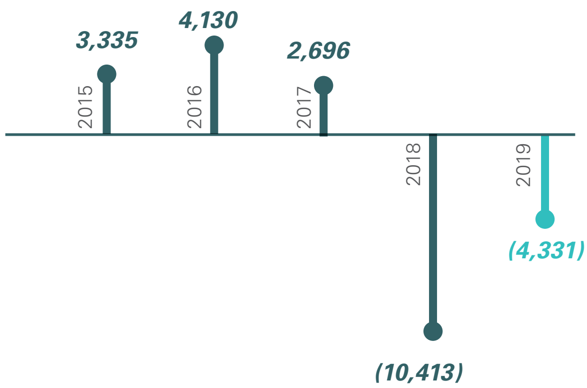
- 100% **Mewah Kota Sdn Bhd** (76368-X)
  - 100% **Innovasi Hebat Sdn Bhd** (546017-D)
- 100% **Semarak Niaga Lanskap Sdn Bhd** (416698-W)
- 100% **Paramount Ventures Sdn Bhd** (284451-V)
- 100% **Merge Highway Engineering Sdn Bhd** (397911-X)
- 100% **MEB Realty Sdn Bhd** (231283-A)
- 100% **Merge Properties Sdn Bhd** (29422-T)
- 100% **MEB Development Sdn Bhd** (419445-D)
- 100% **Merge Readymix Sdn Bhd** (397672-V)
- 100% **Merge Energy O & G Sdn Bhd** (403304-X)
- 51% **Iris Synergy Sdn Bhd** (742199-P)

FINANCIAL
HIGHLIGHTS

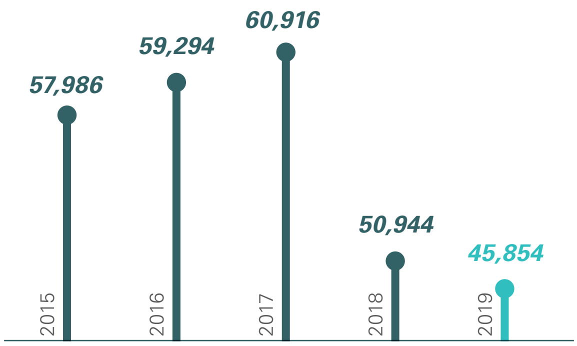
	Audited				
	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	92,344	118,226	87,498	24,611	54,615
Operating Profit/(Loss)	3,483	4,361	2,099	(6,571)	(3,788)
Profit/(Loss) before taxation & zakat	3,335	4,130	2,696	(10,413)	(4,331)
Accumulated losses	(16,727)	(15,419)	(13,796)	(23,769)	(28,857)
Shareholders fund	57,986	59,294	60,916	50,944	45,856
Cash & Bank Balances	16,279	18,804	17,967	9,301	6,645



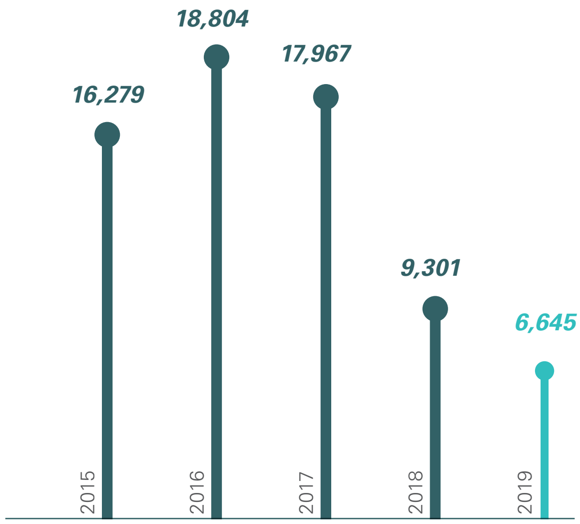
Revenue (RM'000)



Profit/(Loss) Before Taxation & Zakat (RM'000)



Shareholders Fund (RM'000)

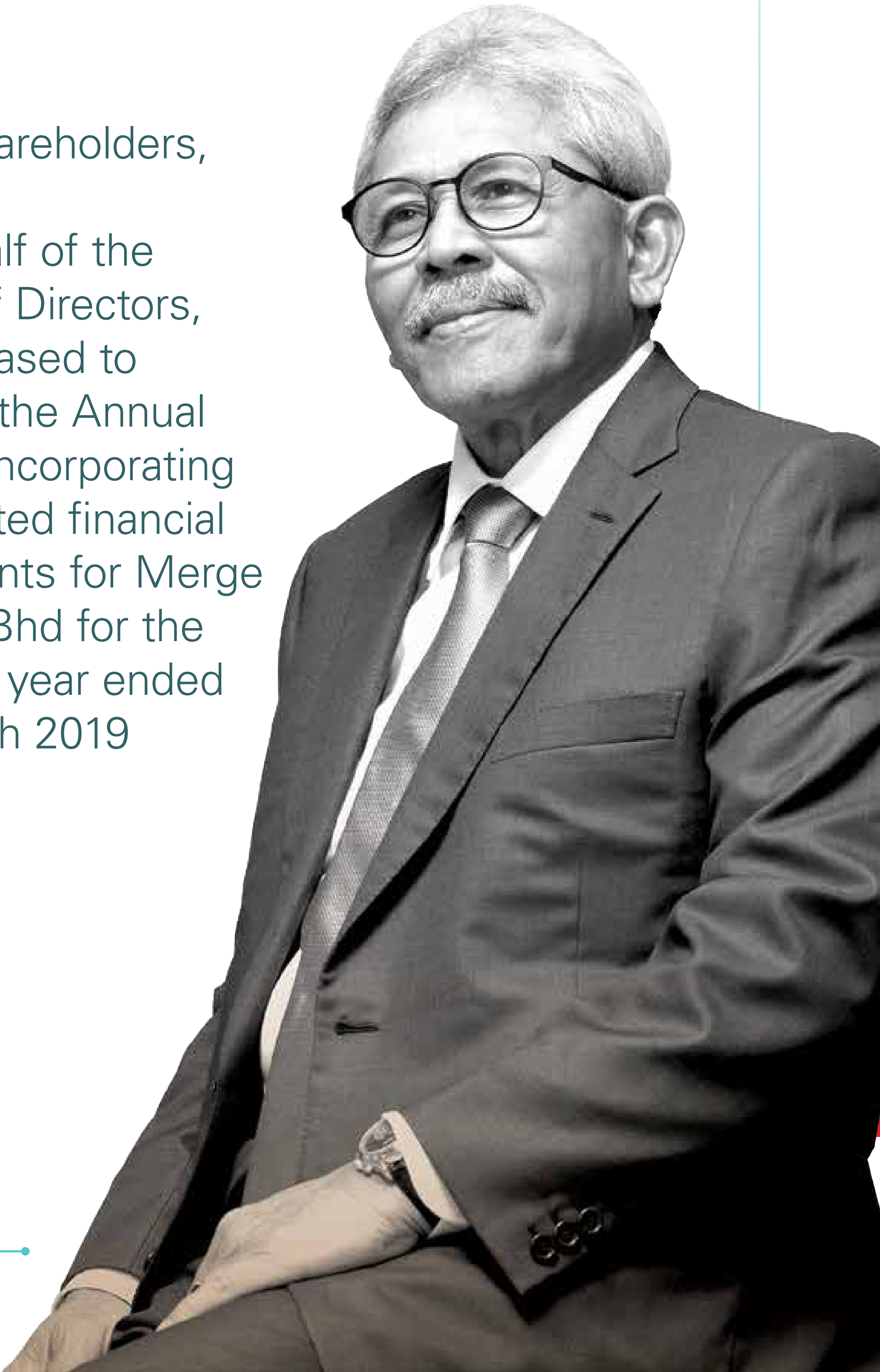


Cash & Bank Balances (RM'000)

EXECUTIVE CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report incorporating the audited financial statements for Merge Energy Bhd for the financial year ended 31 March 2019



EXECUTIVE
CHAIRMAN'S STATEMENT (cont'd)

Financial Performance
The Management has started an internal restructuring plan to divest its non-core assets and businesses in order to strengthen its cash position including cost cutting measures.

For the financial year ending 31 March 2019 ("FYE 2019") the Group registered a 121.91% increase in revenue to RM54.61 million as compared to RM24.61 million in the previous year. The increase was mainly due to contributions from our ongoing project *Cadangan Membina Loji Rawatan Air Pagoh, Johor Pakej 1.*

The Group also recorded a loss before tax of RM4.33 million for FYE 2019 as compared to RM10.41 million in the previous year.

Corporate Governance
With a reputable brand built over almost four decades, we continue to embrace principles of good governance in fulfilling our business objectives. We assume responsibility towards our shareholders and stakeholders in conducting our business with integrity, and creating positive economic, environmental and social impacts. We also believe in setting new 'leadership by example' through our uncompromising work ethics and industry best practices.

During the year under review, we have not only assessed the quality or gaps in our executive leadership, but have also initiated the process of setting up a high performing and effective Board of Directors. We have appointed senior and diverse industry leaders including Dato' Tan Gee Swan @ Tan Suan Ching, Dato' Lee Tian Hock, Puan Czarina Alia binti Abdul Razak who bring a wealth of sectoral and industry experience from previously working with leading global brands. They reinforce and complement the existing expertise on the Board namely Dato' Kamarulzaman bin Jamil.

The new Board composition speaks of diverse skill sets, backgrounds, technical expertise and domain experience, which will go a long way into strengthening our position in the market place.

I am also pleased to report that 14% of Merge Energy's Board position is now held by a high potential women leader, who will drive balanced perspectives and decision making.

Risk Management & Internal Controls
The Board is fully committed to maintaining a robust risk management and internal control framework to support our business objectives. We are also cognisant of the fact that our business is exposed to a wide range of challenges which are beyond our control. It is therefore imperative for the Group to continuously review its risk management process as we now have a greater opportunity to focus on the risks that are specific to our core business. We will be moving forward to strengthen our risk framework and internal controls given the evolving industry landscape and highly dynamic business environment. Our ultimate objective would be to embed the process of identifying and managing key risks into all our operations towards creating long-term shareholder value.

Our People
Our commitment to human capital development has only grown, with us in the restructuring exercise. The biggest challenge will be to drive the quality of our manpower, while building the capacity and skills of our current employees in keeping with rapid digitalisation and dynamic shifts in marketplace towards frontier technologies. We will continue to invest in upskilling and reskilling programmes, in addition to providing opportunities to high potential employees to demonstrate their leadership and grow with the organisation. Succession planning is another key area, where we endeavour to create a pipeline of top talents within the current system, to ensure the implementation of our growth strategies and plans are sustainable, with positive progress from year on year.

I also take this opportunity to acknowledge and extend our sincere appreciation for the untiring efforts of our people in championing the demanding takeover and restructuring exercise, without compromising on business continuity and performance. There is a sense of excitement and a new impetus for growth amongst our employees as the Group completes its restructuring exercise.

EXECUTIVE CHAIRMAN'S STATEMENT (cont'd)

Outlook

The Management has undertaken a review and evaluation of the Group's businesses and operations and has decided to continue to focus on its construction arm as the Group's core source of revenue by tendering for new projects and also exploring opportunities by way of tender, joint ventures and collaborating with other industry players.

The Group would continue to focus on its existing core businesses and operations which include the water infrastructure works to be undertaken by the Group's primary subsidiary Mewah Kota Sdn Bhd as well as oil and gas business to be undertaken by Iris Synergy Sdn Bhd.

The Group has also made announcements on 5 July 2019 to undertake several corporate exercises which include the proposed development of a mixed development project in Port Dickson and a proposed capital reduction exercise.

Acknowledgments & Appreciation

On behalf of the Board, I wish to thank the Merge staff whose tireless dedication and professionalism during the financial year has been nothing short of excellent. I wish to also extend my appreciation to the senior management team for their leadership as well as fellow Board members for their wise counsel, support and contributions in the respective Board Committees. Furthermore our appreciation is also certainly extended to our many shareholders for their continued faith in us during the financial year.

In the same vein, I wish to thank our customers, business partners, bankers and vendors for their working partnership with Merge Group. May we continue to work together to achieve greater heights in the coming financial year.

I would also like to record my sincere appreciation to the previous board members namely Dato' Tengku Rozanna Petri binti Tengku Mohamed Nasrun, Dato' Abdul Jalil bin Abdul Karim, Dato' Sheah Kok Fah and Dr Badrul Hisham bin Mohd Yusoff for their contribution over the years to the Group.

DATO' HJ MOHAMAD HASLAH BIN MOHAMAD AMIN
Non-Independent Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL DESCRIPTION OF THE GROUP'S BUSINESS

Merge Energy Bhd and its subsidiaries ("Group") are principally involved as a contractor and sub-contractor for various kinds of building, structural and civil engineering works as well as a specialist in contracts for infrastructure and water treatment works.

Core Businesses

Construction

Total Value of Completed Projects

RM 2,108,029,459*

STRONG EXISTING COUNTERPARTIES*

- Pengurusan Aset Air Berhad
- East Coast Economic Region Development Council
- Kementerian Kesejahteraan Bandar, Perumahan & Kerajaan Tempatan

**Information as of 31 March 2019*

Mewah Kota Sdn Bhd ("Mewah Kota") is the primary subsidiary of the Group. Mewah Kota is a reputable contractor in building, structural and civil engineering work and has accumulated extensive experience and achieved good record in terms of quality and timely completion of works undertaken. Mewah Kota has established itself as a reliable contractor capable of undertaking bigger and more complex projects as well as turnkey contracts nationwide.

Mewah Kota has been passionate about delivering water solution to its contract counterparties. As such, Mewah Kota was able to retain its strong counterparties as a long-term partner despite a challenging and competitive environment in the water industry.

Mewah Kota had, on 1st July 2019 received and accepted a Letter of Acceptance from Pengurusan Aset Air Berhad ("PAAB") in respect of the "Proposed Development Of Langat 2 Water Treatment Plant And Water Reticulation System In Selangor Darul Ehsan / Wilayah Persekutuan Kuala Lumpur, Pakej 15 (5) – Kerja-Kerja Peyambungan Ke Sistem Sediada Dan Memasang Paip Jenis Keluli Lembut (Mild Steel) Bergarispusat Nominal" ("Project Langat"). The total Contract sum is Ringgit Malaysia Twenty Six Million Only (RM26,000,000.00). The Contract is for a period of twelve (12) months and the date for completion shall be July 2020.

Oil and Gas

Iris Synergy Sdn Bhd ("Iris") is the Group's oil and gas arm. Its primary objective is to provide support to the industries primarily in energy sectors covering oil & gas, petrochemical and refineries. The corporate core business is in providing solution to all water related systems in the industries. Iris is an expert in industrial pure and ultrapure water treatment. It offers solution expertise and process technology in industrial water, waste water, municipal water, safety & protect system and fire & gas system.

Non-Core Businesses

Landscape and Pest Control

Semarak Niaga Lanskap Sdn Bhd ("Semarak") business activities are provision of nursery and landscaping, garden design, maintenance and beautification. Semarak has ceased its business and operation during the current financial year. Semarak is not expected to contribute material result to the Group for the financial year ended ("FYE") 2020."

Divestment of Non-Core Assets

The Group has started an internal restructuring plan to divest non-core assets in order to strengthen its cash position including cost-cutting measurement.

In line with the plan above, Mewah Kota had on 24 May, 31 May and 25 June 2019 entered into a conditional sale and purchase agreements with various parties for the disposals of 35 parcels of lands ("Disposal"). The results of the disposal are expected to enhance the cash position of the Group and contribute gain on disposal to the FYE 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

REVIEW OF FINANCIAL RESULTS AND PERFORMANCE

The Group Revenue registering at RM54.61 million, grew by 121%, primary due to the contribution from our ongoing project, Cadangan Membina Loji Rawatan Air Pagoh, Johor Pakej 1 – Membina dan Menyiapkan Loji Rawatan Air dan Pair Air ("Project Pagoh"). Therefore, Loss After Tax was cut down by 54% despite the provision of doubtful debts for the old completed projects and depreciation on property, plant & equipment.

For current and previous financial year, the results of the Group have been substantially impacted by the provision of doubtful debts for the old projects despite the group registering Gross Profit of RM5.91 million and RM2.86 million for FYE 2019 and FYE 2018 respectively, which grew by 107%.

The Group's basic loss per share had cut down to 7.48 sen for FYE2019 as compared to 14.88 sen in the previous financial year.

The Management also analyses the financial performance of the Group by segment as presented in Note 34 to the financial statements.

Capital Structure and Capital Resources

The bank borrowings increased by 12.46% to RM6.05 million in FYE 2019. The Group's gearing as at 31 March 2019 increased to 0.13 times from 0.11 in previous financial year.

The Group remains prudent in maintaining a sound financial position that enables the execution of the Group strategic objectives in creating value over the coming years.

PROSPECTS

The Management have undertaken a review and evaluation of the Group's business and operations. Following such review, the management has formulated a business plan to drive the future strategic direction of the Group and prospects for future growth and such business plan has been approved by the Board of MEB. Following that, on 4 July 2019 the Group had made an announcement on Bursa Malaysia that MEB proposes to undertake the following:

(i) proposed development pursuant to a joint venture agreement dated 4 July 2019 entered into between Paramount Ventures Sdn Bhd (Company No. 284451-V) ("PVSB" or "Developer"), a wholly owned subsidiary of Merge, and Mega 3 Housing Sdn Bhd (Company No. 555397-P) ("M3H" or "Landowner") ("JVA") to develop a mixed development project (the "Project") located at Pasir Panjang, Port Dickson, Negeri Sembilan ("Proposed Development");

(ii) proposed diversification of the principal activities of the Company and its subsidiaries' ("Merge Group" or "Group") to include property development ("Proposed Diversification"); and

(iii) proposed reduction of Merge's issued share capital pursuant to Section 117 of the Companies Act 2016 by reducing and cancelling the share capital of Merge which is lost or unpresented 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").

(Collectively referred to as the "Proposals")

In line with the announcement, the Board and Management's intention above, the Group had on 4 July 2019, via its direct wholly owned subsidiary Paramount Ventures Sdn Bhd ("PVSB") as a Development for the proposed development entered into a joint venture agreement dated 4 July 2019 with Mega 3 Housing Sdn Bhd as Landowner to develop a mixed development project ("Development Project") located at Pasir Panjang, Port Dickson, Negeri Sembilan. The development project has an estimated gross development value of RM75.30 million and estimated gross development profit of approximately RM26.18 million.

The Proposed Share Capital Reduction entails the reduction of the issued share capital of MEB via the cancellation of the paid-up capital which is lost or unrepresented by assets available of RM43,000,000. The credit arising from such share capital reduction would be utilised to set-off against the accumulated losses of MEB.

With the Project Langat awarded by PAAB and the Proposals undertakes by the Group, the Board and the Management are positive on the financial results for FYE 2020 and outlook of the Group.

PROFILE OF DIRECTORS

01

Dato' Hj Mohamad Haslah bin Mohamad Amin

Non-Independent Executive Chairman
Age 66, Male, Malaysian

Date of Appointment
29 November 2018

Board Committees Membership
None

Academic/Professional Qualification
Diploma in Banking, Institute of Bankers, London, UK
Certified Diploma in Marketing from Institute of Marketing

Present Directorship
Listed entity : Matrix Concepts Holdings Berhad
Other public company : Nil

Experience
Dato' Hj Mohamad Haslah bin Mohamad Amin served as a Branch Manager, Regional Manager of Malayan Banking Berhad and President Director of PT Maybank Nusa International from 1974 to 1994. Dato' Hj Mohamad Haslah has been Non-Independent Executive Chairman of Matrix Concepts Holdings Berhad since 2 April 2012. He has been Chairman of HRSC Consulting Sdn Bhd and Executive Director of Distinctive Alliance Ltd since 2002. He served as the Financial Advisor of Pacific Plywood Holding Limited from 2000 to 2001; Country Director of Fleet Boston NA from 1998 to 2000; Executive Director of Peregrine Fixed Income Limited from 1995 to 1998. He serves as a Director of BSS Development Sdn Bhd. He has been Executive Director of Merge Energy Bhd since 29 November 2018 and has been its Executive Chairman since 30 November 2018. He served as a Non-Independent and Non-Executive Director of Pk Resources Bhd (now known as Nilai Resources Group Berhad) from 21 September 2005 to 16 November 2007.

02

Dato' Lee Tian Hock

Non-Independent Non-Executive Director
Age 61, Male, Malaysian

Date of Appointment
30 January 2019

Board Committees Membership
Nil

Academic/Professional Qualification
Degree in Housing, Building & Planning, Universiti Sains Malaysia

Present Directorship
Listed entity : Matrix Concepts Holdings Berhad
Other public company : NSCMH Medical Centre

Experience
Dato' Lee Tian Hock has more than 30 years of experience in the property development industry where he had held various executive positions throughout his career. In 1992, he was the General Manager with N.S. Industrial Development Corporation Sdn Bhd and was seconded to NS Township Development Sdn Bhd where he was involved in the general management of the development of the Bandar Baru Nilai Township (now known as Putra Nilai) which covers an area of approximately 6,000 acres and with GDV of approximately RM5.5 billion.

In 1995, Dato' Lee Tian Hock was appointed as the Managing Director of Semangat Tinggi Sdn Bhd which he assisted the development of luxurious bungalows with a total estimated GDV of RM55 million wherein 80% of bungalow units were sold during launch.
He later sold his equity interest in Semangat Tinggi Sdn Bhd and founded the Matrix Concepts Group in 1996 and was appointed as the Group Managing Director on 2 April 2012. He oversaw the maiden development of the medium cost mixed housing scheme known as Taman Bahau in Bahau, Negeri Sembilan. Taman Bahau was launched by the then Menteri Besar of Negeri Sembilan on 7 August 1997 with a GDV of approximately RM35 million. Since then, he has successfully led the Group to become a reputable developer in Negeri Sembilan and Johor including two (2) major townships which are flagship developments of the Group among many other mixed residential and commercial development. Currently, Dato' Lee is also the Chairman of NSCMH Medical Centre, Seremban.

PROFILE OF DIRECTORS (cont'd)

03

Dato' Tan Gee Swan @ Tan Suan Ching

Non-Independent Executive Director
Age 63, Male, Malaysian

Date of Appointment
29 November 2018

Board Committees Membership
Remuneration Committee (Member)

Academic/Professional Qualification
Bachelor's Degree in Engineering (Hons), Universiti Malaya

Present Directorship
Listed entity : Nil
Other public company : Nil

Experience
Dato' Tan started his career as a Water Works Engineer in JKR Headquarter, Jabatan Bekalan Air in 1981. From 1993 to 2001, he worked as a Civil & Structural Engineer in Ranhill Bersekutu Sdn Bhd, Reka Pofessional Corp Sdn Bhd, Reka Engineering Consultant, Promo Engineering Construction Sdn Bhd and Era Baru Sdn Bhd. From 2001 until to-date, he is the Managing Director for Mega 3 Housing Sdn Bhd, Pembinaan PLC Sdn Bhd, Westiara Development Sdn Bhd and Edenlink Sdn Bhd.

04

Dato' Kamarulzaman bin Jamil

Independent Non-Executive Director
Age 64, Male, Malaysian

Date of Appointment
1 September 2015

Board Committees Membership
Nomination Committee (Chairman)
Audit Committee (Member)
Remuneration Committee (Member)
Risk Management Committee (Member)

Academic/Professional Qualification
Bachelor's Degree in Economics, Universiti Kebangsaan Malaysia

Present Directorship
Listed entity : Nil
Other public company : Nil

Experience
Dato' Kamarulzaman has extensive experience and knowledge in areas in relation to public services, human resource management and land administration as he has held various prominent positions in his 35 years of services in various government departments/offices, among others in the Ministry of Transport, District and Land Offices, Public Services Department and Selangor Land and Mines Office. Dato' Kamarulzaman last held position was as the Director of Land and Mines with the Selangor Land and Mines Office where he served until he retired in January 2015. Presently he is a board member of Urus Maju Ehsan (M) Sdn Bhd, Perbadanan Wakaf Selangor since 1 February 2015; director of IIUM Properties (M) Sdn Bhd, the property arm of Universiti Islam Antarabangsa since 3 September 2018 and board member of Jabatan Perancangan Bandar dan Desa Negeri Selangor, an agency under the Selangor State Government Ahli Lembaga Rayuan Negeri Selangor for 3 years' term effective from 1 January 2018 until 31 December 2020.

PROFILE OF
DIRECTORS (cont'd)

05

Puan Czarina Alia binti Abdul Razak
Independent Non-Executive Director
Age 46, Female, Malaysian

Date of Appointment
30 January 2019

Board Committees Membership
Remuneration Committee (Chairman)
Risk Management Committee (Member)
Nomination Committee (Member)

Academic/Professional Qualification
Degree in Civil Engineering, Malaysia
Certified Career Coach

Present Directorship
Listed entity : Nil
Other public company : Nil

Experience
Puan Czarina Alia is the Managing Director of Matiin Education Services Sdn Bhd and CKW Consulting Sdn Bhd. She has 21 years of recruitment as well as human capital consulting experience from Kelly Services (M) Sdn Bhd, a multinational staffing company, and CareerXcell Sdn Bhd. Her strengths in human capital, strategic sales management and investor relations provide her a wide leverage in delivering high performance results in an equally high competitive market.

Her experience covers international & local recruitment, recruitment process outsourcing, strategic business development, workforce transformation and training management. Czarina is a certified Career Coach and used to be the Board of Director of Majlis Amanah Rakyat (MARA) from 2010-2011.

Highlights of her professional experience include experienced in delivering key account management in various human capital services; Subject Matter Expert in setting up a middle-east recruitment and human capital operation based in Saudi Arabia. Her local and international exposure allows a cross cultural understanding of the recruitment initiatives and services; experienced in leading the implementation of the Graduate Employment Programme, under the Ministry of Higher Education, Ministry of Human resource to increase the employability of the graduates and ensure placement in high value positions. The project saw a successful placement of more than 80% of the unemployed graduates; led a significant number of international and local recruitment and staffing requests including providing human capital advisory, career counseling and coaching; built and cultivated exceptionally strong investor relations for successful consulting work in Germany, London and Oman; appointed as representative for Commonwealth Environmental Investment Platform (CEIP) in Malaysia for her successful collaboration work with CEIP from 2014 to present. This business relation also involves CEIP sponsor Clarkslegal LLP and its connected Forbury companies which altogether increase trade and investment opportunities between the UK and Malaysia; successfully managed the Leadership Talent Benchstrength Analysis project, under the Ministry of Higher Education to establish the current state of leadership talent readiness among the academic workforce in Malaysia's higher education sector. She was also involved in the capacity of an Assessor for this project.

PROFILE OF DIRECTORS (cont'd)

06

Tuan Hj Mohamad Nor bin Abas

Independent Non-Executive Director
Age 64, Male, Malaysian

Date of Appointment
6 May 2019

Board Committees Membership
Audit Committee (Member)
Nomination Committee (Member)

Academic/Professional Qualification
MBA, Ohio University, USA
Degree in Business Administration, Ohio University, USA

Present Directorship
Listed entity : Nil
Other public company : Nil

Experience
A Human Resource practitioner with more than 35 years in the senior management level with a number of appointments in the financial, banking, insurance, logistics, consulting and property development industries. Among his previous work experiences include as a Recruitment Manager with Malayan Banking Bhd (1981-1993), Senior Manager, Personnel, Training & Administration, Kewangan Bersatu Bhd (1993-1995), Vice President, Human Resources, Bank of Commerce Bhd (1995-1997), Senior Manager, Human Resources, Nationwide Express Courier Services Bhd (1997-2007), Senior Vice President, Human Capital Management, MNRB Holdings Bhd (2007-2010), Senior Consultant, Mauve Associate Consulting Sdn Bhd (2011-2014) and Head, Group Human Resources & Administration, Matrix Concepts Holdings Bhd (2014-2019).

07

Encik Shahrizam bin A Shukor

Independent Non-Executive Director
Age 47, Male, Malaysian

Date of Appointment
6 May 2019

Board Committees Membership
Audit Committee (Chairman)
Risk Management Committee (Chairman)

Academic/Professional Qualification
Bachelor of Accountancy, Universiti Putra Malaysia
Chartered Accountant, Malaysian Institute of Accountants (MIA)
Associate Member, CPA Australia

Present Directorship
Listed entity : Damansara Realty Bhd
Other public company : Nil

Experience
A licensed Chartered Accountant, with 20 years of big 4 experience in Financial Controller, Principal Auditor, Finance Director and Chief Financial Officer in private companies. Industries include construction, engineering, ICT and telecommunications, retail, manufacturing and oil & gas. Expertise in various areas including, but not limited to : accounting policies and procedure, cash flow, taxes, auditing, capital and operating budgets, financial analysis/planning, financial statements and reporting, and business process improvements. He started his career at Coopers & Lybrand in 1996 and then joined Azman, Wong Salleh & Co. until 2002 in the areas of auditing and financial advisory. He then set up his own financial advisory firm, known as Westland Consulting Sdn Bhd. Currently he is the Chief Financial Officer of TH Travel & Services Sdn Bhd, a wholly-owned subsidiary of Lembaga Tabung Haji.

PROFILE OF KEY SENIOR MANAGEMENT

PUAN RAIZITA BINTI AHMAD @ HARUN

Chief Financial Officer
Age 51, Female, Malaysian

Puan Raizita binti Ahmad @ Harun was redesignated as Chief Financial Officer of Merge Energy Group since 30 January 2019. She was the Executive Director of Merge Energy Bhd ("MEB") from 1 September 2015 until 30 January 2019. Prior to her appointment as Executive Director, she was the Senior General Manager of Finance and Accounts Division, responsible for the overall financial management. Her current responsibilities including formulation of policies, corporate finance, treasury, risk management, compliances and best practices of accounting policies for the Group.

In the Year 2006, she had played an instrumental role in the planning, preparation and submission of corporate exercise to Bursa Malaysia and Securities Commission to regularise MEB conditions in relation to the PN17 status and in 2009, MEB PN17 status was successfully regularised and uplifted. Having in total 28 years working experience with 15 years in a leadership position, she has advised the Board on numerous project-financing arrangements, structured debts and schemes of arrangements and represented the Company in several listing exercises. She currently sits on the board of all the subsidiaries of MEB and is a member of the Executive Committee.

She graduated with Bachelor of Science in Administration (Accountancy) from California State University, Sacramento in 1990.

She has no conflict of interest with the Group and has no family relationship with any director and/or major shareholder of the Group. She has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

MR TAN YU JIAN

Chief Operating Officer
Age 36, Male, Malaysian

Mr Tan Yu Jian was appointed as the Director of Mewah Kota Sdn Bhd on 30 January 2019 and Chief Operating Officer of the Group on 2 May 2019. In 2005, he obtained his Bachelor's Degree in Electrical and Electronics Engineering from University of Tenaga Nasional, Malaysia.

After graduating in 2005, he commenced his career as Sales Executive with Mega 3 Housing Sdn Bhd He was involved in the project planning of development projects of Mega 3 Housing Seremban & Melaka.

Subsequently he was promoted as Director of Mega 3 Housing Sdn Bhd and was responsible for the setting up of branch offices in Salak Sepang and Teluk Panglima Garang, Kuala Langat in Selangor.

He also sits on the boards of several private limited companies.

He is the son to Dato' Tan Gee Swan @ Tan Suan Ching. He has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

MR NG JUN LIP

Chief Corporate Officer
Age 40, Male, Malaysian

Mr Ng Jun Lip was appointed as the Director of Mewah Kota Sdn Bhd on 30 January 2019 and Chief Corporate Officer of the Group on 2 May 2019. In 2000, he obtained a Bachelor of Commerce, majoring in Accounting and Finance from Curtin University of Technology in Perth, Australia. He then in 2001, obtained a Postgraduate Diploma in Business, majoring in Information Systems from Curtin University of Technology in Perth, Australia. He graduated in 2002 with a Master of Business Administration from University of Western Australia in Perth, Australia.

After graduating in 2002, he commenced his career as an Executive at the Corporate Finance Department in RHB Investment Bank Berhad and was involved in various corporate exercises, such as IPO, merger and acquisition, reverse takeover, debt restructuring and fund raising. He left RHB Investment Bank Berhad in 2007.

Thereafter, he joined Bun Seng Hardware Sdn Bhd as its Financial Controller in 2007 and was later became the Head of Finance of Bunseng Holdings Berhad, the investment holding company of Bun Seng Hardware Sdn Bhd until his resignation in May 2013.

Subsequently in June 2013, he joined Matrix Concept Holdings Berhad ("Matrix Concepts") as the Personal Assistant to the Chairman of Matrix Concepts to assist in reviewing and implementing corporate proposals, operational performance as well as investor relations of the group. He left Matrix Concept in December 2014.

He joined Cabnet Systems (M) Sdn Bhd ("Cabnet Systems") in January 2015 as the Finance Director and assumed the position as the Executive Director/ Chief Financial Officer of Cabnet Holdings Berhad in September 2015. He left Cabnet Holdings Berhad in

PROFILE OF
KEY SENIOR MANAGEMENT (cont'd)

March 2017 and re-joined Matrix Concepts Holdings Berhad as the Executive Assistant to its Chairman in April 2017. In November 2018, he was appointed as the President Director of PT Matrix Perkasa Indonesia, a wholly-owned subsidiary of Matrix Concepts Holdings Berhad to spearhead the joint venture project in Jakarta, Indonesia. Presently, he also sits on boards of numerous private limited companies.

He has no conflict of interest with the Group and has no family relationship with any director and/or major shareholder of the Group. He has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

DATO' IR HJ MOHD HASDILLAH BIN HJ HASHIM

CEO, Mewah Kota Sdn Bhd, a subsidiary of MEB
Age 53, Male, Malaysian

Dato' Ir Hj Mohd Hasdillah was appointed as Consultant / Project Director on 1 February 2019 and was later redesignated as a CEO of Mewah Kota Sdn Bhd He graduated with a Bachelor of Science in Civil Engineering from Bradley University Peoria, Illinois, Unites States of America in 1988. Dato' Ir Hj Mohd Hasdillah has over 30 years of extensive experience in the construction and water related industry. His expertise also includes areas in project consultancy, management, construction and housing development. Prior to his appointment, Dato' Ir Hj Mohd Hasdillah was a Managing Director of Bentara Bakti Sdn Bhd from 2006 until present. Dato' Ir Hj Mohd Hasdillah started his career as a Site Agent with Machinda Sdn Bhd from 1989 to 1990. He then joined Asia Baru Construction Sdn Bhd as Site Engineer from 1990 to 1991. From 1993 to 1996, Dato' Ir Hj Mohd Hasdillah was appointed as Director of Engineering in international company, Hyatt Hotel Johor Bahru. Subsequent to that, Dato' Ir Hj Mohd Hasdillah joined Kumpulan Astulin Pahang Bhd from 1996 to 2002. Dato' was appointed as Executive Director for Angkasa Tulin Sdn Bhd and Astulin Bina Sdn Bhd (the subsidiaries) to oversee the housing development and construction activities. In 2008, Dato' Ir Hj Mohd Hasdillah then joined hGc Consulting Engineer as Principal - Civil and Structural Consulting Engineer. Dato' Ir Hj Mohd Hasdillah is registered as Professional Engineer with Practising Certificate (Civil) from Board of Engineers Malaysia. Dato' Ir Hj Mohd Hasdillah are also involved in non-governmental organisation (NGO), President Persatuan Penduduk Kiara View, Desa Sri Hartamas and Ahli Jawatankuasa Perwakilan Penduduk Wilayah Persekutuan (MPPWP) Sub-zone 4 Segambut, under YB Hannah Yeoh and Menteri Wilayah Persekutuan, YB Khalid Samad. He has no conflict of interest with the Group and has no family relationship with any director and/or major shareholder of the Group. He has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

ENCIK MOHD AZALI BIN ABDUL RAHMAN

Managing Director, Iris Synergy Sdn Bhd ("ISSB"), a subsidiary of MEB
Age 54, Male, Malaysian

Encik Mohd Azali was appointed as Managing Director of Iris Synergy Sdn Bhd on 1 January 2013 and heads ISSB, responsible for the overall operation and management of ISSB. He is also a shareholder of ISSB.

Encik Mohd Azali graduated with a Bachelor of Science in Chemistry from University of Alabama in 1987.

He started his career with Malaysia Mining Corporation ("MMC") as Project Engineer developing hydrometallurgical testing in a copper mining development. After 3 years with MMC, he joined Nalco Chemicals and GE Water in providing chemical solution for water treatment in Oil & Gas industries.

After 10 years, Encik Mohd Azali started his own private company concentrating into Oil & Gas industries. The company grows into a one stop centre for all water related requirement for Oil & Gas industries. Currently, ISSB is working with reputable manufacturer and technology provider in offering the solution to the water related needs in Malaysia Oil & Gas industries.

He has no conflict of interest with the Group and has no family relationship with any director and/or major shareholder of the Group. He has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

SUSTAINABILITY
STATEMENT

At MEB, we focus on undertaking sustainable and responsible business practices in order to deliver a positive impact to our economy, environment and to create values to our communities in which we operates in. By doing so, we aim to achieve and deliver long-term sustainability values to our stakeholders. This statement focuses on the Group's material sustainability risks and opportunities, and is prepared in accordance with Part III, Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia).

As such, the Group remains mindful that its activities should be carried out with high standards of corporate and social responsibility as it strives to align its businesses and engage all stakeholders in its daily operations, minimise environmental impact arising from its business operations and actions and improving the social and economic conditions of its stakeholders, employees and the communities that it operates in.

At MEB, we endeavour to make a continuous engagements with our stakeholders. From time to time, the Group engages with the following groups of stakeholders through meetings, reviews, discussions, calls, surveys and focus groups to better identify and understand any sustainability expectations our stakeholders may have :

- Employees
- Business partners and principal
- Investors and shareholders
- Customers
- Government
- Communities
- Industry associations

Economic

Mewah Kota Sdn Bhd, our main construction arm has attained the ISO 9001:2015 certification for Quality Management System where procurement of materials and services are controlled to ensure that the purchased materials and services conform to the specified requirement. This is achieved by maintaining an approved list of suppliers and subcontractors while potential new suppliers and subcontractors are evaluated to ensure their ability to meet the specific requirements.

Meanwhile, our project sites, wherever they are located, seek to employ the local communities to provide employment opportunities to them.

The Group continues to recognise the importance of its human capital and strives to identify and retain the best talents and to groom them to assume bigger roles and responsibilities in meeting the needs of the Group.

The Group always endeavours to achieve high standards in health and safety matters across all aspects of its operations in order to ensure a conducive working environment for its employees.

Our employees are also offered competitive salaries, performance incentives and other benefits. Part of the benefits offered by the Group to its employees include Group Hospitalisation and Surgery Insurance Scheme and outpatient medical treatment which is also extended to their spouse and children. Employees are further covered under a Group Personal Accident and Group Term Life Insurance.

Environment

MEB emphasises on the importance of conserving the environment in the running of the operation of the Group. Under this pillar the Group has highlighted the following areas:

- Strong corporate governance
- Compliance with laws and regulations
- Transparency
- Economic performance

Under this pillar the Group has highlighted the following areas:

- Managing fuel and energy
- Managing water
- Managing waste

SUSTAINABILITY STATEMENT (cont'd)

The Group has always recognised the global environmental challenges faced by our society. We are therefore committed in operating our businesses in a responsible manner in order to protect and enhance the conservation of natural environment as well as to play our part in maintaining a sustainable future. Construction projects have a significant impact on the surrounding environment. In fact, every aspect of construction has some measurable impact – from mining processes used for materials, to the waste produced by the project and how it is disposed of. It is important to understand and take initiatives to decrease the environmental impact of construction projects which would harm the water, ground, and air we breath.

As MEB's core activities and expertise are in the areas construction, it is vital that the Group looks into the environmental factors such as the usage of resources, impact to the environment and waste management. In addition MEB works to ensure that its operations are environmentally responsible, and that adequate steps are taken to protect and effectively manage risks that may adversely impact the surrounding environment. These are key indicators of efficiency, as well as being indispensable in safeguarding the quality and health of the natural environment. Given the nature of the Group's businesses, managing environmental factors is material for operations reducing and minimising our environment footprint.

Social

MEB acknowledges on the importance of the employees in the running of the operations of the Group. Under this social pillar the Group has highlighted the following areas :

- Providing a healthy and safe workplace
- Ensuring the welfare of our employees
- Preventing data fraud and theft
- Engaging communities

We recognise our employees as the backbone of our operations and activities. The employees are directly responsible for all our business activities. As we believe our people is our most important asset, we seek to attract and retain the best talents. We are giving assurance to our customers that our business are serve by a competent and qualified personnel.

The Group also recognized that its businesses have direct and indirect impact on the communities in which it operates, and is conscious of its responsibility to act as a good corporate citizen and to reach out to the local communities where it operate.

SUSTAINABILITY STATEMENT (cont'd)

Some of the community activities carried out by the Group through its Kelab Sukan dan Kebajikan (MEB) Merge Energy ("KSKMEB") during the year are as follows :

- During the Ramadhan fasting month, it has always been a tradition for the Group to distribute food which was cooked and prepared by the employees of the Group for the community. During the last Ramadhan, the employees cooked "Bubur Lambuk", "Kuih Buah Melaka" and distributed to the community of Kampung Melayu Subang, including the nearby mosques and orphanages
- Blood Donation Campaign organized by Pusat Bekalan Darah Negara and participated by our employees and nearby community.

The management of MEB Group also believes that apart from work, a well balanced and healthy lifestyle is essential for the overall well-being of its employees. Some of the activities undertaken by KSKMEB to further strengthen the employees' integration and team spirit are as follows :

1. Sports and Recreational Activities
   - Futsal, 'congkak' and bowling tournament was organized during the year

2. Training and Staff Development Programme
   - Cardio Pulmonary Resuscitation (CPR) Briefing
   - Health Screening Package for employees
   - Fire Prevention Awareness
   - "Tazkirah, Bacaan Yasin and Solat Berjemaah" with the Group employees (conducted during the fasting month Ramadhan)
   - Team building Program at Janda Baik, Pahang

3. Celebration
   - Staff Birthday gatherings
   - Hari Raya open house
   - Chinese New Year lunch treat
   - Fruits Feast

Health & Safety

The health and safety (HSE) of the Group's employees is paramount in safeguarding the welfare of our people as well as ensuring that businesses operate with minimal interference. This include personal protective equipment, training or educating employees on health and safety topics such as work injury compensation, providing a feedback mechanism for employees and ensuring compliance with Malaysia's Occupational Safety & Health Act.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

The Board of Directors ("Board") of Merge Energy Bhd (the "Company") is dedicated towards fostering a healthy corporate governance culture within the Company and its subsidiaries (collectively referred to as the "Group"). The Board acknowledges that upholding good corporate governance is paramount to its value creation process. The Board believes that maintaining good corporate governance is key to delivering stakeholders' value. In making this Corporate Governance Overview Statement, the Company is guided by Practice Note 9 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the Corporate Governance Guide (3rd edition) issued by Bursa Securities. The Corporate Governance Overview Statement is supported with a Corporate Governance Report, based on a prescribed format as outlined in Paragraph 15.25(2) of the Listing Requirements and are developed with reference to the guidance and application of the Company's corporate governance practices against the Malaysian Code on Corporate Governance 2017 ("MCCG"). The Corporate Governance Report is available on the Company's website www.merge-energy.com.my as well as via an announcement on the website of Bursa Securities. The Board is pleased to share the manner in which the three (3) Principles and Practices of the MCCG have been complied within the Company throughout the financial year ended 31 March 2019.

A summary of the corporate governance practices are prescribed as follows :

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

1 Clear Roles and Responsibilities

During the financial year ended 31 March 2019, the Board deliberated on the short, medium and long term strategy for the Group together with its proposed business plans for the year 2019. The Board, together with Management, reviewed the Group's strategy and the Board had satisfied itself that all appropriate considerations have been taken into account in the formulation of the Group's strategy.

In addition to strategic matters, the Board, amongst others, is also responsible for the following key matters:
- Engendering an ethical culture across all levels of the Group
- Reviewing and approving the financial results; quarterly and annually.
- Overseeing the business and financial operations
- Identifying and managing principal risks
- Maintaining two-way relationships with stakeholders.

The Board is accountable and responsible for the performance and affairs of the Company by overseeing and appraising the Group's strategies, policies and performance.

All Board members are expected to show good stewardship and act in a professional manner, as well as upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to the Board Committees, a Director, employee or other persons subject to ultimate responsibility of the directors under the Companies Act 2016.

Separation of Roles between Chairman and CEO

Dato' Hj Mohamad Haslah bin Mohamad Amin, one of the major shareholders of the Company, is the Executive Chairman of the Board who provides strong leadership and is responsible for ensuring the adequacy and effectiveness of the Board's governance process, whilst Dato' Tan Gee Swan @ Tan Suan Ching who is also one of the major shareholders, is the Non-Independent Executive Director of the Company.

MEB is in the midst of realigning of the organisation in which we are looking for a suitable candidate to fill in the role of Chief Executive Officer (CEO) of MEB.

We realise the importance in the separation of roles and responsibilities of the Chairman and the CEO as this will ensure that there is a balance of power and authority, such that there is no excessive concentration of power in the Chairman. The candidate must be able to bring an additional perspective to the Board through an in depth understanding of MEB's business. The Chief Executive Officer must be able to assist the Chairman in running the Group's operations and implementation of the Board's policies and decisions. The Board also has an effective working partnership with the Management in establishing the strategic direction. While MEB is looking for the right candidate for the role of CEO, the Executive Directors and Management are responsible for supporting and assisting the Chairman in implementing and running the Group's day to day business.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities (Cont'd)

2 Company Secretary

The Board is supported by a qualified and competent Company Secretary. The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretary who is qualified, experienced and knowledgeable on new statutory and regulatory requirements, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities. In this respect, the Company Secretary plays an advisory role to the Board, particularly with regard to the Company's Constitution, Board policies and procedures, and its compliance with regulatory requirements, corporate governance and legislations. The Company Secretary, who oversees adherence with board policies and procedures, briefed the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretary also keep the Directors and principal officers informed of the closed period for trading in the Company's shares.

The Company Secretary ensures that deliberations at Board and Board Committees meetings are well documented, and subsequently communicated to the relevant Management for appropriate actions.

The Company Secretary constantly keep herself abreast of the evolving capital market environment, regulatory changes and developments in corporate governance by attending the relevant training programmes and conferences.

3 Supply and Access to Information

The Board recognises that the decision making process is highly dependent on the quality of information furnished.

In furtherance to this, every Director has access to all information within the Company. The Directors have access to information through the following means:

- Members of senior management attend Board and Board Committees meetings by invitation to report areas of the business within their responsibilities including financial, operational, corporate, regulatory, business development, audit matters and information technology updates, for the Board's informal decision making and effective discharge of the Board's responsibilities.
- The Board and Board Committees papers are prepared and issued to the Directors within reasonable period before the respective meetings to enable them to receive the information in a timely manner.
- The Audit Committee meets with the Management, Internal Auditor and External Auditor regularly to review the reports regarding internal control system, financial reporting and risk management. The Audit Committee Chairman then will report to the Board.

Besides direct access to the Management, Directors can obtain independent professional advice at the Company's expense on the implementation of risk management system during the year under review in accordance with established procedures set out in the Board Charter in furtherance of their duties.

To facilitate robust Board discussions, all Board meetings are furnished with proper agenda with due notice issued and board papers and reports are prepared by the Management to provide updates on financial, operational, legal and circulated prior to the meetings to all Directors with sufficient time to review them for effective discussions and decision making during the meetings.

4 Board Charter

The Board has formalised a Board Charter which delineates the responsibilities of the Board, Board Committees and individual Directors, including the matters that are solely reserved for the Board's decision. The Board Charter also serves as a primary induction literature that guides newly appointed and existing Board members on their duties and functions of the Board and its Committees.

The Board Charter is published on the Company's website at www.merge-energy.com.my and periodically reviewed as well as updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. This is to ensure that the Board Charter always stay relevant with the Board's objectives, current laws, regulations and practices.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities (Cont'd)

5 Code of Conduct and Code of Ethics

The Board acknowledges its role in setting the "tone at the top" and creating an ethical culture that will form the very fabric of the Group's conduct. To this end, the Board has adopted and implemented a Code of Conduct for Directors, Management and officers of the Group as well as Code of Ethics for the Board.

The basic principles have been carried out by having appropriate regards to the interests of the Company's customers, shareholders, people, business partners and the broader community in which the Company operates. The Code of Conduct and Code of Ethics can be found on the Company's website at www.merge-energy.com.my

6 Whistleblowing Policy

The Policy serves as a guide to the employees on how to raise genuine concerns related to possible improprieties on matters relating to financial reporting, compliance and other malpractices at the earliest opportunity and in an appropriate way.

The Board has adopted the Whistle-Blowing Policy with the aim that the employee or stakeholder can report and disclose through established channels any improper or unethical activities relating to the Company and its group of companies. The Whistleblowing Policy is available on the Company's website.

7 Conflict of Interest

Confidential information concerning the Company's activities is governed by the employment contracts. Disciplinary action shall be taken against the employee in the event of any violation of the regulations or act.

II Board Composition

1 Board Composition and Balance

During the financial year under review, the Board has seven (7) Directors, comprising the Executive Chairman, an Executive Director, a Non-Independent Non-Executive Director and four (4) Independent Non-Executive Directors. The Company fulfills Paragraph 15.02(1) of the Listing Requirements which stipulates that at least two (2) Directors or one third (1/3) of the Board, whichever is the higher, are Independent Directors.

The composition and size of the Board is reviewed annually to ensure its appropriateness and effectiveness. The Board is satisfied that the current composition of Directors provides the right balance and size between Executive Directors and Non-Executive Directors with appropriate mix of relevant skills, knowledge and industry experience required to promote all shareholders' interests and to govern the Company effectively.

Dato' Sheah Kok Fah was the Senior Independent Non-Executive Director to whom concerns on matters relating to Corporate Governance of the Company could be conveyed. The Independent Directors fulfills a pivotal role in providing unbiased and independent views, advice and judgement, taking into account the interest not only of the Company but also shareholders, employees, customers and communities in which the Company conducts business.

2 Board Independence

The Board is mindful on the importance of independence and objectivity in its decision making process which is in line with MCCG.

The Board delegates to the Executive Directors namely Dato' Hj Mohamad Haslah bin Mohamad Amin and Dato' Tan Gee Swan @ Tan Suan Ching, as well as the Executive Committee (EXCO) members who are supported by an executive management team, implements the Company's strategic plan, policies and decisions adopted by the Board to achieve the Company's objective of creating long-term value for its shareholders through excelling in manufacturing/ distribution of access equipment or other aluminium related products.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS
II Board Composition (Cont'd)

2 Board Independence (Cont'd)

The Company's Independent Directors are required to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment taking into account the interest, not only of the Company but also of shareholders, employees, customers and communities in which the Company conducts business. The Board, via Nomination Committee assesses each Director's independence to ensure ongoing compliance with this requirement annually.

Any Director who considers that he/she has or may have a conflict of interest or a material personal interest or a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Director's decisions in any matter concerning the Company, is required to immediately disclose to the Board and to abstain from participating in any discussion or voting on the respective matter.

Presently, the Board has four (4) Independent Directors, namely Dato' Kamarulzaman bin Jamil, Puan Czarina Alia binti Abdul Razak, Tuan Hj Mohamad Nor bin Abas and Encik Shahrizam bin A Shukor, representing 57% of the Board. During the financial year under review, the Board and the Nomination Committee assessed their independence to ascertain if they display a strong element of detached impartiality and found them to be independent and objective during Board's deliberations.

None of the Independent Directors have exceeded nine (9) years tenure as recommended by MCCG.

3 Board Committees and Delegation

The Board delegates the implementation of its strategy to the Company's Management. Nonetheless, the Board remains ultimately responsible for corporate governance and the affairs of the Company. While at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its responsibilities, the Board has established the following Board Committees to perform certain of its functions and to provide it with recommendations and advice :

- Nomination Committee
- Remuneration Committee
- Risk Management Committee
- Audit Committee

Each Board Committee operates in accordance with the written terms of reference approved by the Board.

The Board reviews the terms of reference of the Board Committees from time to time. The terms of office and performance of the Audit Committee is reviewed on annual basis by the Nomination Committee. The Board approves the appointments of the members and the Chairman of each Committee.

For day-to-day operations, the Board has delegated authorities and power to some level of Management including the two Executive Directors, namely Dato' Hj Mohamad Haslah bin Mohamad Amin and Dato' Tan Gee Swan @ Tan Suan Ching as well as the Executive Committee (EXCO). The Executive Directors and EXCO each command their own respective functions to ensure the smooth running of the Company's operations, are responsible for the implementation of board policies approved by the Board and are required to report and discuss at Board meetings all material issues currently or potentially affecting the Group and its directions, projects and regulatory development.

4 Directors' Commitment

The Board endeavors to meet at least four (4) times a year, at quarterly intervals which are scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. The Board is satisfied with the level of commitment given by the Directors toward fulfilling their roles and responsibilities as Directors of the Company as all Directors had attended all the Board meetings during the financial year under review. Additional meetings are convened where necessary to deal with urgent and important matters that require attention of the Board.

All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretary.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

II Board Composition (Cont'd)

4 Directors' Commitment (Cont'd)

The Board met five (5) times during the financial year under review. The details of Directors' attendance are set out as follows :

Name of Directors	No. of Board Meetings Attended/Held during the Directors' Term in Office	Remarks
Dato' Tengku Rozanna Petri binti Tengku Mohamed Nasrun *(Independent Non-Executive Chairman)*	3/5	resigned on 30 January 2019
Dato' Abdul Jalil bin Abdul Karim *(Executive Director/Chief Executive Officer)*	5/5	resigned on 30 January 2019
Puan Raizita binti Ahmad *(Executive Director)*	5/5	resigned on 30 January 2019
Dato' Sheah Kok Fah *(Senior Independent Non-Executive Director)*	5/5	resigned on 30 January 2019
Dr. Badrul Hisham bin Mohd Yusoff *(Independent Non-Executive Director)*	5/5	resigned on 3 May 2019
Dato' Hj Mohamad Haslah bin Mohamad Amin *(Non-Independent Executive Chairman)*	5/5	appointed on 29 November 2018
Dato' Tan Gee Swan @ Tan Suan Ching *(Non-Independent Executive Director)*	5/5	appointed on 29 November 2018
Dato' Lee Tian Hock *(Non-Independent Non-Executive Director)*	3/4	appointed on 30 January 2019
Puan Czarina Alia binti Abdul Razak *(Independent Non-Executive Director)*	3/4	appointed on 30 January 2019
Tuan Hj Mohamad Nor bin Abas *(Independent Non-Executive Director)*	2/2	appointed on 6 May 2019
Encik Shahrizam bin A Shukor *(Independent Non-Executive Director)*	2/2	appointed on 6 May 2019
Dato' Kamarulzaman bin Jamil *(Independent Non-Executive Director)*	5/5	

The Board, via Nomination Committee reviews annually the time commitment of the Directors and ensures that they are able to carry out their own responsibilities and contributions to the Board. It is the Board's policy for Directors to notify the Chairman before accepting any new directorship notwithstanding that the Listing Requirements allows a Director to sit on the board of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

In order to enable Directors to sustain active participation in Board deliberations, the Directors have access to continuing education programmes or trainings. The Directors have devoted sufficient time to update their knowledge and enhance their skills by attending trainings facilitated by third party experts to keep themselves updated on the latest market and regulatory developments that may impact the Group.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS
II Board Composition (Cont'd)

5 Nomination Committee

The Company's Nomination Committee comprised exclusively of Independent Non-Executive Directors and is chaired by Dato' Kamarulzaman bin Jamil, the Independent Non-Executive Director. The composition of the Nomination Committee is as follows :

Name	Designation
Dato' Kamarulzaman bin Jamil *(Independent Non-Executive Director)*	Chairman
Puan Czarina Alia Binti Abdul Razak *(Independent Non-Executive Director)*	Member
Tuan Hj Mohamad Nor bin Abas *(Independent Non-Executive Director)*	Member

The Nomination Committee is responsible for making recommendations to the Board on the most appropriate Board size composition to ensure it is collectively able to discharge its duties in an informed and conscientious manner. In discharging its responsibilities, the Nomination Committee has developed certain criteria used in the recruitment process and annual assessment of Directors. In evaluating the suitability of candidates, the Nomination Committee considers the following factors, the detail was set up in the Terms of Reference of the Nomination Committee which is available for reference at the Company's website, www.merge-energy.com.my.

Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors. In addition, the Nomination Committee is also responsible for making recommendations on the desirable competencies, experience and attributes of the Board members and strategies to address Board diversity.

The Board may appoint an individual to be a Director by having selection process for new appointees as recommended by the Nomination Committee to the Board. The appointed individual will stand for reelection at the next AGM in accordance with the Constitution of the Company. The suitable candidates to be considered for the appointment as Directors are facilitated through recommendations from the Directors, Management and shareholders of the Company. The Nomination Committee will assess and consider the suitability of the candidates based on the criteria set before recommending to the Board for appointment.

The Nomination Committee will arrange for the induction for any new appointment such as visits to the Groups' significant businesses and meetings with Senior Management personnels, as appropriate, to enable them to have a full understanding of the nature of the business, current issues within the Group and corporate strategies as well as the structure and management of the Group.

During the financial year 2019, all the Nomination Committee members had met twice and undertaken the following activities :

(i) Assessed the overall effectiveness of the Board, its Committees and the contribution and performance of each individual Director;
(ii) Reviewed the composition of the Board and the Board Committees;
(iii) Assessed the independence of its Independent Directors;
(iv) Reviewed the character, experience, integrity, competence and time commitment of the CEO andChief Financial Officer;
(v) Reviewed trainings accomplished by the Directors and determined the training needs for each Director;
(vi) Assessed and recommended to the Board the reelection of Directors;
(vii) Reviewed and recommended Independent Directors who have served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company; and
(viii) Reviewed the term of office and performance of the Audit Committee and each of its members.

The Nomination Committee leads the process for identifying and making recommendation for the Board's approval on suitable candidates for directorship to the Board and members to the Board Committees. The Nomination Committee may consider engaging external consultants in the identification of potential candidates.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

II Board Composition (Cont'd)

5 Nomination Committee (Cont'd)

In evaluating the suitability of candidate(s), the Nomination Committee will review their profile and curriculum vitae and considers, inter-alia the competency, commitment (including time commitment), character, integrity, mix of skills, knowledge, expertise and experience in meeting the needs of the Company. The Nomination Committee will then recommend the candidate(s) to the Board. Based on the recommendation of the Nomination Committee, the Board would evaluate and decide on the appointment of the proposed candidate(s). The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

In regards to the candidates for appointment as Independent Director, the Nomination Committee would assess the potential candidate's suitability based on the criteria on independence as set out in the Listing Requirements.

The Nomination Committee also facilitates and organises the yearly Board Evaluation to assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual Directors. The evaluation process is led by the Company Secretary and facilitated via questionnaires. The Nomination Committee reviews the outcome of the evaluation and recommends to the Board on areas for continuous improvements and also for them to form the basis of recommending relevant Directors for reelection at the AGM.

Primary criteria adopted for assessing the performance of the Board and Board Committees include composition, structure, operations, role and responsibilities and the adequacy of information and processes. For individual Directors, the assessment is carried out based on the criteria of character, experience, integrity, competency and time in order to discharge their responsibilities effectively.

During the financial year ended 31 March 2019, the Nomination Committee assessed the effectiveness of the Board, its Committees and the contribution of each Director with the aim of improving individual contribution, effectiveness of the Board and its Committees, identify gaps, maximise strengths and address weaknesses of the Board.

From the performance assessment conducted by the Nomination Committee, it was concluded that the Board as a whole, Board Committees and individual Directors have discharged their respective roles and responsibilities in a commendable manner.

6 Diversity

The Company endeavours to have a balanced representation by taking into consideration a range of different skills, age, gender, ethnicity, backgrounds and experiences represented amongst its Directors, officers and employees as the Board is aware that it is important in ensuring robust decision making processes with a diversified viewpoints and the effective governance of the Company. The Board has adopted the Gender Diversity Policy on 27 February 2018.

Presently, the Board has one female Director, i.e. Puan Czarina Alia Binti Abdul Razak, representing 14.29% of the total number of Board members.

In furtherance, as for employment gender diversity, the Board is of the view that there is balanced gender diversity at Executive and Managerial levels of employees in the Company during the year under review.

7 Board Assessment & Annual Evaluation

The Nomination Committee reviews annually the required mix of skills and experience of Directors; effectiveness of the Board as a whole and its Board Committees; succession plans and boardroom diversity, including gender, age, ethnicity, diversity; training courses for Directors and other qualities of the Board, including the independence of the Independent Directors.

The evaluation of the suitability of candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. The assessment and comments by Directors are summarised in a questionnaire regarding the effectiveness of the Board and its Board Committees and discussed at the Nomination Committee meeting and reported at the Board meeting by the Nomination Committee Chairman. All assessments and evaluations carried out by the Nomination Committee in the discharge of its functions are properly documented.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

II Board Composition (Cont'd)

7 Board Assessment & Annual Evaluation (Cont'd)

The Nomination Committee meets at least once in a year with additional meetings to be convened, if necessary. During the financial year under review, the Nomination Committee had met twice to review and assess the mix of skills, expertise, composition, size and experience of the Board, including the core-competencies of both Executive and Non-Executive Directors, the contribution of each individual Director; effectiveness of the Board as a whole and the Board Committees; and independence of the Independent Directors.

The Board was comfortable with the outcome and that the skills and experience of the current Directors satisfy the requirements of the skills matrix. All the Directors have diverse and relevant range of skills, background, knowledge and experience to give insight opinions on decision making for the Group; and the Chairman possesses the leadership to safeguard the stakeholders' interest.

8 Reelection to the Board

In accordance with the Company's Constitution, all the Directors shall retire at least once in every three (3) years and the retiring Director shall be eligible for reelection at the AGM of the Company.

Upon the recommendation of the Nomination Committee, the Board is proposing the reelection of Dato' Hj Mohamad Haslah bin Mohamad Amin, Dato' Tan Gee Swan @ Tan Suan Ching, Dato' Lee Tian Hock, Puan Czarina Alia Abdul Razak, Tn Hj Mohamad Nor bin Abas, Encik Shahrizam A Shukor and Dato' Kamarulzaman bin Jamil as Directors pursuant to Article 112 and 105 of the Constitution of the Company, at the forthcoming AGM and being eligible, they have offered themselves for reelection.

9 Directors' Training

The Board, via the Nomination Committee, continues to identify for the Directors to attend appropriate briefings, seminars, conferences and courses to keep abreast with changes in legislations and regulations affecting the Group.

All Directors have completed the Mandatory Accreditation Programme ("MAP"). The Directors are mindful that they need to continue to enhance their skills and knowledge to maximise their effectiveness as Directors during their tenure. Throughout their period in office, the Directors are continually updated on the Group's business and regulatory requirements.

The Directors have attended individually or collectively the various training programmes and briefings, amongst others, the following :

- 9th Annual Affordable Housing Projects, Grand Hyatt Singapore
- Introduction to Green Building Concepts, d'Tempat Country Club, Bandar Sri Sendayan, Negeri Sembilan
- Mandatory Accreditation Programme, The Iclif Leadership and Governance Centre (ICLIF)
- Project Management
- Insider Trading & Directors' Dealing in Securities
- Sustainable Engagement Series
- Corporate Training on Malaysian Code on Corporate Governance & Directors' Duties and Responsibilities
- Corporate Disclosure Policy of the Bursa Malaysia Listing Requirements
- Microsoft Project Training

The Company Secretary briefed and highlighted the relevant guidelines on statutory and regulatory requirements from time to time to the Board, amongst others, the amendments to the Listing Requirements of Bursa Securities, the new requirements of MCCG and the Companies Act 2016. The External Auditors also briefed the Board members on any current and future changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

The Company Secretary facilitates in coordinating internal and external programmes, training sessions, briefings, workshops and seminars that are relevant to the Directors. The Board will continuously evaluate and determine the training needs of its members to assist them in the discharging their duties.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

III Remuneration

Remuneration Committee

The Remuneration Committee established sets of policy, framework and reviews the remuneration of Directors which is linked to strategy and/or performance or long term objectives of the Company to ensure that the Company is able to attract and retain capable Directors. The Executive Directors' remunerations are structured to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken.

The Company's Remuneration Committee comprises of a majority of Independent Non-Executive Directors, as follows :

Name	Designation
Puan Czarina Alia binti Abdul Razak *(Independent Non-Executive Director)*	Chairman
Dato' Tan Gee Swan @ Tan Suan Ching *(Non-Independent Executive Director)*	Member
Dato' Kamarulzaman bin Jamil *(Independent Non-Executive Director)*	Member

The determination of the remuneration packages is a matter for the Board as a whole. The Executive Directors concerned abstained from deciding their own remuneration but may attend the Remuneration Committee meetings at the invitation of the Chairman of the Remuneration Committee if their presence is required.

The Remuneration Committee held one (1) meeting during the year under review and all the Remuneration Committee members had attended the meeting. The Non-Executive Directors' fees and benefits payable to Directors have also been reviewed and recommended by the Remuneration Committee to the Board to seek shareholders' approval at the Company's forthcoming AGM pursuant to the Companies Act 2016. No Director is involved in deciding his own remuneration.

The Company aims to set remuneration at levels which are sufficient to attract and retain the Senior Management needed to run the Company successfully, taking into consideration all relevant factors including the demands, complexities and performance of the Company as well as skills and experience required, but without paying more than is necessary to achieve this goal.

The level of remuneration for Senior Management is recommended by the Remuneration Committee to the Board after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. The Remuneration Policy can be found at www.merge-energy.com.my.

The details of the Directors' Remuneration for the financial year ended 31 March 2019 are disclosed in the Corporate Governance Report under Practice 7.1.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I Audit Committee

1 Composition

The Board upholds the integrity in financial reporting. The Audit Committee is entrusted to provide advice and assistance to the Board in fulfilling its statutory and fiduciary responsibilities relating to the Company's internal and external audit functions, risk management, compliance systems and practices, financial statements, accounting and control systems and matters that may significantly impact the financial condition or affairs of the business. The Audit Committee is also responsible in ensuring that the financial statements of the Company comply with the applicable financial reporting standards in Malaysia.

The Audit Committee comprises three (3) members all of whom are Independent Non-Executive Directors, with Encik Shahrizam bin A Shukor as the Audit Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities, number of meetings and attendance of Audit Committee, summary of Audit Committee activities and Internal Auditors' activities during the financial year under review are set out in the Audit Committee Report of this Annual Report.

The Audit Committee has in its terms of reference the procedures to assess the suitability, objectivity and independence of the External Auditors.

2 External Auditors

The External Auditors report directly to the Audit Committee. The Audit Committee took into account the openness in communication and interaction with the External Auditors, Baker Tilly Monteiro Heng PLT through discussions at private meetings without the presence of the Management and Executive Directors, which demonstrated their independence, objectivity and professionalism.

The Audit Committee assesses the suitability, objectivity and independence of the External Auditors on annual basis by taking into consideration the adequacy of the experience and resources of the audit firm and obtains the written assurance from the External Auditors confirming that they are and have been independent throughout the conduct of audit engagement in accordance with the terms of all relevant professional and regulatory requirements including Malaysian Institute of Accountants.

The Audit Committee was satisfied with the performance of External Auditors based on the quality of services and sufficiency of resources they provided to the Group. In view of the satisfaction on the service provided, the Board had approved the Audit Committee's recommendation for the shareholders' approval to be sought at the forthcoming AGM on the reappointment of Baker Tilly Monteiro Heng PLT as the External Auditors of the Company for the financial year ending 31 March 2019.

The activities relating to the External Auditors are provided in the Audit Committee Report of this Annual Report.

II Risk Management and Internal Control Framework

The Board recognises its responsibilities over the Company's internal control and risk management framework.

The Board has an established Risk Register for identifying, evaluating and managing significant risks which may affect the Company's business objectives. The Board through its Audit Committee regularly reviews this process to ensure the internal control and risk management frameworks are adequate and effective.

Details on internal control and risk management framework are set out in the Statement on Risk Management and Internal Control in the Annual Report. The Board has ultimate responsibility for reviewing the Group's risks, approving the risk management framework policy and overseeing the Group's strategic risk management and internal control framework. The Audit Committee assists the Board in discharging these responsibilities by overseeing and reviewing the risk management framework and the effectiveness of risk management of the Group. The Audit Committee processes are designed to establish a proactive framework and dialogue in which the Risk Management Committee, the Management, External and Internal Auditors are able to review and assess the risk management framework.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

II Risk Management and Internal Control Framework (cont'd)

The Company has an established Internal Audit Department which assists the Audit Committee in the discharge of its duties and responsibilities. The Internal Auditor reports directly to the Audit Committee. The Internal Auditor undertook an independent assessment on the internal controls of the various operating units within the Group and assured the Audit Committee that no material issue or major deficiency had been noted which would pose high risk to the overall system of internal control under review.

The Audit Committee met with Internal Auditors once a year without the presence of the Management and Executive Directors during the financial year to allow discussion of any issues arising from the audit exercise or any other matters, which the Internal Auditors wished to raise and discuss to ensure the effectiveness of the internal audit function.

The resources and scope of work covered by the internal audit function during the financial year under review, including its observations and recommendations, is provided in the Audit Committee Report.

III Accountability and Audit

Financial Reporting

MEB in its financial reporting to shareholders and other interested parties by means of quarterly results announcement and the annual financial statements, the Board aims to provide a clear, balanced, complete and comprehensive assessment of the Group's financial performance and prospects.

The Group's performance and prospects in the Annual Report and financial results on a quarterly basis, prepared based on appropriate accounting standards and accounting policies, will be reviewed and deliberated by the Audit Committee prior to recommendation for adoption by the Board. The Audit Committee ensures that information to be disclosed is accurate, adequate, complete and in compliance with the various disclosure requirements imposed by the regulatory authorities.

The Board and the Audit Committee jointly take the responsibility in ensuring that the financial statements prepared reflect a true and fair view of the state of affairs of the Group and the Company in accordance with the Companies Act 2016, the applicable approved accounting standards in Malaysia and the MMLR of Bursa Malaysia. This also applies to other price-sensitive public announcements and reports to the regulatory authorities.

These processes are carried out with the aim at providing assurance that the financial statements and related notes are completed in accordance with applicable legal requirements and accounting standards and give a true and fair view of the Group's financial positions.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I Communication with Stakeholders

The Board has formalised a corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Group to the regulators, shareholders and stakeholders not only to comply with the disclosure requirements as stipulated in the Listing Requirements, but also setting out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders in compliance with the Listing Requirements.

The Board has also established a dedicated section for corporate information on the Company's website (www.merge-energy.com.my) where information on the Company's announcements, financial information, share prices, annual report and corporate governance report may be accessed. It also contains all announcements made to Bursa Securities as well as the contact details of designated person to address any queries.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I Communication with Stakeholders (Cont'd)

It has always been the Group's practice to maintain good relationship with its shareholders. Major corporate developments and happenings in the Group have always been duly and promptly announced to all shareholders, in line with Bursa Securities' objectives of ensuring transparency and good corporate governance practices. The Group's financial performance, major corporate developments and other relevant information are promptly disseminated to shareholders and investors via announcements of its quarterly results, annual report, corporate announcements to Bursa Securities and press conferences. Further update of the Group's activities and operations are also disseminated to shareholders and investors through various avenues.

The Board recognizes the importance of clear regular and continuous communication to promote closer engagement with stakeholders. The Group continuously ensures that it maintains a high level of disclosure and communication with its shareholders through various practicable channels. During the year, the Board has continued the work in promoting greater and more effective engagement with the shareholders. The Board members had effective and continuous engagement with the major shareholders during the year to discuss the strategic priorities of the Group and further strengthen MEB market position in order to generate sustainable value to MEB's shareholders. The Board believes that continuous engagement with the major shareholders with the objective of maximising the value of the Group and for the benefit of all shareholders of the Company. The Board has also established corporate disclosure policies and procedures to enable accurate and timely disclosures to the regulators, shareholders and stakeholders.

The Group's Annual Reports and the announcements made quarterly and otherwise, are the primary channels of communication to report on the Group's business, activities and financial performance to all its shareholders. In addition to various announcements made during the year, the timely release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations. MEB's website at www.merge-energy.com.my are updated timely and regularly as it is an avenue for shareholders and members of the public to assess information pertaining to the Group.

The general meetings are opportunities to meet shareholders, to encourage them to interact and participate in getting to know the Company's and the Group's progress and/or performance better.

II Conduct of General Meetings

The Board is aware that AGM is the primary platform for two-way communication and engagement between the shareholders and the Board. During the meeting, shareholders have the opportunities to enquire and comment on the Group's performance and operations.

Currently, the Notice of AGM is circulated at least twenty-one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. This, besides in line with Section 316(2) of Companies Act 2016 and Paragraph 7.15 of Listing Requirements which call for a 21 days' notice period for public companies or listed issuers, it is also in accordance with Practice 12.1 of the MCCG.

Each item of special business included in the notice of the AGM will be accompanied by a full explanation and justification of the effects of a proposed resolution to facilitate full understanding and evaluation of the issues involved. During the AGM, the Board presents the financial performance of the Group. Shareholders are given the opportunity to seek and clarify any pertinent and relevant issues raised in the meeting in relation to the operations and performance of the Group and to exchange views with the Board. The external auditors are also present at the AGM to provide their professional and independent clarification on issues and concerns raised by the shareholders.

In addition to being dispatched individually to shareholders, the Notice of AGM is also circulated in a nationally circulated newspaper alongside an announcement on the website of Bursa Securities. This allows shareholders to have immediate access of the Notice of AGM and make the necessary preparations for the AGM. In compliance with the Listing Requirements, the Company has implemented poll voting as well as to appoint an independent scrutineer to validate the votes cast at the AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

II Conduct of General Meetings (Cont'd)

Presently, the Company is implementing manual voting system. At the AGM, the shareholders, upon the instruction given by the Chairman, will cast their votes by putting their polling slips into the ballot boxes provided by the poll administrator. The results of the polling would be announced once it has been verified by the independent scrutineer. The Board may consider electronic voting system should its shareholders becoming larger to facilitate greater shareholder participation and subject to cost benefit analysis.

All the resolutions set out in the Notice of the Twenty-First (21st) AGM were put to vote by poll voting and duly passed. The outcome of the 21st AGM was announced to Bursa Securities together with the independent scrutineer on the same meeting day.

A summary of the key matters discussed at the AGM, as soon as practicable after the conclusion of the AGM is published on the Company's website upon reviewed and approved by the Board.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE PREPARATION OF THE AUDITED FINANCIAL STATEMENTS

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their results and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia have been applied with and reasonable and prudent judgement and estimates have been made.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Company's position and prospects in the Directors' Report and the Financial Statements of this annual report.

OTHER
COMPLIANCE INFORMATION

1 Utilisation of Proceeds

There were no proceeds raised by the Company from any corporate proposals during the financial year.

2 Audit and Non-Audit Fees

During the financial year ended 31 March 2019, the amount of audit and non-audit fees paid or payable to Messrs Baker Tilly Monteiro Heng PLT and firms affiliated to the external auditors are as follows:

	Company (RM)	Group (RM)
Audit Fees	69,500	163,000
Non-Audit Fees	7,700	45,400

3 Variation in Results

The Group's audited results for the financial year ended 31 March 2019 did not vary by 10% or more from the unaudited results which were announced to Bursa Malaysia Securities Berhad on 28 May 2019.

4 Material Contracts or Loans

There were no material contracts or loans entered into by the Group during the financial year that involve Directors' or major shareholders' interests.

5 Recurrent Related Party Transactions

The Group did not enter into any significant recurrent related party transactions which require shareholders' mandate during the financial year.

6 Internal Audit Function

The Company's internal audit function is performed in-house at RM 61,078 for the financial year.

7 Employee Share Option Scheme

The Company did not have any Employee Share Option Scheme during the financial year.

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprises three (3) members, all of whom are Independent Non-Executive Directors which satisfy the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) and Practice 8.4 under Principle B of the Malaysian Code on Corporate Governance. Details of the composition of the Audit Committee are as follows :

Encik Shahrizam bin A Shukor (Chairman)	Independent Non-Executive Director, Member of the MIA
Dato' Kamarulzaman bin Jamil (Member)	Independent Non-Executive Director
Tuan Hj Mohamad Nor bin Abas (Member)	Independent Non-Executive Director

Encik Shahrizam bin A Shukor is a Chartered Accountant of Malaysian Institute of Accountants (MIA), Associate Member of Certified Public Accountant Australia, which is in compliance with Paragraph 15.09(1)(c) of the MMLR of Bursa Securities. In addition, the Chairman of the Audit Committee is an Independent Non-Executive Director and none of the members is alternate director.

Note :
Dr Badrul Hisham bin Mohd Yusoff resigned as Chairman on 3 May 2019.
Puan Czarina binti Abdul Razak resigned as Member on 28 May 2019.

TERMS OF REFERENCE

The duties and responsibilities of the Audit Committee are spelt out in the Terms of Reference of the Audit Committee, a copy of which is available on the Company's website at www.merge-energy.com.my.

MEETINGS & ATTENDANCE

Audit Committee members are provided with an agenda together with relevant reports and papers which are issued prior to the Audit Committee Meeting to enable the members to review the reports and papers as well as to obtain further information or explanation.

Minutes of each AC meeting were recorded and tabled for confirmation at the next following AC meeting and subsequently presented to the Board for notation. At the Board Meeting, the Chairman of the Audit Committee reports and highlights to the Board any pertinent issues discussed by the Audit Committee.

During the financial year ended 31 March 2019, the Audit Committee held four (4) meetings. The details of attendance of the Audit Committee members are as follows :

Audit Committee Members	No. of Audit Committee Meetings Held/Attended During the Term of Office	Remarks
Dato' Sheah Kok Fah	4/4	resigned as Member on 30 January 2019
Dr Badrul Hisham bin Mohd Yusoff	4/4	resigned as Chairman on 2 May 2019
Dato' Kamarulzaman bin Jamil	4/4	
Puan Czarina binti Abdul Razak	1/1	appointed as Member on 30 January 2019 and resigned as Member on 28 May 2019

SUMMARY ACTIVITIES OF THE COMMITTEE

The Audit Committee reports regularly to the Board on the activities carried out by the Committee in discharging their duties and responsibilities in accordance with its Terms of Reference. The main activities undertaken by the Audit Committee during the financial year ended 31 March 2019 were as follows :

AUDIT COMMITTEE REPORT (cont'd)

1 Financial Reporting

a) In overseeing MEB's financial reporting, the AC review the quarterly, cumulative half year and full year results and annual final draft of the financial statements (prior to the meeting of the Board to approve the financial statements), receiving explanations for significant variations from the prior year and from budget, if any, and referring issues to the Board, as and when necessary the quarterly financial reports before tabling to the Board for approval and release to Bursa Malaysia Securities Berhad. The above review is to ensure the Company's quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the Malaysian Financial Reporting Standards ("MFRS") and Appendix 9B of the MMLR.

b) Reviewed the audited financial statements of the Group and the Company together with the external auditors to ensure that it presented a true and fair view of the Company's financial position and performance for the year and is in compliance with all disclosure and regulatory requirements for financial reporting, prior to submission to the Board for their approval.

2 External Audit

a) Met with the external auditors and reviewed, discussed and approved the Audit Plan of the Group inclusive the scope of work of the External Auditors to ensure it adequately covered the activities of the Group for the financial year ended 31 March 2019, as well as the scope of their audit including independence policies and procedure, consideration of fraud, related party disclosure and procedures, statutory timeline and audit timeframe, risk assessment and audit approach, communication of key audit matters and accounting developments.

b) Met with the External Auditors once during the financial year without the presence of any executive Board members and Management to ensure there were no restrictions on their scope of audit and to discuss any matters that the auditors did not wish to raise in the presence of the Management. During the private sessions with the External Auditors, it was noted that there were no major concerns from the External Auditors and they had been receiving full cooperation from the Management during their course of audit.

c) Reviewed and discussed with the External Auditors the status of audit findings for the financial year ended 31 March 2019 including the issues arising from their interim and final audit of the annual financial statements and their resolution of such issues as highlighted in their report to the Audit Committee.

d) Reviewed, discussed and evaluated the performance of the external auditors for the financial year covering areas such as calibre, performance, audit team, audit scope and planning, independence and objectivity, audit communications as well as audit fees prior to submission to the Board for their approval. The Audit Committee is satisfied with the suitability, performance and independence of the external auditors, before recommending to the Board their re-appointment and remuneration. The External Auditors provide an annual confirmation of their independence in accordance with the terms of their professional and regulatory requirements.

e) Reviewed and approved the scope of non-audit services provided by the External Auditors to ensure there was no impairment of independence.

3 Internal Audit

a) Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function to ensure its effectiveness and efficiency.

b) Reviewed and approved the Internal Audit Plan and budget for 2019 to ensure that high risk areas and key process were adequately identified and covered in the plan.

c) Reviewed internal audit reports presented by the internal auditors and considered the major findings by the internal auditor which highlighted the issues, recommendation on the effectiveness and adequacy of governance, risk management, operational and compliance process and the Management's responses and directed actions to be taken by the Management to improve the systems of internal control of the Group.

d) Followed up and monitored the implementation of corrective and mitigating actions taken by the Management on outstanding audit issues raised by the external auditors and the internal auditor to ensure that all key risks and control weaknesses are properly addressed.

e) Met with the internal auditors during the financial year without the presence of any executive Board members and the Management for discussion on audit related matters. The issues highlighted by the internal auditors during the private meetings were conveyed to the Management for further action.

AUDIT
COMMITTEE REPORT (cont'd)

4 Others

a) Reported to and updated the Board on significant issues and concerns discussed during the Audit Committee meetings and where appropriate, made the necessary recommendation to the Board;

(b) Reviewed the Audit Committee Report, Statement on Corporate Governance, Sustainability Statement and Statement on Risk Management and Internal Control before tabling to the Board for approval to be published in the Annual Report.

(c) Conducted a self-assessment exercise to evaluate their own effectiveness in discharging duties and responsibilities for the financial year ended 31 March 2019.

In all Audit Committee meetings, the Chief Financial Officer was present to report on the financial results of the Group as well as to answer questions posed by the Audit Committee in relation to the financial results to be announced.

An annual assessment on the performance and effectiveness of the Audit Committee and its members was carried out by the Nomination Committee during the financial year. The Nomination Committee and the Board are satisfied that the Audit Committee and its members had carried out their duties in accordance with the Audit Committee's Terms of Reference.

INTERNAL AUDIT FUNCTION

The Internal Audit Department, which is independent of the activities and operations of other operating units reports directly to the Audit Committee. The principal role of the department is to undertake independent, regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of the Internal Audit department to provide the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements. The Internal Audit Department assisted the AC in the discharging their duties and responsibilities. The Internal Audit is independent of operations and their primary responsibility is to provide assurance to the BAC on the effectiveness of governance, risk management and internal control processes within the Company.

The Internal Audit Department focuses on regular and systematic review of the internal control and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines.

After the completion of an Internal Audit Assignment, the department submits an internal audit reports to Management of MEB. The Internal Audit Report highlights improvement, best practices, audit findings, management responses and corrective actions in areas of significant risks and internal control deficiencies. Management provided the response that contained corrective and preventive actions as well as datelines to complete the corrective actions. Internal Audit Reports contains improvement opportunities and/or show critical control deficiencies were tabled to the AC for consideration. Additionally, MEB's internal controls for areas reviewed was also tabled to the AC for their consideration. Management were invited at the AC meetings to provide response on the progress of corrective action and process improvement action identified by Internal Audit.

The Internal Audit Department provides quarterly reports of the audit undertaken to the Audit Committee, reporting on the outcome of its audits. The Audit Committee reviews and evaluates the key issues raised by the Internal Audit Department and ensures that appropriate and prompt remedial actions are taken by the Management.

During the financial year under review, the activities and works of the Internal Audit Department included :

1 Prepared the annual internal audit plan based on risk approach method for deliberation by the Audit Committee. The Department uses a risk-based approach to determine the priorities of the internal audit activities, consistent with the strategies of the Group
2 Performed out audit work as in the annual audit plan and provide recommendations as a guide to assist the various operating business units and the Group in accomplishing its internal control requirements;
3 Suggested improvements and industries best practice to the internal control processes;
4 Carried out ad-hoc audit site visits and follow up on the Group's construction sites;
5 Presented the internal audit reports to the Audit Committee for review;
6 Ascertained the extent of compliance with the established Group's policies, procedures and statutory requirements;
7 Reviewing and appraising the soundness, adequacy and application of accounting, financial and other controls ,promoting effective control across the Group
8 Reviewed and appraised all existing controls to promote effective internal control in the Group.
9 Followed-up on the execution of Management Action Plans to ensure that necessary corrective actions have been taken/are being taken to rectify any significant gaps identified in governance, risk management and internal controls.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

1 Introduction

The Board of Directors of Merge Energy Bhd is pleased to provide the following statement on the state of risk management and internal control of the Group which has been prepared in accordance with the statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers endorsed by Bursa Malaysia Securities Berhad. Merge Energy Bhd ("the Company") has complied with the requirement stated in the Malaysian Code of Corporate Governance 2017 which requires the Board of Directors ("the Board") of listed companies to establish and maintain a sound risk management framework and internal controls system.

2 Responsibility

The Board acknowledges its responsibility to adopt sound risk management practices to safeguard the Company's business interest from risk events that may impede achievement of business strategy and action plan, enable value creation and enable process improvement.

The Board acknowledges its responsibility for a sound risk management practices to safeguard shareholders' investments and the Group's assets that may impede achievement of business strategy and action plan, enable value creation and enable process improvement. The Board is overall responsible for the key elements needed in maintaining a sound system of risk management and internal control. The risk management system and internal control is being reviewed regularly to ensure it remains relevant, effective and applicable to the changes in the Group's structure, processes and dynamic business environment. The risk management system and internal control can only provide reasonable but not absolute assurance against material misstatement, financial loss or fraud.

The Board confirms that there is an ongoing process of identifying, evaluating and managing all significant risks faced by the Group and is satisfied with the adequacy, effectiveness and integrity of the Group's risk management and internal control for the year under review.

3 Control Environment and Activities

Key Control Structure of the Company
The Company has inculcated that managing risk is everyone's business. The whole Group comes together to manage risks in a successful and cost-efficient manner. Key control lies in the four lines of defense:

a Board of Directors ("the Board")
The Board acknowledges its overall responsibility in the establishment and oversight of the Company's risk management and internal control systems.

These are designed to manage the Group's risks within an acceptable risk appetite as set by Board and Management, rather than eliminate totally the risks of failure to achieve the Group's goals and objective in generating potential return to shareholders.

The two Committees at Board level with primary risk management and internal control oversight responsibility namely Risk Management Committee ("RMC") and Audit Committee ("AC"). Other Board Committee such Nomination Committee ("NC") also have clearly defined accountabilities and responsibilities to oversee various key business activities within the Group.

b Risk Management Committee ("RMC")
The Board is assisted by the Risk Management Committee ("RMC") in the oversight and its management of all identified risks. The RMC meets quarterly to ensure that the accountability for managing identified significant risks is clearly assigned and that any identified risks affecting the Group are being addressed, managed and mitigated on an ongoing basis.

The members of RMC, which comprises three (3) Independent Non-Executive Directors are as follows:
1 En Shahrizam Bin A Shukor (Chairman)
2. Dato' Kamarulzaman Bin Jamil
3. Puan Czarina Alia binti Abdul Razak

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

3 Control Environment and Activities (cont'd)

Key Control Structure of the Company (cont'd)

b Risk Management Committee ("RMC") (cont'd)

The RMC will assist the Board of Directors in fulfilling its oversight responsibilities with regard to the risk appetite of the Company, the risk management framework and the governance structure that supports it.

The RMC undertakes the following responsibilities:

a. Review and recommend risk management policies and procedures for Board's approval;
b. Review the adequacy and effectiveness of risk management process; and
c. Review the consolidated risk register assessed by the Risk Management Working Committee ("RMWC") comprising members of the Head of Departments.

The Board has also delegated the responsibility of reviewing the risk management systems and to ensure the effectiveness of the Company`s Risk Management Framework to the RMC.

A Risk Management Working Committee ("RMWC") to facilitate the group-wide risk management initiative from an operational perspective. RMWC serves as the driving force behind the routine risk management activity. Its main function encompasses provision of regular feedback on risk factor's status for informed management decision making, execution of appropriate risk mitigation measures and progress monitoring thereof, and identification of new and emerging risk factors.

The Company has in place a continuous, proactive and systematic control structure and process for identifying, evaluating and managing significant risks pertinent to the achievement of the Company's overall corporate objectives. The control structure and process which has been established throughout the Company is updated and reviewed from time to time to suit the changes in business environment.

Sound internal control system is a vital process developed to ensure effective and efficient operation, provide reliable and relevant reporting, and compliance with the applicable laws and regulations.

i Risk Management Function

The ideology of risk management is built on a culture where risks are mitigated by calibrating risks to acceptable levels whilst achieving the organisation's business plans and goals.

At Merge Energy Bhd, risk management is integrated within the Company's strategy planning process and its ongoing improvement in strengthening the quantification, reviewing and monitoring of all significant risk areas remain a vital focus of the Board in building a successful and sustainable business.

ii Risk Reporting Structure

The Company has a structured risk management reporting line to ensure significant risks are escalated to the appropriate levels. The Risk Management Committee ("RMC") role is to provide oversight and extensive discussion on risk management matters at the Board level. RMC reviews and assesses the adequacy risk management policies and ensures infrastructure, resources and systems are emplaced for risk management.

In discharging their risk management responsibilities, the Board and RMC is supported by the Risk Management Working Committee ("RMWC"). RMWC coordinates the risk review exercise across the Company to identify, manage and report the significant risks faced by the company to the RMC and ultimately to the Board. RMWC is also responsible for ensuring that the risk management framework is effectively implemented and that risk registers are maintained by the respective business platforms.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

3 Control Environment and Activities (cont'd)

Key Control Structure of the Company (cont'd)

b Risk Management Committee ("RMC") (cont'd)

iii Risk Management Approach & Framework

The Company's risk management framework encapsulates an on-going process of identifying, assessing, controlling, monitoring and reporting material risks affecting the achievement of business objectives.

A structured risk management approach has been formulated to ensure the significant risks are identified and treated accordingly. The exercise encompasses the following activities:-

- Identifying key risks affecting business objectives and strategic plans;
- Defining a common understanding of risk classification tolerance through quantification, whenever possible, and development of criteria matrix that reflect the impact and likelihood of the risk materializing via Risk Profile;
- Evaluating adequacy of existing controls and developing additional plans, if required, to treat these risks;
- Monitoring effectiveness of measures taken to mitigate risks;
- Seizing prospects through evaluation of 'opportunity risks' so that management proactively realise opportunities; and
- Identifying changes to risks or emerging risks and promptly bringing these to the attention of the Board where appropriate.

The outcomes from the risk review exercise and other risk management activities will be documented and presented to the RMC and ultimately to the Board.

To ensure that risk registers are up-to-date and risk controls are enhanced and kept current, all business units are responsible to carry out a risk review on a regular basis, especially in the context of exceptional events.

c Audit Committee ("AC")

The Board is also supported by the Audit Committee with the main responsibility to provide independent assessment on the adequacy and reliability of the risk management processes and internal control, as well as compliance with policies and regulatory requirements.

The Audit Committee have unimpeded access to both the Internal and External Auditors and has the right to convene meetings with the auditors without the presence of the Executive Director and Management.

The Audit Committee reviews the findings and recommendations provided by the Internal Auditor to ensure that it meets the necessary level of assurance with respect to the adequacy of the internal controls.

The Audit Committee meets at least on quarterly basis and minutes of the Audit Committee meeting are then table to the Board. Further deliberation and update on details of the activities undertaken by the Audit Committee during the year are set out in the Audit Committee Report on page 34 to 36 of the Annual Report.

i Internal Audit Function

The in-house Internal Audit Department ("IAD") carries out MEB by assisting the Board to oversee that Management has in place a sound of risk management, internal control and governance systems. IAD function is established by the Board to undertake continuous review and assessment on the adequacy of risk management, internal control and governance implemented in the Company.

IAD undertakes regular reviews of the Company's operations and its system of internal controls based on an approved audit plan presented to the Audit Committee. The audit plan is developed based on the risk profiles of the respective business entities of the Company identified in accordance with the Company's Risk Management Framework and input from the Senior Management and the Board. This application confirms to the Practice 10.2 of the MCCG 2017.

Internal audit findings are discussed at Management level and the progress of implementation of the agreed actions is being monitored by the IAD through follow up reviews in which implementation status are presented to the Audit Committee on a quarterly basis.

IAD has a clear line of reporting to the Audit Committee and the Audit Committee determines the remit of the Internal Audit function as conforming to the Practice 10.1 of the MCCG 2017. Thus, the department is independent of the activities being audited and is performed with impartiality, proficiency and due professional care.

3 Control Environment and Activities (cont'd)

Key Control Structure of the Company (cont'd)

d Management Committees ("MC")
MC are established to ensure that the Company`s interests are adequately protected in arriving at important business/operational decisions. MC are responsible for the identification and management of risks within its operations together on the compliance of all daily activities with the approved framework, policies, guidelines and procedures. Quarterly meetings are held to formulate strategies on an on-going basis and to address issues arising from changes in both external business environment and internal operating conditions.

4 Control Activities

a Documented Policies and Procedures
Merge Energy Bhd has documented policies and procedures in place which are structured in a way to promote consistency and governance as well as to assist daily business operations. The following Policies and Procedural Manuals has been approved by the Board to set the tone of control consciousness within the Company:-

- Finance & Accounts;
- Human Resource & Administration;
- Contract & Procurement; and
- Project Management.

b Quality Management System ("QMS")
Mewah Kota Sdn Bhd ("MKSB") a subsidiary of the Company has attained the ISO 9001/2015 certification for QMS. The system consists of a set of policies, processes and procedures required for planning, execution, production, development and service in the core business area of an organisation to meet customers' requirements.

c Key Performance Index ("KPI")
The Company has an established and quantifiable KPI that reflects the critical success factors of an organisation and also to enhance company's performance.

5 Assurance
The Board is of the view that the system of internal controls instituted throughout the Group is sound and effective and provides a level of confidence on which the Board relies for assurance. The Board ensure that the internal control system and risk management practice of the Group are reviewed regularly to meet the changing and challenging operating environment.

The Company's Non-Independent Executive Chairman and Non-Independent Executive Director assure the Board that the Company's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Company.

The Board is satisfied that the system of risk management and internal control was generally satisfactory. Based on the assessment of the Company's internal control system for the year under review and up to date of approval of this statement, no significant control failures or weaknesses that would result in material loss, contingency or uncertainty requiring disclosure in the Company's annual report were noted.

6 Review of the Statement by External Auditors
As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Company.

The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of risk management and internal controls system of the Company.

This statement has been approved by the Board of Directors at its meeting on 16 July 2019.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Loss for the financial year	(4,656,333)	(120,559)
Attributable to:		
Owners of the Company	(5,012,972)	(120,559)
Non-controlling interest	356,639	-
	(4,656,333)	(120,559)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 March 2019.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

DIRECTORS'
REPORT (cont'd)

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Mohamad Haslah Bin Mohamad Amin*	(Appointed on 29 November 2018)
Dato' Lee Tian Hock	(Appointed on 30 January 2019)
Dato' Tan Gee Swan @ Tan Suan Ching	(Appointed on 29 November 2018)
Czarina Alia Binti Abdul Razak	(Appointed on 30 January 2019)
Tuan Hj Mohamad Nor Bin Abas	(Appointed on 6 May 2019)
Shahrizam Bin A Shukor	(Appointed on 6 May 2019)
Dato' Kamarulzaman bin Jamil	
Dato' Abdul Jalil bin Abdul Karim	(Resigned on 30 January 2019)
Dato' Sheah Kok Fah	(Resigned on 30 January 2019)
Raizita binti Ahmad @ Harun*	(Resigned on 30 January 2019)
Dato' Tengku Rozanna Petri binti Tengku Mohamed Nasrun	(Resigned on 30 January 2019)
Dr. Badrul Hisham bin Mohd Yusoff	(Resigned on 2 May 2019)

* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Ab. Kadir bin Ab. Majid	
Mohd Azali bin Abdul Rahman	
Tan Yu Jian	(Appointed on 30 January 2019)
Ng Jun Lip	(Appointed on 30 January 2019)
Mohd Azrul Fitri Bin Abu Bakar	(Resigned on 30 January 2019)

DIRECTORS'
REPORT (cont'd)

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 31.3.2018/ date of appointment	**Bought**	**Sold**	**At 31.3.2019**
Interest in the Company				
Direct interest:				
Dato' Lee Tian Hock	1,500,000	-	-	1,500,000
Indirect interest:				
Dato' Abdul Jalil bin Abdul Karim*	20,213,100	-	(20,213,100)	-
Dato' Tan Gee Swan @ Tan Suan Ching*	22,113,100	-	(3,000,000)	19,113,100
Dato' Lee Tian Hock*	20,956,900	-	(3,000,000)	17,956,900
Dato' Mohamad Haslah Bin Mohamad Amin*	4,432,000	-	-	4,432,000

* Shares held through company in which the director has substantial financial interests.

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Dato' Abdul Jalil bin Abdul Karim, Dato' Tan Gee Swan @ Tan Suan Ching, Dato' Lee Tian Hock and Dato' Mohamad Haslah Bin Mohamad Amin are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than disclosed above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 27 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

Every directors and other officers for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Companies Act 2016 in which relief is granted to him by the court in respect of any negligence, default, breach of duty or breach of trust.

During the financial year, there were no indemnity given to any directors and officers of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

The auditor's reports on the accounts of the subsidiaries did not contain any qualifications.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events subsequent to the end of the financial year is disclosed in Note 36 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 26 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

DIRECTORS'
REPORT (cont'd)

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

………………………………………………………………
DATO' MOHAMAD HASLAH BIN MOHAMAD AMIN
Director

………………………………………………………………
DATO' TAN GEE SWAN @ TAN SUAN CHING
Director

Date: 16 July 2019

STATEMENTS OF
FINANCIAL POSITION
AS AT 31 MARCH 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	4,884,058	22,964,862	87,422	201,118
Investment properties	6	15,980,000	15,970,000	-	-
Goodwill on consolidation	7	855,994	855,994	-	-
Investment in subsidiaries	8	-	-	50,657,344	50,479,213
Investment in an associate	9	-	-	-	-
Total non-current assets		21,720,052	39,790,856	50,744,766	50,680,331
Current assets					
Inventories	10	46,913	281,366	-	-
Contract assets	11	17,874,041	5,733,159	-	-
Trade receivables	12	10,212,309	20,308,064	-	-
Other receivables, deposits and prepayments	13	1,859,013	2,458,518	33,881	29,313
Amounts due from subsidiaries	14	-	-	2,545,874	2,552,582
Amount due from an associate	15	-	-	-	-
Current tax assets		186,605	510,514	-	-
Deposits placed with licensed banks	16	3,687,429	3,973,836	-	-
Cash and bank balances	16	2,958,232	5,327,098	377,374	1,712
		36,824,542	38,592,555	2,957,129	2,583,607
Assets held for sale	17	16,034,994	-	-	-
Total current assets		52,859,536	38,592,555	2,957,129	2,583,607
TOTAL ASSETS		74,579,588	78,383,411	53,701,895	53,263,938

STATEMENTS OF
FINANCIAL POSITION
AS AT 31 MARCH 2019 (cont'd)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	18	74,712,508	74,712,508	74,712,508	74,712,508
Accumulated losses		(28,856,635)	(23,768,885)	(42,709,817)	(42,589,258)
		45,855,873	50,943,623	32,002,691	32,123,250
Non-controlling interest		2,160,601	1,811,580	-	-
TOTAL EQUITY		48,016,474	52,755,203	32,002,691	32,123,250
Non-current liabilities					
Loans and borrowings	19	1,477,241	1,769,868	-	-
Deferred tax liabilities	20	215,053	194,076	-	-
Total non-current liabilities		1,692,294	1,963,944	-	-
Current liabilities					
Contract liabilities	11	1,447,008	1,523,760	-	-
Trade payables	21	8,137,435	11,438,741	-	-
Other payables, accruals and deposits	22	10,712,399	7,026,126	102,436	87,405
Amounts due to subsidiaries	14	-	-	21,596,768	21,053,283
Loans and borrowings	19	4,569,771	3,606,530	-	-
Current tax liabilities		4,207	69,107	-	-
Total current liabilities		24,870,820	23,664,264	21,699,204	21,140,688
TOTAL LIABILITIES		26,563,114	25,628,208	21,699,204	21,140,688
TOTAL EQUITY AND LIABILITIES		74,579,588	78,383,411	53,701,895	53,263,938

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF
COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Revenue	23	54,614,740	24,610,589	600,000	-
Cost of sales	24	(48,709,981)	(21,749,865)	-	-
Gross profit		5,904,759	2,860,724	600,000	-
Other income		1,191,369	2,256,821	5,370	-
Administrative expenses		(9,853,588)	(11,167,300)	(1,214,413)	(846,314)
Net impairment loss on:					
- investment in subsidiaries		-	-	495,736	18,498,162
- trade receivables		(1,030,190)	(379,786)	-	-
- amount due from subsidiaries		-	-	(7,252)	1,577,754
- amount due from an associate		-	(141,430)	-	-
Operating (loss)/profit		(3,787,650)	(6,570,971)	(120,559)	19,229,602
Finance costs	25	(542,914)	(412,360)	-	-
Share of results of an associate, net of tax		-	(3,429,971)	-	-
(Loss)/Profit before tax and zakat	26	(4,330,564)	(10,413,302)	(120,559)	19,229,602
Tax credit/(expense)	28	(325,769)	344,513	-	-
Zakat		-	(71,740)	-	-
(Loss)/Profit for the financial year, representing total comprehensive (loss)/ income for the financial year		(4,656,333)	(10,140,529)	(120,559)	19,229,602
(Loss)/Profit attributable to:					
Owners of the Company		(5,012,972)	(9,972,653)	(120,559)	19,229,602
Non-controlling interest		356,639	(167,876)	-	-
		(4,656,333)	(10,140,529)	(120,559)	19,229,602
Total comprehensive (loss)/ income attributable to:					
Owners of the Company		(5,012,972)	(9,972,653)	(120,559)	19,229,602
Non-controlling interest		356,639	(167,876)	-	-
		(4,656,333)	(10,140,529)	(120,559)	19,229,602
Loss per share (sen):					
Basic/Diluted	29	(7.48)	(14.88)		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	<--------Attributable to owners of the Company-------->				
	Share capital RM	Accumulated losses RM	Total RM	Non-controlling interest RM	Total equity RM
Group					
At 1 April 2017	74,712,508	(13,796,232)	60,916,276	1,979,456	62,895,732
Total comprehensive loss for the financial year					
Loss for the financial year, representing total comprehensive loss	-	(9,972,653)	(9,972,653)	(167,876)	(10,140,529)
At 31 March 2018	74,712,508	(23,768,885)	50,943,623	1,811,580	52,755,203
Total comprehensive loss for the financial year					
Loss for the financial year, representing total comprehensive loss	-	(5,012,972)	(5,012,972)	356,639	(4,656,333)
Transactions with owners					
Changes in ownership interests in a subsidiary	-	(74,778)	(74,778)	392,382	317,604
Dividends paid on shares	-	-	-	(400,000)	(400,000)
Total transactions with owners	-	(74,778)	(74,778)	(7,618)	(82,396)
At 31 March 2019	74,712,508	(28,856,635)	45,855,873	2,160,601	48,016,474

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (cont'd)

	Share capital RM	Accumulated losses RM	Total equity RM
Company			
At 1 April 2017	74,712,508	(61,818,860)	12,893,648
Total comprehensive income for the financial year			
Profit for the financial year, representing total comprehensive income	-	19,229,602	19,229,602
At 31 March 2018	74,712,508	(42,589,258)	32,123,250
Total comprehensive loss for the financial year			
Loss for the financial year, representing total comprehensive loss	-	(120,559)	(120,559)
At 31 March 2019	74,712,508	(42,709,817)	32,002,691

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF
CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from operating activities					
(Loss)/Profit before tax and zakat		(4,330,564)	(10,413,302)	(120,559)	19,229,602
Adjustments for:					
Bad debts written off		6,034	2,883	-	-
Deposits written off		-	2,250	-	-
Depreciation of property, plant and equipment		1,135,843	1,241,930	113,696	113,695
Fair value gain on investment properties		(10,000)	-	-	-
Loss/(Gain) on disposal of subsidiaries	8(a)	9,496	-	(1)	-
Gain on disposal of property, plant and equipment		(232,906)	(96,743)	-	-
Gain on bargain purchase arising from acquisition of subsidiaries		-	(1,220,956)	-	-
Gain on fair value adjustment on payable retention sum		(269,031)	-	-	-
Impairment loss on:					
- investment in subsidiaries		-	-	-	262,598
- trade receivables		1,030,190	379,786	-	-
- amounts due from subsidiaries		-	-	12,621	11,578
- amount due from an associate		-	141,430	-	-
- assets held for sale		204,058	-	-	-
Interest expense		542,914	412,360	-	-
Interest income		(149,630)	(163,662)	-	-
Property, plant and equipment written off		-	5,606	-	-
Reversal of impairment loss on:					
- investment in subsidiaries		-	-	(495,736)	(18,760,760)
- amounts due from subsidiaries		-	-	(5,369)	(1,589,332)
Share of results of an associate, net of tax		-	3,429,971	-	-
Unrealised gain on foreign exchange		(10,672)	(16)	-	-
Operating loss before changes in working capital, carried forward		(2,074,268)	(6,278,463)	(495,348)	(732,619)

STATEMENTS OF
CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (cont'd)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Cash flows from operating activities (continued)					
Operating loss before changes in working capital, brought forward		(2,074,268)	(6,278,463)	(495,348)	(732,619)
Changes in working capital:					
Inventories		1,114	36,392	-	-
Receivables		(3,413,048)	7,208,371	(4,568)	(2,828)
Payables		3,098,374	(4,671,886)	15,031	20,853
Net cash used in operations		(2,387,828)	(3,705,586)	(484,885)	(714,594)
Interest paid		(410,278)	(295,454)	-	-
Tax paid		(69,874)	(309,729)	-	-
Zakat paid		-	(71,740)	-	-
Net cash used in operating activities		(2,867,980)	(4,382,509)	(484,885)	(714,594)
Cash flows from investing activities					
Purchase of property, plant and equipment	5(a)	(70,926)	(187,119)	-	-
Acquisition of subsidiaries, net of cash acquired	8(b)	-	271,722	-	(50,000)
Disposal of subsidiaries, net of cash disposed	8(a)	(424,046)	-	-	-
Changes in ownership interests in a subsidiary	8(c)	317,606	-	317,606	-
Proceeds from disposal of property, plant and equipment		361,479	121,230	-	-
Change in pledged deposits		286,407	8,126,874	-	-
Interest received		149,630	20,563	-	-
Net cash generated from/ (used in) investing activities		620,150	8,353,270	317,606	(50,000)

STATEMENTS OF
CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (cont'd)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from financing activities					
Advances from subsidiaries		-	-	542,941	730,181
Repayment of trust receipt	(a)	-	(1,023,850)	-	-
Repayment of finance lease liabilities	(a)	(548,336)	(389,155)	-	-
Repayment of term loans	(a)	(42,341)	(39,391)	-	-
Dividend paid		(400,000)	-	-	-
Interest paid		(132,636)	(116,906)	-	-
Net cash (used in)/generated from financing activities		(1,123,313)	(1,569,302)	542,941	730,181
Net (decrease)/increase in cash and cash equivalents		(3,371,143)	2,401,459	375,662	(34,413)
Cash and cash equivalents at the beginning of the financial year		2,068,409	(333,066)	1,712	36,125
Effects of exchange rate changes on cash and cash equivalents		86	16	-	-
Cash and cash equivalents at the end of the financial year	16	(1,302,648)	2,068,409	377,374	1,712

STATEMENTS OF
CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (cont'd)

(a) Reconciliation of liabilities arising from financing activities:

2019	1 April 2018 RM	Cash flow RM	Non-cash acquisition RM	31 March 2019 RM
Group				
Finance lease liabilities	907,483	(548,336)	259,100	618,247
Term loans	1,210,226	(42,341)	-	1,167,885
	2,117,709	(590,677)	259,100	1,786,132

2018	1 April 2017 RM	Cash flow RM	31 March 2018 RM
Group			
Trust receipt	1,023,850	(1,023,850)	-
Finance lease liabilities	1,296,638	(389,155)	907,483
Term loans	1,249,617	(39,391)	1,210,226
	3,570,105	(1,452,396)	2,117,709

2019	1 April 2018 RM	Cash flow RM	Net reversal of impairment loss RM	31 March 2019 RM
Company				
Amounts due to/(from) subsidiaries	18,500,701	542,941	7,252	19,050,894

2018	1 April 2017 RM	Cash flow RM	Net reversal of impairment loss RM	31 March 2018 RM
Company				
Amounts due to/(from) subsidiaries	19,348,274	730,181	(1,577,754)	18,500,701

The accompanying notes form an integral part of these financial statements.

NOTES TO THE
FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Merge Energy Bhd ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and the principal place of business of the Company is located at No. 2, Jalan Apollo U5/190, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 July 2019.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRSs, amendments /improvements to MFRSs and new IC Int that are mandatory for the current financial year:

<u>New MFRSs</u>

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

<u>Amendments/Improvements to MFRSs</u>

MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

<u>New IC Int</u>

IC Int 22	Foreign Currency Transactions and Advance Consideration

2. BASIS OF PREPARATION (continued)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

MFRS 9 Financial Instruments

MFRS 9 replaced the guidance of MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION (continued)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 9 Financial Instruments (continued)

The retrospective application of MFRS 9 does not require restatement of 2018 comparative financial statements. As such, the Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. The Group and the Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings (or other equity components) of the annual reporting period including the date of initial application i.e. 1 April 2018.

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Classification and measurement

The following are the changes in the classification of the Group's and the Company's financial assets:

Trade and other receivables, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 31 March 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 April 2018.

In summary, upon the adoption of MFRS 9, the Group and the Company had the following reclassification as at 1 April 2018 as per ensuing page.

2. BASIS OF PREPARATION (continued)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 9 Financial Instruments (continued)

(i) Classification and measurement (continued)

MFRS 139 measurement category	Carrying amount RM	MFRS 9 measurement category Amortised cost RM
Financial asset		
Group		
Loans and receivables		
Trade receivables	20,308,064	20,308,064
Other receivables and deposits, excluding GST refundable, prepayments and advances to sub-contractors	1,116,709	1,116,709
Deposits placed with licensed banks	3,973,836	3,973,836
Cash and bank balances	5,327,098	5,327,098
	30,725,707	30,725,707
Company		
Loans and receivables		
Deposits, excluding prepayments	10,586	10,586
Amounts due from subsidiaries	2,552,582	2,552,582
Cash and bank balances	1,712	1,712
	2,564,880	2,564,880
Financial liabilities		
Group		
Other financial liabilities		
Trade payables	11,438,741	11,438,741
Other payables, accruals and deposits, excluding GST payable and advances from a customer	6,097,235	6,097,235
Loans and borrowings	5,376,398	5,376,398
	22,912,374	22,912,374
Company		
Other financial liabilities		
Other payables and accruals	87,405	87,405
Amounts due to subsidiaries	21,053,283	21,053,283
	21,140,688	21,140,688

2. BASIS OF PREPARATION (continued)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 9 Financial Instruments (continued)

(ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording impairment losses on all its trade and other receivables, either on a 12-month or lifetime basis.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

2. BASIS OF PREPARATION (continued)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

Amendments to MFRS 140 Investment Property (continued)

The amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of MFRS 9, MFRS 15, Amendments to MFRS 2, Amendments to MFRS 140 and IC Int 22 did not have a material impact on the Group's and the Company's financial statements or the Group's and the Company's operating, investing and financing cash flows.

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of MFRSs	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*/ 1 January 2021#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019/ 1 January 2021#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*

2. BASIS OF PREPARATION (continued)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (continued)		
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*/ 1 January 2021#
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019/ 1 January 2021#
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ 1 January 2021#/ Deferred
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*/ 1 January 2021#
MFRS 138	Intangible Assets	1 January 2020*/ 1 January 2021#
MFRS 140	Investment Property	1 January 2021#
New IC Int		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

** Amendments to References to the Conceptual Framework in MFRS Standards*
 # Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

2. BASIS OF PREPARATION (continued)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

(a) The Group and the Company plan to adopt the above applicable new MFRSs, amendments /improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below.

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises and equipment on the statements of financial position by recognising them as "rights-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 April 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 April 2019 will be accounted for as lease contracts under MFRS 16.

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

2. BASIS OF PREPARATION (continued)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

2. BASIS OF PREPARATION (continued)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a *revised Conceptual Framework for Financial Reporting* and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

The amendments to the nine Standards are a consequence of MFRS 17 with an effective date on or after 1 January 2021, which include MFRS 1, MFRS 5, MFRS 7, MFRS 15, MFRS 107, MFRS 116, MFRS 132, MFRS 136 and MFRS 140.

The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs, new IC Int. and amendment to IC Int.

2. BASIS OF PREPARATION (continued)

2.4 Functional and presentation of currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group's and the Company's financial statements are disclosed in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries and an associate used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.8 to the financial statements.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(c) Associates (continued)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of an available-for-sale financial asset or a held for trading financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decrease but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associate are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same ways as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

In the Company's statements of financial position, investment in subsidiaries and an associate are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.13(b) to the financial statements.

Contributions to subsidiaries are amount for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

<u>Accounting policies applied from 1 April 2018</u>

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified as:

- Financial assets at amortised cost

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

Accounting policies applied from 1 April 2018 (continued)

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows: (continued)

(i) Financial assets (continued)

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

The Group and the Company reclassify financial assets when and only when its business model for managing those assets changes.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company classify their debt instruments as:

- **Amortised cost**

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities as financial liabilities at amortised cost.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

Accounting policies applied from 1 April 2018 (continued)

(b) Financial guarantee contracts (continued)

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive the cash flows from the financial asset expire, or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

Accounting policies applied from 1 April 2018 (continued)

(d) Derecognition

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition.

In accounting for a transfer of a financial asset that does not qualify for the derecognition, the entity shall not offset the transferred asset and the associated liability.

Accounting policies applied until 31 March 2018

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

Accounting policies applied until 31 March 2018 (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

(ii) Financial liabilities

Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

Accounting policies applied until 31 March 2018 (continued)

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company themselves purchase or sell an asset). Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(b) to the financial statements.

Cost of assets includes expenditure that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

(c) Depreciation

All property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Freehold building	50
Long term leasehold land and buildings	80 – 82
Plant and machinery	5 – 10
Motor vehicles	5 – 10
Furniture, fittings and office equipment	3 – 20
Office renovation	20

Long term leasehold land and buildings are depreciated over the useful life as the Group has not been able to segregate the cost of the building from the cost of the related land. The directors are of the opinion that the depreciation of the land has no material effect on the financial statements of the Group.

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property, plant and equipment (continued)

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

(b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Leases (continued)

(b) Lessor accounting (continued)

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.7 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise.

Cost includes purchase price and directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property.

An investment property is derecognised on its disposal or when it is permanently withdrawn from use and no future economic benefit are expected from its disposal. Any gains and losses arising from derecognition of the asset is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

3.8 Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(b) to the financial statements.

In respect of equity-accounted associates, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset when there is objective evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs includes the actual cost of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs are assigned on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.10 Contract assets/(liabilities)

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Group's future performance).

The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(a) to the financial statements.

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

3.11 Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when:
- the asset is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to be completed within one year from the date of classification and actions required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets are measured at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. A gain for any subsequent increase in fair value less costs to sell of an asset is recognised but not in excess of the cumulative impairment loss that has been recognised.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3.13 Impairment of assets

(a) Impairment of financial assets and contract assets

<u>Accounting policies applied from 1 April 2018</u>

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

For trade receivables, contract assets and lease receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

Accounting policies applied from 1 April 2018 (continued)

The Group and the Company consider a financial asset to be in default when:
- the borrower is unable to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

Accounting policies applied until 31 March 2018

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

At each reporting date, all financial assets are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

Accounting policies applied until 31 March 2018 (continued)

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to profit or loss.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, amounts due from customers for contract works and investment properties measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.14 Share capital

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.15 Provision

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Revenue and other income

Accounting policies applied from 1 April 2018

(a) Sales of goods and rendering of services

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Revenue and other income (continued)

Accounting policies applied from 1 April 2018 (continued)

(b) Construction contracts

Construction service contracts comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

Under the terms of the contracts, control is transferred over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to date bear to the estimated total construction costs (an input method).

Sales are made with a credit term ranging from 30 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. The Group becomes entitled to invoice customers based on achieving a series of performance-related milestones.

The Group recognised a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers then the Group recognises a contract liability for the difference.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentive granted is recognised as an integral part of the total rental income, over the term of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Revenue and other income (continued)

Accounting policies applied until 31 March 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion at the reporting date. Stage of completion is determined by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(c) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method. The stage of completion method is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

(d) Interest income

Same accounting policies applied until 31 March 2018 and from 1 April 2018.

(e) Dividend income

Same accounting policies applied until 31 March 2018 and from 1 April 2018.

(f) Rental income

Same accounting policies applied until 31 March 2018 and from 1 April 2018.

3.17 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Employee benefits (continued)

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in profit or loss in the period in which the employees render their services.

3.18 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.19 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Income tax (continued)

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Where investment properties are carried at fair value in accordance with the accounting policy as disclosed in Note 3.7, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Income tax (continued)

(b) Deferred tax (continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

3.20 Earning per share

The Group presents basic and diluted earnings per share ("EPS") date for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.21 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3.22 Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Fair value measurements (continued)

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.23 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) Construction revenue and expenses

The Group recognised construction revenue and expenses in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimated total construction revenue and expenses, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of contract assets and contract liabilities are disclosed in Note 11 to the financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold land and building RM	Long term leasehold land and buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Office renovation RM	Total RM
Group								
2019								
Cost								
At 1 April 2018		1,000,000	20,916,240	116,227	3,411,050	1,894,963	2,706,840	30,045,320
Additions		-	-	32,990	275,046	21,990	-	330,026
Disposals		-	(183,459)	-	(1,064,017)	(698)	-	(1,248,174)
Disposals of subsidiaries	8(a)	-	-		(392,939)	(816,220)	(1,760,142)	(2,969,301)
Transfer to assets held for sale	17	-	(17,750,390)	-	-	-	-	(17,750,390)
At 31 March 2019		1,000,000	2,982,391	149,217	2,229,140	1,100,035	946,698	8,407,481
Accumulated depreciation								
At 1 April 2018		38,333	1,732,151	68,522	2,446,252	1,223,309	1,571,891	7,080,458
Depreciation charge for the financial year		20,000	224,600	21,502	455,899	208,082	205,760	1,135,843
Disposals		-	(183,459)	-	(935,560)	(582)	-	(1,119,601)
Disposals of subsidiaries	8(a)	-	-	(167,157)	(363,532)	(468,092)	(1,063,158)	(2,061,939)
Transfer to assets held for sale	17	-	(1,511,338)	-	-	-	-	(1,511,338)
At 31 March 2019		58,333	261,954	(77,133)	1,603,059	962,717	714,493	3,523,423
Carrying amount								
At 31 March 2019		941,667	2,720,437	226,350	626,081	137,318	232,205	4,884,058

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and building RM	Long term leasehold land and buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Office renovation RM	Total RM
Group							
2018							
Cost							
At 1 April 2017	1,000,000	20,916,240	93,217	3,927,499	1,584,746	1,800,461	29,322,163
Acquisition of subsidiaries	-	-	17,605	108,649	241,993	885,874	1,254,121
Additions	-	-	5,405	89,766	71,443	20,505	187,119
Disposals	-	-	-	(302,509)	(3,219)	-	(305,728)
Written off	-	-	-	(412,355)	-	-	(412,355)
At 31 March 2018	1,000,000	20,916,240	116,227	3,411,050	1,894,963	2,706,840	30,045,320
Accumulated depreciation							
At 1 April 2017	18,333	1,458,030	42,593	2,623,877	1,018,122	1,365,563	6,526,518
Depreciation charge for the financial year	20,000	274,121	25,929	508,494	207,058	206,328	1,241,930
Disposals	-	-	-	(279,370)	(1,871)	-	(281,241)
Written off	-	-	-	(406,749)	-	-	(406,749)
At 31 March 2018	38,333	1,732,151	68,522	2,446,252	1,223,309	1,571,891	7,080,458
Carrying amount							
At 31 March 2018	961,667	19,184,089	47,705	964,798	671,654	1,134,949	22,964,862

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture, fittings and office equipment RM	Office renovation RM	Total RM
Company			
2019			
Cost			
At 1 April 2018/31 March 2019	34,164	2,273,906	2,308,070
Accumulated depreciation			
At 1 April 2018	34,160	2,072,792	2,106,952
Depreciation charge for the financial year	-	113,696	113,696
At 31 March 2019	34,160	2,186,488	2,220,648
Carrying amount			
At 31 March 2019	4	87,418	87,422
2018			
Cost			
At 1 April 2017/31 March 2018	34,164	2,273,906	2,308,070
Accumulated depreciation			
At 1 April 2017	34,160	1,959,097	1,993,257
Depreciation charge for the financial year	-	113,695	113,695
At 31 March 2018	34,160	2,072,792	2,106,952
Carrying amount			
At 31 March 2018	4	201,114	201,118

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM330,026 (2018: RM187,119) which are satisfied by the following:

	Group 2019 RM	Group 2018 RM
Financed by way of finance lease arrangement	259,100	-
Cash payments on purchase of property, plant and equipment	70,926	187,119
	330,026	187,119

(b) The carrying amount of assets under finance lease arrangements as at the end of the financial year are as follows:

	Group 2019 RM	Group 2018 RM
Motor vehicle	539,610	776,290

(c) Freehold land and building and leasehold land with carrying amount of RM941,667 (2018: RM961,667) and RM Nil (2018: RM11,083,735) respectively have been pledged as security to secure banking facilities of the Group as disclosed in Note 19 to the financial statements.

6. INVESTMENT PROPERTIES

At fair value	**Note**	**Group 2019 RM**	**Group 2018 RM**
Freehold land and buildings			
At 1 April 2018/2017		2,050,000	2,050,000
Gain arising from fair value adjustment		20,000	-
At 31 March		2,070,000	2,050,000
Leasehold land and buildings			
At 1 April 2018/2017		13,920,000	13,920,000
Loss arising from fair value adjustment		(10,000)	-
At 31 March		13,910,000	13,920,000
		15,980,000	15,970,000

Included in freehold land and buildings is a property with carrying value of RM870,000 (2018: RM850,000) pledged as security to secure term loan of the Group as disclosed in Note 19(a) to the financial statements.

6. INVESTMENT PROPERTIES (continued)

The following are recognised in profit or loss in respect of the investment properties:

	Group 2019 RM	Group 2018 RM
Rental income	406,649	376,951
Direct operating expenses		
- income generating investment properties	(42,425)	(35,832)

Fair value information

Fair value of investment properties of the Group are categorised as Level 2. There are no Level 1 and Level 3 investment properties or transfer between the levels during the financial year ended 31 March 2019 or 31 March 2018.

Level 2 fair value

Level 2 fair values of investment properties have been derived using sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach is price per square foot of comparable properties.

7. GOODWILL ON CONSOLIDATION

	Group 2019 RM	Group 2018 RM
At 1 April 2018/2017	855,994	855,994
Less: Impairment loss	-	-
At 31 March	855,994	855,994

Impairment of goodwill

Management reviews the business performance based on the type of products and services of the strategic business units which represent its reportable operating segments. For the purpose of impairment testing, goodwill acquired through business combinations is allocated to the Group's oil and gas solution segment, which is also a reportable operating segment, which represent the lowest level of cash generating unit ("CGU") within the Group at which the goodwill is monitored for internal management purposes.

7. GOODWILL ON CONSOLIDATION (continued)

Key assumption used in value-in-use calculations

Goodwill is tested for impairment on annual basis by comparing the carrying amount with the recoverable amount of the CGU based on value-in-use. Value in use is determined by discounting the future cash flows based on financial budgets approved by management covering three financial years and no growth rate is projected from the fourth financial year onwards. The same method has also been used in the previous financial year. The key assumptions used for value-in-use calculation are:

(a) Sales growth rate

The sales growth rate is based on the expected projection of the related segments.

The sales growth rate used in value-in-use calculations is -4% to 5% (2018: 3% to 16%)

(b) Gross profit margin

Gross profit margin is based on management's past experience, adjusted for market and economic conditions and internal resource efficiency.

The gross profit margin used in value-in-use calculations is 36% (2018: 28%).

(c) Discount rate

Discount rate is estimated based on the industry weighted average cost of capital. The discount rate applied to the cash flow projection is pre-tax and reflects management's estimate of the risks specific to the CGU at the date of assessment.

The discount rate used in value-in-use calculations is 12.63% (2018: 15.66%).

The values assigned to the above key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources of information.

Based on the sensitivity analysis performed, management believes that there is no reasonable possible change in any of the above key assumptions that would cause the carrying amount of the CGU to be materially higher than its recoverable amount.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2019	**2018**
	RM	**RM**
Unquoted shares, at cost	64,435,626	64,803,231
Less: Impairment losses	(13,778,282)	(14,324,018)
	50,657,344	50,479,213

8. INVESTMENT IN SUBSIDIARIES (continued)

The reconciliation of movement in the impairment of investment in subsidiaries is as follows:

	Company 2019 RM	2018 RM
At 1 April 2018/2017	14,324,018	32,822,180
Disposal of subsidiaries	(50,000)	-
Impairment for the financial year	-	262,598
Reversal of impairment losses	(495,736)	(18,760,760)
At 31 March	13,778,282	14,324,018

Details of the subsidiaries, all of which have principal place of business and are incorporated in Malaysia, are as follows:

Name of company	Ownership interest 2019	2018	Principal activities
Mewah Kota Sdn. Bhd. ("MKSB")	100%	100%	Contractor for various kinds of civil and structural, mechanical and electrical works and maintenance works.
Paramount Ventures Sdn. Bhd. ("PVSB")	100%	100%	General civil and structural, mechanical and electrical works and project management.
Merge Properties Sdn. Bhd. ("MPSB")	100%	100%	Property investment.
MEB Realty Sdn. Bhd. ("MEBR")	100%	100%	Property investment.
MEB Development Sdn. Bhd. ("MEBD")	100%	100%	Inactive.
Merge Readymix Sdn. Bhd. ("MRSB")	100%	100%	Inactive.
Merge Energy O&G Sdn. Bhd. ("MEOG")	100%	100%	Inactive.
Merge Highway Engineering Sdn. Bhd. ("MHE")	100%	100%	Inactive.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

8. INVESTMENT IN SUBSIDIARIES (continued)

Details of the subsidiaries, all of which have principal place of business and are incorporated in Malaysia, are as follows: (continued)

Name of company	Ownership interest 2019	Ownership interest 2018	Principal activities
Iris Synergy Sdn. Bhd. ("ISSB")	51%	60%	Supply engineering equipment, spare parts and the provision of value added services and information technology solutions to the gas and petroleum industry.
Semarak Niaga Lanskap Sdn. Bhd. ("SNLSB")	100%	100%	Nursery and landscaping, garden design, maintenance and beautification.
Arena Terbaik Sdn. Bhd. ("ATSB")	-	100%	Repairing and maintenance services and trading of parts and equipment specialised for motor vehicles.
Subsidiary of MKSB			
Innovasi Hebat Sdn. Bhd. ("IHSB")	100%	100%	Supply of valves, spare parts and provision of related maintenance and replacement services.
Subsidiary of SNLSB			
Yakin Rantau Sdn. Bhd. ("YRSB")	100%	100%	Housekeeping.
Subsidiaries of ATSB			
Pimpinan Terbaik Sdn. Bhd. ("PTSB")	-	100%	General merchants, commission agents and retail dealers of articles and products of all kinds.
Gerimis Sejagat Sdn. Bhd. ("GSSB")	-	100%	Dealing of motor vehicles
Syor Bernas Sdn. Bhd. ("SBSB")	-	100%	Operating an auto service and maintenance workshop.

(a) 2019

Disposal of subsidiaries

On 22 November 2018, the Company has entered into a Share Purchase Agreement ("SPA") with Hamdan bin Mohamed and Mohd Rosidi bin Hassan to dispose its entire equity interest in Arena Terbaik Sdn Bhd for a total cash consideration of RM1.00, subject to the terms and conditions in the SPA.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

8. INVESTMENT IN SUBSIDIARIES (continued)

(a) 2019 (continued)

Disposal of subsidiaries (continued)

(i) Summary of the effects of disposal of Arena Group:

		Arena Group RM
Recognised:		
Cash consideration received		1
Derecognised:		
Fair value of identifiable net assets at disposal date		
Property, plant and equipment	(907,362)	
Inventories	(233,339)	
Trade receivables	(771,787)	
Other receivables, deposits and prepayments	(159,415)	
Tax assets	(24,091)	
Cash and bank balances	(424,047)	
Trade payables	269,247	
Other payables, deposits and accruals	2,241,297	(9,497)
Loss on disposal of Arena Group		(9,496)

(ii) Effect of disposal on cash flow:

	Arena Group RM
Cash consideration received	1
Less: Cash and bank balances of subsidiary disposed	(424,047)
Net cash outflows from disposal	(424,046)

(b) 2018

Acquisition of subsidiaries

On 1 August 2017, the Company has entered into a Share Purchase Agreement ("SPA") to acquire the entire equity interests in ATSB and its subsidiaries ("Arena Group") for a total cash consideration of RM50,000. The acquisition was completed on 7 September 2017 and Arena Group became wholly-owned subsidiaries of the Company.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

8. INVESTMENT IN SUBSIDIARIES (continued)

(b) 2018

Acquisition of subsidiaries (continued)

(i) Fair value of the identifiable assets acquired and liabilities recognised:

	Note	Arena Group RM
Assets		
Property, plant and equipment	5	1,254,121
Inventories		251,735
Trade receivables		2,283,135
Other receivables, deposits and prepayments		435,384
Cash and bank balances		321,722
Total assets		4,546,097
Liabilities		
Trade payables		(648,580)
Other payables, deposits and accruals		(2,571,161)
Tax liabilities		(45,869)
Deferred tax liabilities	20	(9,531)
Total liabilities		(3,275,141)
Total identifiable net assets acquired		1,270,956
Bargain purchase arising on acquisition	26	(1,220,956)
Fair value of consideration transferred		50,000

(ii) Effects of acquisition on cash flows:

	RM
Fair value of consideration transferred	50,000
Less: Cash and bank balances of subsidiaries acquired	(321,722)
Net cash outflows on acquisition	(271,722)

(iii) Effects of acquisition in statements of comprehensive income:

From the date of acquisition, the subsidiaries contributed revenue and loss for the financial year are as follows:

	RM
Revenue	1,438,064
Loss for the financial year	(831,798)

8. INVESTMENT IN SUBSIDIARIES (continued)

(c) Changes in ownership interest in Iris Synergy Sdn. Bhd.

On 30 January 2019, the Company decreased 9% of its ownership in Iris Synergy Sdn. Bhd. from 60% to 51% for a total consideration of RM317,606 to Mohd Azali bin Abdul Rahman, one of the directors and shareholder of Iris Synergy Sdn. Bhd..

(d) Deregistration of Yakin Rantau Sdn. Bhd.

On 17 June 2019, Yakin Rantau Sdn. Bhd. a wholly owned subsidiary of SNLSB which in turn is a wholly subsidiary of the Company was deregistered from Companies Commission of Malaysia.

(e) Non-controlling interest in a subsidiary

The financial information of the Group's subsidiary that has non-controlling interest ("NCI") are as follow:

	2019 RM	2018 RM
Iris Synergy Sdn. Bhd.		
NCI percentage of ownership interest and voting interest	49%	40%
Carrying amount of NCI	2,160,601	1,811,580
Profit/(Loss) allocated to NCI	356,639	(167,876)

The summarised financial information (before intra-group elimination) of the Group's subsidiary that has non-controlling interest are as follows:

	2019 RM	2018 RM
Summarised statement of financial position		
Non-current assets	2,011,418	2,108,071
Current assets	5,084,428	4,973,657
Non-current liabilities	(1,203,961)	(1,292,499)
Current liabilities	(1,511,845)	(1,260,280)
Net assets	4,380,040	4,528,949
Summarised statement of comprehensive income		
Revenue	6,067,559	3,600,432
Profit/(Loss) for the financial year, representing total comprehensive income/(loss)	851,090	(206,057)
Summarised cash flows information		
Cash flows from operating activities	(484,583)	(1,358,645)
Cash flows from investing activities	329,621	(1,789)
Cash flows from financing activities	(1,151,004)	(106,982)
Net decrease in cash and cash equivalents	(1,305,966)	(1,467,416)

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

9. INVESTMENT IN AN ASSOCIATE

	Group 2019 RM	Group 2018 RM
Unquoted shares, at cost	2,530,489	2,530,489
Share of post-acquisition reserves		
At 1 April 2018/2017	(2,530,489)	899,482
Additions	-	(3,429,971)
At 31 March	(2,530,489)	(2,530,489)
	-	-

The associate is accounted for using the equity method in the consolidated financial statements.

Details of the associate, which is incorporated in Malaysia, are as follows:

Name of company	Ownership interest 2019	Ownership interest 2018	Principal activity
IJMP-MK Joint Venture	30%	30%	Property development.

The following table illustrates the summarised financial information of the associate:

	Group 2019 RM	Group 2018 RM
Assets and liabilities		
Current assets	95,821,859	80,925,703
Current liabilities	(113,891,110)	(94,162,163)
Net (liabilities)/assets	(18,069,251)	(13,236,460)
Results		
Revenue	2,602,746	7,368,211
Loss for the financial year, representing total comprehensive loss for the financial year	(4,680,709)	(25,141,131)

The Group has not recognised its share of loss of IJMP – MK Joint Venture amounting to RM5,562,205 (2018: RM4,112,368) because the Group's cumulative share of losses has exceeded its interest in that associate and the Group has no obligation in respect of these losses.

10. INVENTORIES

	Group 2019 RM	Group 2018 RM
At cost		
Finished goods	46,913	281,366

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM270,648 (2018: RM1,316,073).

11. CONTRACT ASSETS/(LIABILITIES)

	Group 2019 RM	Group 2018 RM
Contract assets relating to construction service contracts	17,874,041	5,733,159
Contract liabilities relating to construction service contracts	(1,447,008)	(1,523,760)

(a) Significant changes in contract balances

	2019		2018	
Group	**Contract assets Increase/ (decrease) RM**	**Contract liabilities Increase/ (decrease) RM**	**Contract assets Increase/ (decrease) RM**	**Contract liabilities Increase/ (decrease) RM**
Revenue recognised that was included in contract liability at the beginning of the financial year	-	(236,837)	-	648,046
Increases due to cash received, excluding amounts recognised as revenue during the period	-	313,588	-	(916,573)
Increases as a result of changes in the measure of progress	12,236,639	-	(3,469,525)	-
Transfers from contract assets recognised at the beginning of the period to receivables	(95,756)	-	(341,538)	-

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

11. CONTRACT ASSETS/(LIABILITIES) (continued)

(b) Revenue recognised in relation to contract balances

	Group 2019	2018
Revenue recognised that was included in contract liability at the beginning of the financial year	(236,837)	648,046

Revenue recognised that was included in the contract liability balance at the beginning of the year represented primarily revenue from the sale of property development contracts when percentage of completion increases.

12. TRADE RECEIVABLES

	Group 2019 RM	2018 RM
Trade receivables	11,909,034	21,048,351
Less: Impairment losses	(1,696,725)	(740,287)
	10,212,309	20,308,064

(a) Trade receivables are non-interest bearing and normal credit terms offered by the Group range from 30 to 90 days (2018: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

(b) Included in trade receivables of the Group are retention sums of RM4,772,335 (2018: RM10,692,018) relating to construction work-in-progress. Retention sums are unsecured, interest free and are expected to be collected within the period of normal operating cycle.

(c) The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables is as follows:

	Group 2019 RM	2018 RM
At 1 April 2018/2017	740,287	505,735
Charge for the financial year		
- individual impairment loss	1,030,190	379,786
Written off	6,034	(145,234)
Disposal of subsidiaries	(79,786)	-
At 31 March	1,696,725	740,287

12. TRADE RECEIVABLES (continued)

(c) (continued)

Loss allowance disclosed in comparative period is based on incurred loss model in accordance with MFRS 139 Financial Instruments: Recognition and Measurement.

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

The information about the credit exposure are disclosed in Note 33(a)(i) to the financial statements.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Other receivables	254,979	461,593	-	-
GST refundable	82,776	10,550	-	-
Deposits	506,987	655,116	17,386	10,586
Prepayments	378,659	224,765	16,495	18,727
Advances to sub-contractors	635,612	1,106,494	-	-
	1,859,013	2,458,518	33,881	29,313

Advances to sub-contractors are made for on-going construction project purposes.

14. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2019	2018
	RM	RM
Amounts due from subsidiaries	14,746,020	14,745,476
Less: Impairment losses	(12,200,146)	(12,192,894)
	2,545,874	2,552,582
Amounts due to subsidiaries	21,596,768	21,053,283

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

14. AMOUNTS DUE FROM/(TO) SUBSIDIARIES (continued)

The reconciliation of movement in the impairment of amounts due from subsidiaries is as follows:

	Company	
	2019 RM	2018 RM
At 1 April 2018/2017	12,192,894	13,770,648
Charge for the financial year		
- Individual impairment loss	12,621	11,578
Reversal on impairment losses	(5,369)	(1,589,332)
At 31 March	12,200,146	12,192,894

15. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate of the Group is non-trade in nature, unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash.

16. DEPOSITS PLACED WITH LICENSED BANKS AND CASH AND BANK BALANCES

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the following:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Short-term deposits	3,687,429	3,973,836	-	-
Less: Pledge deposits	(3,687,429)	(3,973,836)	-	-
	-	-	-	-
Cash and bank balances	2,958,232	5,327,098	377,374	1,712
Bank overdrafts	(4,260,880)	(3,258,689)	-	-
	(1,302,648)	2,068,409	377,374	1,712

Included in deposits placed with licensed banks of the Group are:

(a) an amount of RM3,359,870 (2018: RM3,664,099) has been pledged to banks as security for banking facilities granted to subsidiaries.

(b) an amount of RM327,559 (2018: RM309,737) has been pledged to a bank as security for bank guarantee in favour of third party for project purposes.

16. DEPOSITS PLACED WITH LICENSED BANKS AND CASH AND BANK BALANCES (continued)

The foreign currency exposure profile of cash and cash equivalents is as follows:

	Group 2019 RM	Group 2018 RM
United States Dollar	490	464
Japanese Yen	2,152	8,066
	2,642	8,530

17. ASSETS HELD FOR SALE

On 24 May 2019, 31 May 2019 and 25 June 2019, the Board of Directors approved and announced a plan to dispose lands owned by Mewah Kota Sdn. Bhd., a wholly subsidiary of Merge Energy Bhd to various parties for the proposed disposal of various parcels of lands contiguous to each other, all of which located at Bandar Serendah, Daerah Ulu Selangor, Selangor Darul Ehsan.

	Note	Group 2019 RM	Group 2018 RM
Leasehold land and buildings			
At 1 April 2018/2017		-	-
Transfer from property, plant and equipment	5	16,239,052	-
Loss arising from fair value adjustment		(204,058)	-
		16,034,994	-

Leasehold land and buildings with carrying amount of RM10,968,453 (2018: RM Nil) have been pledged as security to secure banking facilities of the Group as disclosed in Note 19 to the financial statements.

18. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2019 Units	2018 Units	2019 RM	2018 RM
Issued and fully paid up				
At 1 April 2018/2017 /31 March	67,000,000	67,000,000	74,712,508	74,712,508

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

18. SHARE CAPITAL (continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

19. LOANS AND BORROWINGS

	Note	Group 2019 RM	Group 2018 RM
Non-current:			
Secured			
Term loans	(a)	1,127,165	1,170,617
Finance lease liabilities	(b)	350,076	599,251
		1,477,241	1,769,868
Current:			
Secured			
Term loans	(a)	40,720	39,609
Finance lease liabilities	(b)	268,171	308,232
Bank overdrafts	(c)	4,260,880	3,258,689
		4,569,771	3,606,530
		6,047,012	5,376,398
Total loans and borrowings:			
Term loans	(a)	1,167,885	1,210,226
Finance lease liabilities	(b)	618,247	907,483
Bank overdrafts	(c)	4,260,880	3,258,689
		6,047,012	5,376,398

(a) Term loans

	Group 2019 RM	Group 2018 RM
Current		
Not later than one year	40,720	39,609
Non-current		
Later than one year and not later than five years	184,707	185,807
Later than five years	942,458	984,810
	1,127,165	1,170,617
Total term loans	1,167,885	1,210,226

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

19. LOANS AND BORROWINGS (continued)

(a) Term loans (continued)

The term loans bear interest at rates ranging from 4.65% to 5.15% (2018: 4.65% to 5.05%) per annum and are secured and supported as follows:
(i) legal charge over freehold land and buildings of a subsidiary as disclosed in Notes 5, 6 and 17 to the financial statements; and
(ii) corporate guarantee by the Company.

(b) Finance lease liabilities

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

	Group	
	2019	**2018**
	RM	**RM**
Minimum lease payments:		
Not later than one year	312,587	357,049
Later than one year and not later than 5 years	404,321	706,458
	716,908	1,063,507
Less: Future finance charges	(98,661)	(156,024)
Present value of minimum lease payments	618,247	907,483
Present value of minimum lease payments:		
Not later than one year	268,171	308,232
Later than one year and not later than 5 years	350,076	599,251
	618,247	907,483

The finance lease liabilities bear interest at rates ranging from 2.44% to 3.89% (2018: 2.44% to 3.89%) per annum.

(c) Bank overdrafts

The bank overdrafts bear interest at a rate of 8.45% (2018: 8.45%) per annum and are secured and supported as follows:
(i) legal charge over leasehold land of a subsidiary as disclosed in Notes 5 and 17 to the financial statements;
(ii) fixed deposit or sinking fund to be progressively place via deduction of 3% of each contract proceeds received;
(iii) deed of assignment of contract proceeds between a subsidiary and the bank; and
(iv) corporate guarantee by the Company.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

20. DEFERRED TAX LIABILITIES

	Group 2019 RM	Group 2018 RM
At 1 April 2018/2017	194,076	363,756
Acquisition of subsidiaries (Note 8(b))	-	9,531
Recognised in profit or loss (Note 28)	20,977	(179,211)
At 31 March	215,053	194,076

Presented after appropriate offsetting as follows:

	Group 2019 RM	Group 2018 RM
Deferred tax assets	-	(18,300)
Deferred tax liabilities	215,053	212,376
	215,053	194,076

This is in respect of estimated deferred tax (assets)/liabilities arising from temporary differences as follows:

	Group 2019 RM	Group 2018 RM
Deferred tax assets		
Unabsorbed capital allowances	-	(8,146)
Unutilised tax losses	-	(10,154)
	-	(18,300)
Deferred tax liabilities		
Revaluation of investment properties	202,190	201,190
Differences between the carrying amount of property, plant and equipment and their tax base	12,863	11,186
	215,053	212,376
	215,053	194,076

20. DEFERRED TAX LIABILITIES (continued)

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:

	Group	
	2019	**2018**
	RM	**RM**
Deferred tax assets		
Unabsorbed capital allowances	381,994	36,835
Unutilised tax losses	26,923,445	21,184,352
Other taxable temporary differences	(827,765)	(137,027)
Revaluation gain of investment properties	8,114,593	8,414,593
	34,592,267	29,498,753
Potential deferred tax assets at 24% (2018: 24%)	8,302,144	7,079,701

21. TRADE PAYABLES

Trade payables are non-interest bearing and the normal credit terms granted to the Group range from 30 to 90 days (2018: 30 to 90 days).

Included in trade payables of the Group are retention sums of RM4,454,213 (2018: RM7,945,640) relating to construction work-in-progress. Retention sums are unsecured, interest free and are expected to be settled within the period of normal operating cycle.

The foreign currency exposure profile of trade payables is as follows:

	Group	
	2019	**2018**
	RM	**RM**
Japanese Yen	902,004	203,595

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

22. OTHER PAYABLES, ACCRUALS AND DEPOSITS

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Other payables	(a)	175,750	2,270,506	26,436	12,905
GST payable		-	90,110	-	-
Accruals	(b)	9,978,520	3,627,147	76,000	74,500
Deposits		558,129	199,582	-	-
Advances from a customer	(c)	-	838,781	-	-
		10,712,399	7,026,126	102,436	87,405

(a) Included in other payables of the Group are advances from a former director and a director of a subsidiary amounting to RM Nil (2018: RM1,671,277) and RM Nil (2018: RM3,000), respectively. These amounts are non-trade in nature, unsecured, non-interest bearing, repayable upon demand and are expected to be settled in cash.

(b) Included in accruals of the Group is an amount of RM9,452,654 (2018: RM2,373,329) which represents project cost accrued for work performed.

(c) Advances from a customer are made for on-going construction project purposes.

23. REVENUE

	Group	
	2019	2018
	RM	RM
At a point of time:		
Sales of goods	6,475,612	3,968,074
Over time:		
Contract revenue	42,938,884	15,946,055
Maintenance services	5,135,444	4,631,660
Rental income	64,800	64,800
	48,139,128	20,642,515
	54,614,740	24,610,589

24. COST OF SALES

	Group 2019 RM	Group 2018 RM
Contract cost	40,002,061	15,113,734
Direct cost of services	4,758,969	3,812,732
Direct cost of investment properties	11,550	2,742
Cost of goods sold	3,937,401	2,820,657
	48,709,981	21,749,865

25. FINANCE COSTS

	Group 2019 RM	Group 2018 RM
Interest expense:		
- bank overdrafts	410,278	295,454
- finance lease liabilities	77,098	59,482
- term loans	55,538	57,424
	542,914	412,360

26. (LOSS)/PROFIT BEFORE TAX AND ZAKAT

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax and zakat:

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Auditors' remuneration:					
- Statutory audit					
- current year		174,495	186,500	69,500	68,000
- prior year		2,000	(3,000)	-	16,000
- Non-statutory audit					
- current year		6,500	6,500	6,500	6,500
Bad debt written off		6,034	2,883	-	-
Bargain purchase arising on acquisition		-	(1,220,956)	-	-
Deposits written off		-	2,250	-	-
Depreciation of property, plant and equipment		1,135,843	1,241,930	113,696	113,695

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

26. (LOSS)/PROFIT BEFORE TAX AND ZAKAT (continued)

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax and zakat: (continued)

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM**	**RM**	**RM**	**RM**
Employee benefits expense	27	8,402,555	9,080,972	599,010	471,623
Fair value gain on investment properties		(10,000)	-	-	-
Gain on disposal of property, plant and equipment		(232,906)	(96,743)	-	-
Gain on fair value adjustment on retention sum		(269,031)	-	-	-
Impairment loss on:					
- investment in subsidiaries		-	-	-	262,598
- trade receivables		1,030,190	379,786	-	-
- amount due from subsidiaries		-	-	12,621	11,578
- amount due from an associate		-	141,430	-	-
- assets held for sale		204,058	-	-	-
Interest income		(149,630)	(163,662)	-	-
Loss/(Gain) on disposal of a subsidiary		9,496	-	(1)	-
Loss/(Gain) on foreign exchange:					
- realised		5,307	(6,806)	-	-
- unrealised		(10,672)	(16)	-	-
Property, plant and equipment written off		-	5,606	-	-
Rental expenses:					
- premises		13,125	5,400	-	-
- staff accomodations		22,395	15,360	-	-
Rental income from premises		(519,349)	(476,151)	-	-
Reversal of impairment loss on:					
- investment in subsidiaries		-	-	(495,736)	(18,760,760)
- amount due from subsidiaries		-	-	(5,369)	(1,589,332)

NOTES TO THE

FINANCIAL STATEMENTS (cont'd)

27. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Wages and salaries	7,535,728	8,161,277	575,159	451,603
Defined contribution plan	866,827	919,695	23,851	20,020
	8,402,555	9,080,972	599,010	471,623

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Included in employee benefits expense are:				
Directors' fees	202,000	144,467	202,000	144,467
Directors' other emoluments	1,610,697	1,760,050	159,000	122,500
	1,812,697	1,904,517	361,000	266,967

28. TAX EXPENSE/(CREDIT)

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Statements of comprehensive income				
Current income tax				
Based on results for the current financial year	300,842	15,658	-	-
Under/(Over) provision in prior financial years	3,950	(180,960)	-	-
	304,792	(165,302)	-	-
Deferred tax (Note 20)				
Origination/(Reversal) of temporary differences	772,247	(302,725)	-	-
(Over)/Under provision in prior financial years	(751,270)	123,514	-	-
	20,977	(179,211)	-	-
Tax expense/(credit) recognised in profit or loss	325,769	(344,513)	-	-

NOTES TO THE

FINANCIAL STATEMENTS (cont'd)

28. TAX EXPENSE/(CREDIT) (continued)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
(Loss)/Profit before tax and zakat	(4,330,564)	(10,413,302)	(120,559)	19,229,602
Tax at the applicable rate of 24% (2018: 24%)	(1,039,335)	(2,499,192)	(28,934)	4,615,104
Share of results of an associate	-	823,193	-	-
Tax effect arising from:				
- non-deductible expenses	850,371	958,072	293,200	268,918
- non-taxable income	(17,389)	(570,856)	(264,266)	(4,884,022)
- Deferred tax assets not recognised during the financial year	1,294,442	1,061,710	-	-
- Utilisation of deferred tax assets not recognised	(15,000)	(59,993)	-	-
Under(Over) provision in prior financial years:				
- current tax	3,950	(180,961)	-	-
- deferred tax	(751,270)	123,514	-	-
Tax expense/(credit)	325,769	(344,513)	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29. LOSS PER SHARE

(a) Basic loss per share are based on the loss for the financial year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year, calculated as follows:

	Group 2019	Group 2018
Loss attributable to owners of the Company (RM)	(5,012,972)	(9,972,653)
Weighted average number of shares in issue (number)	67,000,000	67,000,000
Basic loss per share (sen)	(7.48)	(14.88)

(b) The diluted loss per share of the Group for the financial years ended 31 March 2019 and 31 March 2018 are same as the basic loss per share as the Company does not have any dilutive potential ordinary shares.

30. FINANCIAL GUARANTEES

	Company 2019 RM	Company 2018 RM
Financial guarantees given to licensed banks for banking facilities granted to subsidiaries	5,428,765	4,468,915

31. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Company include:

(i) Subsidiaries as disclosed in Note 8 to the financial statements;
(ii) An associate as disclosed in Note 9 to the financial statements;
(iii) Entities in which directors have substantial financial interests;
(iv) Close members of the family of the directors; and
(v) Key management personnel of the Group and of the Company, comprises persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

31. RELATED PARTIES (continued)

(b) Significant related party transactions

The Group and the Company do not have any significant transactions with related parties during the financial year.

(c) Compensation of key management personnel

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors of the Company				
Executive directors:				
- Directors' fee	32,000	-	32,000	-
- Salaries and allowances	453,070	874,884	4,000	-
- Defined contribution plan	67,370	125,844	-	-
- Other emoluments	770	1,705	-	-
	553,210	1,002,433	36,000	-
Non-executive directors:				
- Directors' fee	170,000	144,467	170,000	144,467
- Allowances	155,000	122,500	155,000	122,500
	325,000	266,967	325,000	266,967
Directors of the subsidiaries				
Executive directors:				
- Salaries and allowances	818,969	558,692	-	-
- Defined contribution plan	112,440	73,808	-	-
- Other emoluments	3,078	2,618	-	-
	934,487	635,118	-	-
Key Management Personnel's remuneration:				
Short term employee benefits	171,538	212,416	-	-
Post-employment employee benefits	23,064	26,958	-	-
	194,602	239,374	-	-
	2,007,299	2,143,891	361,000	266,967

32. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

From 1 April 2018:
(i) Amortised cost

On or before 31 March 2018:
(i) Loans and receivables
(ii) Other financial liabilities

	Carrying amount RM	Amortised cost RM
2019		
Financial assets		
Group		
Trade receivables	10,212,309	10,212,309
Other receivables and deposits, excluding GST refundable, prepayments and advances to sub-contractors	761,966	761,966
Deposits placed with licensed banks	3,687,429	3,687,429
Cash and bank balances	2,958,232	2,958,232
	17,619,936	17,619,936
Company		
Deposits, excluding prepayments	17,386	17,386
Amounts due from subsidiaries	2,545,874	2,545,874
Cash and bank balances	377,374	377,374
	2,940,634	2,940,634

NOTES TO THE

FINANCIAL STATEMENTS (cont'd)

32. FINANCIAL INSTRUMENTS (continued)

(a) Classification of financial instruments (continued)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned: (continued)

2019 (continued)	Carrying amount RM	Amortised cost RM
Financial liabilities		
Group		
Trade payables	8,137,435	8,137,434
Other payables, accruals and deposits, excluding GST payable and advances from a customer	10,712,399	10,712,399
Loans and borrowings	6,047,012	6,047,012
	24,896,846	24,896,845
Company		
Other payables and accruals	102,436	102,436
Amounts due to subsidiaries	21,596,768	21,596,768
	21,699,204	21,699,204

2018	Carrying amount RM	Loans and receivables RM
Financial assets		
Group		
Trade receivables	20,308,064	20,308,064
Other receivables and deposits, excluding GST refundable, prepayments and advances to sub-contractors	1,116,709	1,116,709
Deposits placed with licensed banks	3,973,836	3,973,836
Cash and bank balances	5,327,098	5,327,098
	30,725,707	30,725,707
Company		
Deposits, excluding prepayments	10,586	10,586
Amounts due from subsidiaries	2,552,582	2,552,582
Cash and bank balances	1,712	1,712
	2,564,880	2,564,880

32. FINANCIAL INSTRUMENTS (continued)

(a) Classification of financial instruments (continued)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned: (continued)

2018 (continued)	Carrying amount RM	Other financial liabilities RM
Financial liabilities		
Group		
Trade payables	11,438,741	11,438,741
Other payables, accruals and deposits, excluding GST payable and advances from a customer	6,097,235	6,097,235
Loans and borrowings	5,376,398	5,376,398
	22,912,374	22,912,374
Company		
Other payables and accruals	87,405	87,405
Amounts due to subsidiaries	21,053,283	21,053,283
	21,140,688	21,140,688

(b) Fair value of financial instruments

The carrying amounts of cash and bank balances and deposits placed with licensed banks, short term receivables and payables and short-term borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

The carrying amounts of floating rate term loans are reasonable approximation of fair value as the loans will be re-priced to market interest rate on or near reporting date.

There have been no transfer between the levels during the current and previous financial years.

32. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments (continued)

The following table provides the fair value measurement hierarchy of the Group's financial instruments, other than those with carrying amounts reasonably approximate to their fair values:

	Carrying amount RM	Fair value of financial instruments not carried at fair value Level 2 RM
Group		
2019		
Financial liabilities		
Finance lease liabilities	618,247	660,857
2018		
Financial liabilities		
Finance lease liabilities	907,483	973,008

Level 2 fair value

Fair value of financial instruments not carried at fair value
The fair value of the finance lease liabilities is determined using the discounted cash flows method based on discount rates that reflects the market borrowing rate as at the end of the reporting period.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's financial risk management objective is to optimise value for their shareholders whilst minimising the potential adverse impact arising from interest rates and the unpredictability of the financial markets. The Group's and the Company's policy is not to engage in speculative transactions.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

(a) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from their receivables.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Head of Credit Control.

The Group uses the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected credit losses also incorporated forward looking information. However, there is no material impact arising from application of simplified approach to record the lifetime expected credit losses.

The information about the credit risk exposure on the Group's trade receivables and contract assets using the provision matrix are as follows:

	Expected credit loss rate %	Gross carrying amount at default RM	Expected credit losses RM
Group			
2019			
Contract assets	0%	17,874,041	-
Trade receivables			
Current	0%	7,447,599	-
1 to 30 days past due	0%	234,260	-
31 to 60 days past due	0%	216,579	-
61 to 90 days past due	0%	127,254	-
91 to 120 days past due	0%	184,696	-
More than 121 days past due	0%	3,698,646	-
	0%	11,909,034	-
	0%	29,783,075	-

The Company monitors the results of the subsidiaries in determining the recoverability of these intercompany balances.

For other financial assets (including cash and bank balances and deposits placed with licensed banks), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Exposure to credit risk

As at the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

As at the end of the reporting period, approximately 53% (2018: 50%) of the Group's trade receivables were due from 3 major customers (2018: 2 major customers).

Accounting policies applied until 31 March 2018

As at 31 March 2018, the ageing analysis of the Group's trade receivables are as follows:

	Group 2018 RM
Neither past due nor impaired	13,768,180
1 to 30 days past due not impaired	623,709
31 to 60 days past due not impaired	252,332
61 to 90 days past due not impaired	306,876
91 to 120 days past due not impaired	138,867
More than 121 days past due not impaired	5,218,100
	6,539,884
Impaired - individually	740,287
	21,048,351

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Other receivables and other financial assets (continued)

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. The following indicators are incorporated, amongst others:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Other financial assets

For other financial assets cash and cash equivalents, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Financial guarantee

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM5,428,765 (2018: RM4,468,915) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 33(b) to the financial statements. As at the reporting date, there was no indication that the subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligation when they fall due. The Group's and the Company's exposure to liquidity risk arise principally from payables and loans and borrowings.

The Group and the Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meets their liabilities when they fall due.

Maturity analysis

The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

		<------Contractual undiscounted cash flows------>			
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
2019					
Group					
Trade payables	8,137,435	6,542,061	1,864,403	-	8,406,464
Other payables, accruals and deposits, excluding GST payable and advances from a customer	10,712,399	10,712,399	-	-	10,712,399
Term loans	1,167,885	97,881	391,525	1,290,391	1,779,797
Finance lease liabilities	618,247	312,587	404,321	-	716,908
Bank overdrafts	4,260,880	4,260,880	-	-	4,260,880
	24,896,846	21,925,808	2,660,249	1,290,391	25,876,448
Company					
Other payables and accruals	102,436	102,436	-	-	102,436
Amounts due to subsidiaries	21,596,768	21,596,768	-	-	21,596,768
Financial guarantees	-	5,428,765	-	-	5,428,765
	21,699,204	27,127,969	-	-	27,127,969

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

Maturity analysis (continued)

		<------Contractual undiscounted cash flows------>			
	Carrying amount RM	**On demand or within 1 year RM**	**Between 1 and 5 years RM**	**More than 5 years RM**	**Total RM**
2018					
Group					
Trade payables	11,438,741	11,438,741	-	-	11,438,741
Other payables, accruals and deposits, excluding GST payable and advances from a customer	6,097,235	6,097,235	-	-	6,097,235
Term loans	1,210,226	96,813	387,253	1,398,797	1,882,863
Finance lease liabilities	907,483	357,049	706,458	-	1,063,507
Trust receipt	-	-	-	-	-
Bank overdrafts	3,258,689	3,258,689	-	-	3,258,689
	22,912,374	21,248,527	1,093,711	1,398,797	23,741,035

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from bank overdrafts, trust receipt and term loans.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's loss for the financial year would have been RM20,629 (2018: RM16,982) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from purchases that are denominated in a currency other than functional currency of Group entities, primarily United States Dollar ("USD") and Japanese Yen ("JPY").

The Group also holds bank balances denominated in foreign currencies for working capital purposes.

Sensitivity analysis for foreign currency risk
The following table demonstrates the sensitivity to a reasonably possible change in the USD and JPY, with all other variables held constant on the Group's (loss)/profit for the financial year:

	Group Effect on (loss)/profit for the financial year	
	2019 **RM**	**2018** **RM**
USD		
- Strengthened 10% (2018: 10%)	37	35
- Weakened 10% (2018: 10%)	(37)	(35)
JPY		
- Strengthened 10% (2018: 10%)	69,520	(14,860)
- Weakened 10% (2018: 10%)	(69,520)	14,860

34. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services, and has seven reportable operating segments as follows:

Investment holding	:	Investment holding.
Construction	:	Construction of civil and structural, mechanical and electrical works and project management.
Property investment	:	Property investment.
Maintenance, facility management and services	:	Supply of valves, spare parts and landscaping, garden management and provision of related maintenance.
Oil and gas	:	Supply engineering equipment, spare parts and the provision of value added services and information technology solutions to the gas and petroleum industry.
Auto service and maintenance workshop	:	Repairing and maintenance services and trading of parts and equipment specialised for motor vehicles.
Others	:	Inactive companies.

Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment results

Segment performance is used to measure performance as the Group's Chief Executive Officer believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets

The total of segments asset is measured based on all assets of a segment other than goodwill on consolidation, investment in an associate and tax assets, as included in the internal reports that are reviewed by the Group's Chief Executive Officer.

Segment liabilities

The total of segment liability is measured based on all liabilities of a segment other than deferred tax liabilities and tax liabilities as included in the internal reports that are reviewed by the Group's Chief Executive Officer.

34. **SEGMENT INFORMATION** (continued)

2019	Note	Investment holding RM	Construction RM	Property investment RM	Maintenance, facility management and services RM	Oil and gas RM	Auto service and maintenance workshop RM	Others RM	Elimination RM	Consolidation RM
Revenue										
External sales		-	44,352,861	64,800	3,094,464	6,067,559	1,035,056	-	-	54,614,740
Inter-segment sales	a	600,000	-	234,000	399,176	-	-	-	(1,233,176)	-
Total		600,000	44,352,861	298,800	3,493,640	6,067,559	1,035,056	-	(1,233,176)	54,614,740
Results										
Segment results	b	(120,560)	(2,426,560)	(266,982)	(652,748)	1,209,798	(424,753)	(10,111)	(1,095,734)	(3,787,650)
Finance costs		-	(462,364)	-	(14,977)	(65,573)	-	-	-	(542,914)
(Loss)/Profit before tax and zakat		(120,560)	(2,888,924)	(266,982)	(667,725)	1,144,225	(424,753)	(10,111)	(1,095,734)	(4,330,564)
Tax expense		-	-	(12,726)	-	(293,135)	(4,908)	-	(15,000)	(325,769)
(Loss)/Profit for the financial year		(120,560)	(2,888,924)	(279,708)	(667,725)	851,090	(429,661)	(10,111)	(1,110,734)	(4,656,333)
Assets										
Segment assets	c	53,701,895	76,891,685	14,542,318	7,289,776	6,165,749	-	2	(85,054,436)	73,536,989
Goodwill on consolidation		-	-	-	-	855,994	-	-	-	855,994
Tax assets		-	101,515	-	10,988	74,102	-	-	-	186,605
Total assets										74,579,588
Liabilities										
Segment liabilities	d	21,699,204	50,288,010	9,570,220	268,349	2,689,193	-	1,282,432	(59,453,554)	26,343,854
Deferred tax liabilities		-	-	478,440	-	26,613	-	-	(290,000)	215,053
Tax liabilities		-	-	4,207	-	-	-	-	-	4,207
Total liabilities										26,563,114

34. SEGMENT INFORMATION (continued)

2019	Note	Investment holding RM	Construction RM	Property investment RM	Maintenance, facility management and services RM	Oil and gas RM	Auto service and maintenance workshop RM	Others RM	Elimination RM	Consolidation RM
Other segment information										
Purchase of property, plant and equipment		-	280,367	-	32,990	16,669	-	-	-	330,026
Bad debt written off		-	-	-	-	6,034	-	-	-	6,034
Depreciation of property, plant and equipment	e	113,696	523,830	-	204,128	133,208	168,988	-	(8,007)	1,135,843
Fair value loss on investment properties		-	-	300,000	10,000	(20,000)	-	-	(300,000)	(10,000)
Impairment loss on:										
- trade receivables		-	830,856	-	199,334	-	-	-	-	1,030,190
- amounts due from subsidiaries	g	12,621	-	-	-	-	-	-	(12,621)	-
(Gain)/Loss on disposal of a subsidiary		(1)	-	-	-	-	-	-	9,497	9,496
(Gain)/Loss on disposal of property, plant and equipment		-	(210,483)	-	(22,400)	(23)	-	-	-	(232,906)

34. SEGMENT INFORMATION (continued)

2019	Note	Investment holding RM	Construction RM	Property investment RM	Maintenance, facility management and services RM	Oil and gas RM	Auto service and maintenance workshop RM	Others RM	Elimination RM	Consolidation RM
Other segment information (continued)										
Gain on fair value adjustment on retention sum		-	(269,031)	-	-	-	-	-	-	(269,031)
Loss on fair value adjustment on assets held for sale		-	204,058	-	-	-	-	-	-	204,058
Reversal of impairment loss on:										
- investment in subsidiaries	g	(495,736)	-	-	-	-	-	-	495,736	-
- amounts due from subsidiaries	g	(5,369)	-	-	-	-	-	-	5,369	-
Unrealised gain on foreign exchange		-	-	-	-	(10,672)	-	-	-	(10,672)

NOTES TO THE

FINANCIAL STATEMENTS (cont'd)

34. SEGMENT INFORMATION (continued)

2018	Note	Investment holding RM	Construction RM	Property investment RM	Maintenance, facility management and services RM	Oil and gas RM	Auto service and maintenance workshop RM	Others RM	Elimination RM	Consolidation RM
Revenue										
External sales		-	16,434,007	64,800	3,284,786	3,600,432	1,226,564	-	-	24,610,589
Inter-segment sales	a	-	-	174,000	242,221	-	211,499	-	(627,720)	-
Total		-	16,434,007	238,800	3,527,007	3,600,432	1,438,063	-	(627,720)	24,610,589
Results										
Segment results	b	19,229,603	(4,591,261)	(54,745)	(638,352)	(284,515)	(815,080)	(10,139)	(19,406,482)	(6,570,971)
Finance costs		-	(329,924)	-	(14,977)	(67,459)	-	-	-	(412,360)
Share of results of an associate		-	(3,429,971)	-	-	-	-	-	-	(3,429,971)
Profit/(Loss) before tax and zakat		19,229,603	(8,351,156)	(54,745)	(653,329)	(351,974)	(815,080)	(10,139)	(19,406,482)	(10,413,302)
Tax expense		-	193,386	(141,541)	148,469	155,917	(11,718)	-	-	344,513
Zakat		-	(2,381)	-	(54,359)	(10,000)	(5,000)	-	-	(71,740)
Profit/(Loss) for the financial year		19,229,603	(8,160,151)	(196,286)	(559,219)	(206,057)	(831,798)	(10,139)	(19,406,482)	(10,140,529)

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

34. SEGMENT INFORMATION (continued)

2018	Note	Investment holding RM	Construction RM	Property investment RM	Maintenance, facility management and services RM	Oil and gas RM	Auto service and maintenance workshop RM	Others RM	Elimination RM	Consolidation RM
Assets										
Segment assets	c	34,553,179	79,298,629	14,830,602	8,125,885	6,905,828	3,901,493	2	(70,598,715)	77,016,903
Goodwill on consolidation		-	-	-	-	855,994	-	-	-	855,994
Tax assets		-	249,345	14,475	69,215	175,901	1,578	-	-	510,514
Total assets										78,383,411
Liabilities										
Segment liabilities	d	21,140,689	49,953,860	9,579,824	494,960	2,547,142	3,397,460	1,272,321	(63,021,231)	25,365,025
Deferred tax liabilities		-	-	493,440	-	5,636	-	-	(305,000)	194,076
Tax liabilities		-	-	2,654	-	-	66,453	-	-	69,107
Total liabilities										25,628,208

34. SEGMENT INFORMATION (continued)

2018	Note	Investment holding RM	Construction RM	Property investment RM	Maintenance, facility management and services RM	Oil and gas RM	Auto service and maintenance workshop RM	Others RM	Elimination RM	Consolidation RM
Other segment information										
Purchase of property, plant and equipment		-	67,550	-	99,540	2,190	17,839	-	-	187,119
Bad debt written off		-	-	-	2,883	-	-	-	-	2,883
Bargain purchase arising on acquisition		-	-	-	-	-	(1,220,956)	-	-	(1,220,956)
Deposits written off		-	2,250	-	-	-	-	-	-	2,250
Depreciation of property, plant and equipment	e	113,695	597,666	-	202,658	148,739	187,179	-	(8,007)	1,241,930
Impairment loss on:										
- investment in subsidiaries	g	262,598	-	-	-	-	100,000	-	(362,598)	-
- trade receivables		-	300,000	-	-	-	79,786	-	-	379,786
- amounts due from subsidiaries	g	11,578	-	-	-	-	-	-	(11,578)	-
- amount due from an associate		-	141,430	-	-	-	-	-	-	141,430

34. **SEGMENT INFORMATION** (continued)

2018	Note	Investment holding RM	Construction RM	Property investment RM	Maintenance, facility management and services RM	Oil and gas RM	Auto service and maintenance workshop RM	Others RM	Elimination RM	Consolidation RM
Other segment information (continued)										
(Gain)/Loss on disposal of property, plant and equipment		-	(78,473)	-	(18,867)	517	80	-	-	(96,743)
Property, plant and equipment written off		-	-	-	7	-	5,599	-	-	5,606
Reversal of impairment loss on:										
- investment in subsidiaries	g	(18,760,760)	-	-	-	-	-	-	18,760,760	-
- amounts due from subsidiaries	g	(1,589,332)	-	-	-	-	-	-	1,589,332	-
Unrealised gain on foreign exchange		-	-	-	-	(16)	-	-	-	(16)

34. SEGMENT INFORMATION (continued)

(a) Inter-segment transactions are eliminated on consolidation.

(b) (Loss)/Profit from other segment transactions are eliminated on consolidation.

(c) The following items are deducted from segments assets to arrive at total assets reported in the consolidated statement of financial position:

	2019 RM	2018 RM
Intra group transactions	(7,969,453)	(9,162,523)
Investment in subsidiaries	(50,987,304)	(32,098,414)
Amount due from holding company	(22,549,610)	(21,914,479)
Amounts due from subsidiaries	(2,545,874)	(2,552,582)
Amounts due from related companies	(1,002,195)	(4,870,717)
	(85,054,436)	(70,598,715)

(d) The following items are deducted from segment liabilities to arrive at total liabilities reported in consolidated statement of financial position:

	2019 RM	2018 RM
Amount due to holding company	(14,746,021)	(14,745,475)
Amounts due to subsidiaries	(22,549,609)	(21,914,478)
Amounts due to related companies	(22,157,924)	(26,361,278)
	(59,453,554)	(63,021,231)

(e) The depreciation of property, plant and equipment is eliminated.

(f) Fair value gain on owner occupied properties is eliminated.

(g) Impairment loss and reversal of impairment loss on investment in subsidiaries and amounts due from subsidiaries are eliminated.

Geographical information

The Group operates predominantly in Malaysia and hence, no geographical segment is presented.

Information about major customers

Major customers' information is revenue from transactions with a single external customer amount to ten percent or more of the Group's revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer, and a government and entities known to the reporting entity to be under the control of that government shall be considered a single customer.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

34. SEGMENT INFORMATION (continued)

Information about major customers (continued)

For construction segment, revenue from one customer (2018: one customer) represented RM33,938,034 (2018: RM10,046,655) for the Group's total revenue.

35. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong capital base and safeguard the Group's and the Company's ability to continue as going concerns, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group and the Company manage their capital structure by monitoring the capital and net debt on an ongoing basis. No changes were made in the objectives, policies or processes during the financial year ended 31 March 2019 and 31 March 2018.

The Group and the Company monitor capital using net debt-to-equity ratio, which is net debt divided by total equity. Net debt comprise loans and borrowings and payables, less deposits placed with licensed banks and cash and bank balances whereas total equity represents the equity attributable to owners of the Company.

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Loans and borrowings	6,047,012	5,376,398	-	-
Payables	20,296,842	19,988,627	21,699,204	21,140,688
	26,343,854	25,365,025	21,699,204	21,140,688
Less: Deposits placed with licensed banks and cash and bank balances	(6,645,661)	(9,300,934)	(377,374)	(1,712)
Net debt	19,698,193	16,064,091	21,321,830	21,138,976
Total equity	48,016,474	52,755,203	32,002,691	32,123,250
Net debt-to-equity ratio	0.41	0.30	0.67	0.66

36. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

(a) Disposal of lands by Mewah Kota Sdn. Bhd., a wholly-owned subsidiary of Merge Energy Bhd to various parties

On 24 May 2019, the Company has entered into conditional sales and purchase ("SPAs") with various parties, for the disposals of various parcels of lands contiguous to each other, all of which are located at Bandar Serendah, Daerah Ulu Selangor, Selangor Darul Ehsan ("Properties") for a total cash consideration of RM7,189,184 ("Sale Consideration") as described below:

On 31 May 2019, the Company has entered into eight (8) conditional sales and purchase ("SPAs") with Rawang Glass Trading Sdn. Bhd. ("Purchaser"), for the disposals of various parcels of lands contiguous to each other, all of which are located at Bandar Serendah, Daerah Ulu Selangor, Selangor Darul Ehsan, for a total cash consideration of RM8,922,984.

On 25 June 2019, the Company has entered into a conditional sale and purchase agreement ("SPA") with Dhaya Maju Infrastructure (Asia) Sdn Bhd ("Purchaser"), for the disposals of various parcels of lands contiguous to each other, all of which are located at Bandar Serendah, Daerah Ulu Selangor, Selangor Darul Ehsan, for a total cash consideration of RM7,727,561.

(b) Proposed change of name

On 28 May 2019, the Company is proposing to change its name from "MERGE ENERGY BHD" to "STELLA HOLDINGS BERHAD" (Proposed Change of Name).

The use of the proposed name of "STELLA HOLDINGS BERHAD" was approved and reserved by the Companies Commission of Malaysia (CCM) on 18 February 2019 and the reservation of the name is valid for a period of 30 days i.e. from 18 February 2019 to 18 March 2019 (Validity Period). Subsequently, the Validity Period was extended by CCM to 18 July 2019.

The Proposed Change of Name is subject to the approval being obtained from the shareholders of the Company at a general meeting to be convened at a date to be announced later.

(c) Proposed development

On 4 July 2019, the Company proposed development pursuant to a joint venture agreement dated 4 July 2019 entered into between Paramount Ventures Sdn Bhd, ("PVSB") a wholly owned subsidiary of the Company and Mega 3 Housing Sdn Bhd ("M3H") to develop a mixed development project located at Pasir Panjang, Port Dickson, Negeri Sembilan ("Proposed Development").

36. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (continued)

(d) Proposed diversification

On 4 July 2019, the Company proposed diversification of the principal activities of the Company and its subsidiaries to include property development.

(e) Proposed reduction of the Company's issued share capital

On 4 July 2019, the Company proposed reduction of the Company's issued share capital pursuant to Section 117 of the Companies Act 2016 by reducing and cancelling the share capital of the Company which is lost or unpresented by available assets, equivalent to the entire accumulated losses of the Company to offset the credit arising against such accumulated losses.

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **DATO' MOHAMAD HASLAH BIN MOHAMAD AMIN** and **DATO' TAN GEE SWAN @ TAN SUAN CHING**, being two of the directors of Merge Energy Bhd, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 48 to 143 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

…………………………………………………………………
DATO' MOHAMAD HASLAH BIN MOHAMAD AMIN
Director

…………………………………………………………………
DATO' TAN GEE SWAN @ TAN SUAN CHING
Director

Kuala Lumpur

Date: 16 July 2019

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, **RAIZITA BINTI AHMAD @ HARUN**, being the officer primarily responsible for the financial management of Merge Energy Bhd, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 48 to 143 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

…………………………………………………
RAIZITA BINTI AHMAD @ HARUN

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 16 July 2019.

Before me,

…………………………………………………
ABDUL SHUKOR BIN MD NOOR
W725
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MERGE ENERGY BHD (INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Merge Energy Bhd, which comprise the statements of financial position as at 31 March 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 143.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws* (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT
AUDITORS' REPORT
TO THE MEMBERS OF MERGE ENERGY BHD (cont'd)
(INCORPORATED IN MALAYSIA)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Revenue and corresponding costs recognition for construction activities (Note 23 and Note 24 to the financial statements)

The amount of revenue and corresponding costs of the Group's construction activities is recognised over the period of contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of performance obligation is determined by reference to proportion of construction costs incurred for works performed to date bear to the estimated total costs for each project (input method). We focused on this area because significant directors' judgement is required, in particular with regards to determining the progress towards satisfaction of a performance obligation, the extent of the construction costs incurred, the estimated total construction contracts revenue and costs, as well as the recoverability of the construction contracts projects. The estimated total revenue and costs are affected by a variety of uncertainties that depend of the outcome of future events.

Our response:
Our audit procedures on a sample of major projects included, among others:
- understanding the design and implementation of controls over the Group's process in recording project costs, preparing project budgets and calculating the progress towards anticipated satisfaction of a performance obligation;
- review samples of project budgets and assess the reasonableness of the project budgets selected by comparing to contractual terms, historical margins and major assumptions made by management;
- discussing the progress of the projects and expected outcome with the management to obtain an understanding of the basis on which the estimates are made;
- assessing the reasonableness of the computed progress towards anticipated satisfaction of a performance obligation for identified projects against progress reports; and
- testing the mathematical computation of the recognised revenue and expenses during the financial year.

Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MERGE ENERGY BHD (cont'd)
(INCORPORATED IN MALAYSIA)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

INDEPENDENT
AUDITORS' REPORT
TO THE MEMBERS OF MERGE ENERGY BHD (cont'd)
(INCORPORATED IN MALAYSIA)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MERGE ENERGY BHD (cont'd)
(INCORPORATED IN MALAYSIA)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
LLP0019411-LCA & AF 0117
Chartered Accountants

Kenny Yeoh Khi Khen
No. 03229/09/2020 J
Chartered Accountant

Kuala Lumpur

Date: 16 July 2019

LIST OF
PROPERTIES AS AT 31 MARCH 2019

Location	Description (Existing Use)	Tenure (Age of Building)	Land Area (Built-Up Area) sq. ft.	Net Book Value as at 31.3.2019 RM	Date of Valuation/ Acquisition
Lots 727, 728 and 729 No. 230, 231 and 232 Jalan Kota Kenari 2 Taman Kota Kenari 09000 Kulim Kedah Darul Aman	3 units of 2-storey shop house (rented)	Freehold (21 years)	5,764 (6,492)	1,200,000	13.12.2018
No A3-31-3A, Soho Suite @ KLCC No 20, Jalan Perak 50450 Kuala Lumpur	Soho Suite (rented)	Freehold (5 years)	(601)	870,000	13.12.2018
Unit E-11-3, Block E Megan Avenue 1 189 Jalan Tun Razak 50400 Kuala Lumpur	Office Lot (office)	Freehold (21 years)	(1,500)	941,667	13.12.2018
Lot 444 No. 1 Jalan Apollo U5/190 Seksyen U5 Bandar Pinggiran Subang 40150 Shah Alam Selangor Darul Ehsan	2½-storey semi-detached factory (office)	Leasehold Expiring on 7.12.2093 (21 years)	18,238 (5,400)	561,364	13.12.2018
Lot 449 No. 2 Jalan Apollo U5/190 Seksyen U5 Bandar Pinggiran Subang 40150 Shah Alam Selangor Darul Ehsan	2½-storey semi-detached factory (office)	Leasehold Expiring on 7.12.2093 (21 years)	17,668 (5,400)	647,740	13.12.2018
Lot 416 No. 25 Jalan Apollo U5/194 Seksyen U5 Bandar Pinggiran Subang 40150 Shah Alam Selangor Darul Ehsan	3-storey detached factory (rented)	Leasehold Expiring on 7.12.2093 (21 years)	23,153 (10,240)	5,800,000	13.12.2018
Lot 097(C) No. 1 Jalan Suria X U5/X Seksyen U5 Bandar Pinggiran Subang 40150 Shah Alam Selangor Darul Ehsan	2-storey shop office (rented)	Leasehold Expiring on 16.07.2099 (19 years)	7,280 (3,610)	1,200,000	13.12.2018
Lot 043(E) No. 30 Jalan Matahari AA U5/AA Seksyen U5 Bandar Pinggiran Subang 40150 Shah Alam Selangor Darul Ehsan	3-storey shop office (vacant)	Leasehold Expiring on 25.01.2095 (20 years)	2,516 (8,916)	1,100,000	13.12.2018

LIST OF
PROPERTIES AS AT 31 MARCH 2019 (cont'd)

Location	Description (Existing Use)	Tenure (Age of Building)	Land Area (Built-Up Area) sq. ft.	Net Book Value as at 31.3.2019 RM	Date of Valuation / Acquisition
Lot 071(E) No. 29 Jalan Matahari AA U5/AA Seksyen U5 Bandar Pinggiran Subang 40150 Shah Alam Selangor Darul Ehsan	3-storey shop office (vacant)	Leasehold Expiring on 25.01.2095 (20 years)	2,516 (8,916)	1,100,000	13.12.2018
Lot 080 No. 16 Jalan Dinar D U3/D Seksyen U3 Taman Subang Perdana 40150 Shah Alam Selangor Darul Ehsan	4-storey shop office (ground floor is rented)	Leasehold Expiring on 25.09.2095 (14 years)	1,760 (7,040)	1,650,000	13.12.2018
Lot 081 No. 14 Jalan Dinar D U3/D Seksyen U3 Taman Subang Perdana 40150 Shah Alam Selangor Darul Ehsan	4-storey shop office (ground floor is rented)	Leasehold Expiring on 25.09.2095 (14 years)	1,760 (7,040)	1,650,000	13.12.2018
Lot PT8833 No.2, Lorong Naluri Sukma 8/2 42300 Bandar Puncak Alam Selangor Darul Ehsan	Double Storey Terrace House (rented)	Leasehold Expiring on 08.07.2109 (16 years)	3,387	530,000	13.12.2018
Lot PT8610 No 80, Lorong Naluri Sukma 8/11, Seksyen 8, 42300 Bandar Puncak Alam Selangor Darul Ehsan	Double Storey Terrace House (rented)	Leasehold Expiring on 08.07.2109 (16 years)	3,340	560,000	13.12.2018
Lot PT8648 No 65, Lorong Naluri Sukma 8/10 42300 Bandar Puncak Alam Selangor Darul Ehsan	Double Storey Terrace House (vacant)	Leasehold Expiring on 08.07.2109 (16 years)	1400	320,000	13.12.2018
Lot 0034 No 18, Jalan Uranus AH/U5/AH, Taman Subang Impian, Seksyen U5 40150 Shah Alam Selangor Darul Ehsan	3 Storey Shop Office (office)	Leasehold Expiring on 03.04.2099 (4 years)	1,760 (5280)	1,551,572	13.12.2018
PN 31967, Lot 1487, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	26,372	282,696	13.12.2018

LIST OF
PROPERTIES AS AT 31 MARCH 2019 (cont'd)

Location	Description (Existing Use)	Tenure (Age of Building)	Land Area (Built-Up Area) sq. ft.	Net Book Value as at 31.3.2019 RM	Date of Valuation / Acquisition
PN 31968, Lot 1488, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	26,361	255,386	13.12.2018
PN 31969, Lot 1489, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	30,699	274,763	13.12.2018
PN 31971, Lot 1490, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	39,428	341,196	13.12.2018
PN 31972, Lot 1491, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	35,058	321,800	13.12.2018
PN 31973, Lot 1492, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	30,774	357,866	13.12.2018
PN 31974, Lot 1494, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	219,368	2,538,315	13.12.2018
PN 31975, Lot 1495, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	51,010	603,541	13.12.2018
PN 31976, Lot 1496, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	46,995	556,102	13.12.2018
PN 31978, Lot 1499, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	44,552	527,639	13.12.2018

LIST OF PROPERTIES AS AT 31 MARCH 2019 (cont'd)

Location	Description (Existing Use)	Tenure (Age of Building)	Land Area (Built-Up Area) sq. ft.	Net Book Value as at 31.3.2019 RM	Date of Valuation / Acquisition
PN 31979, Lot 1500, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	39,504	461,225	13.12.2018
PN 31980, Lot 1501, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	40,462	480,201	13.12.2018
PN 31981, Lot 1502, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	38,621	451,829	13.12.2018
PN 31982, Lot 1503, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (rented)	Leasehold Expiring on 10.09.2096	42,948	508,663	13.12.2018
PN 31983, Lot 1504, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (rented)	Leasehold Expiring on 10.09.2096	44,982	527,639	13.12.2018
PN 31984, Lot 1506, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (rented)	Leasehold Expiring on 10.09.2096	76,521	907,147	13.12.2018
PN 31985, Lot 1507, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (rented)	Leasehold Land Expiring on 10.09.2096	79,018	935,610	13.12.2018

LIST OF PROPERTIES AS AT 31 MARCH 2019 (cont'd)

Location	Description (Existing Use)	Tenure (Age of Building)	Land Area (Built-Up Area) sq. ft.	Net Book Value as at 31.3.2019 RM	Date of Valuation / Acquisition
PN 31986, Lot 1508, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	84,873	1,002,880	13.12.2018
PN 31987, Lot 1509, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	96,122	1,135,572	13.12.2018
PN 31989, Lot 1510, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	47,544	556,102	13.12.2018
PN 31990, Lot 1511, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	80,202	946,012	13.12.2018
PN 31991, Lot 1512, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	80,600	955,490	13.12.2018
PN 31992, Lot 1513, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	78,996	935,610	13.12.2018
PN 31993- PN32003, Lot 1469 –Lot 1479, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Shophouse Lot (vacant)	Leasehold Expiring on 10.09.2096	19,415	145,617	13.12.2018
PN 32004, Lot 1480, Seksyen 20, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor Darul Ehsan	Shophouse Lot (vacant)	Leasehold Expiring on 10.09.2096	3,477	26,096	13.12.2018

ANALYSIS OF SHAREHOLDINGS as at 8 July 2019

Issued shares capital : 67,000,000 ordinary shares
Class of shares : Ordinary Shares
Voting rights : One (1) vote per one (1) ordinary share held

Distribution of Shareholdings

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	15	1.91	398	0.00
100 – 1,000	312	39.70	279,033	0.42
1,001 – 10,000	298	37.91	1,292,425	1.93
10,001 – 100,000	125	15.90	4,686,644	6.99
100,001 – 3,349,999 (less than 5% of issued shares)	32	4.07	13,939,500	20.81
3,350,000 and above (5% and above of issued shares)	4	0.51	46,802,000	69.85
Total	**786**	**100**	**67,000,000**	**100.00**

Substantial Shareholders

Name of Shareholder	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Westiara Development Sdn Bhd	19,113,100	28.53	–	–
Cerdik Cempaka Sdn Bhd	17,956,900	26.80	–	–
Fine Approach Sdn Bhd	5,300,000	7.91	–	–
Anjuran Utama Sdn Bhd	4,432,000	6.61	–	–
Dato' Tan Gee Swan @ Tan Suan Ching	–	–	19,113,100[(1)]	28.53
Tan Yu Jian	–	–	19,113,100[(1)]	28.53
Dato' Lee Tian Hock	1,500,000	2.24	17,956,900[(2)]	26.80
Lee Tian Huat	–	–	17,956,900[(2)]	26.80
Yong Soi Mee	–	–	17,956,900[(2)]	26.80
Lee Tian Huat	–	–	5,300,000[(3)]	7.91
Yong Soi Mee	–	–	5,300,000[(3)]	7.91
Dato' Haji Mohamad Haslah bin Mohamad Amin	–	–	4,432,000[(4)]	6.61
Nor Hasliza binti Mohamad Haslah	–	–	4,432,000[(4)]	6.61
Mohamad Haslizan bin Mohamad Haslah	–	–	4,432,000[(4)]	6.61

Notes:
(1) Deemed interested by virtue of his shareholdings in Westiara Development Sdn Bhd.
(2) Deemed interested by virtue of his shareholdings in Cerdik Cempaka Sdn Bhd.
(3) Deemed interested by virtue of his/her shareholdings in Fine Approach Sdn Bhd.
(4) Deemed interested by virtue of his/her shareholdings in Anjuran Utama Sdn Bhd.

ANALYSIS OF SHAREHOLDINGS as at 8 July 2019 (cont'd)

Directors' Shareholdings

Name of Director	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Haji Mohamad Haslah bin Mohamad Amin	–	–	4,432,000 (1)	6.61
Dato' Tan Gee Swan @ Tan Suan Ching	–	–	19,113,100 (2)	28.53
Dato' Lee Tian Hock	1,500,000	2.24	17,956,900 (3)	26.80
Shahrizam bin A Shukor	–	–	–	–
Tuan Hj Mohamad Nor bin Abas	–	–	–	–
Dato' Kamarulzaman bin Jamil	–	–	–	–
Czarina Alia binti Abdul Razak	–	–	–	–

Notes:
(1) Deemed interested by virtue of his shareholdings in Anjuran Utama Sdn Bhd.
(2) Deemed interested by virtue of his shareholdings in Westiara Development Sdn Bhd.
(3) Deemed interested by virtue of his shareholdings in Cerdik Cempaka Sdn Bhd

Thirty Largest Shareholders

No.	Name of Shareholder	No. of Shares	%
1	Westiara Development Sdn Bhd	19,113,100	28.53
2	Cerdik Cempaka Sdn Bhd	17,956,900	26.80
3	Fine Approach Sdn Bhd	5,300,000	7.91
4	Anjuran Utama Sdn Bhd	4,432,000	6.61
5	Dato' Lee Tian Hock	1,500,000	2.24
6	Chang Min Wai	1,000,000	1.49
7	Chong Kwong Chin	1,000,000	1.49
8	Leong Low Pew	1,000,000	1.49
9	Tee Kui Kiau	985,000	1.47
10	Ong Boon Hai	960,000	1.43
11	Low Kim Fong	882,400	1.32
12	Yong Sooi Mee	630,000	0.94
13	Lim Tee Hin	500,000	0.75
14	Nge Ying Choon	500,000	0.75
15	Ten Ah Man	500,000	0.75
16	Tan Seng Heng	493,000	0.74
17	Siew Yoke Sum	410,000	0.61
18	Lim Kwong Le	393,000	0.59
19	Ng Eng Tong	358,000	0.53
20	Ng Eng Fong	268,000	0.40
21	Khooo Chai Pek	250,000	0.37
22	Chong Yun Min	200,000	0.30
23	Hew Choy Yin	200,000	0.30
24	Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd For Chai Wei Sheng	190,600	0.28
25	Chong Wei Binajaya Sdn Bhd	183,700	0.27
26	Soo Li Ping	181,500	0.27
27	Low Kim Fong	179,000	0.27
28	Lim Zheng Xiang	177,000	0.26
29	Adeline Chew Wai Yean	154,000	0.23
30	Maybank Nominees (Tempatan) Sdn Bhd Hau Leong Ming	150,000	0.22
	Total	**60,047,200**	**89.61**

NOTICE OF TWENTY-SECOND
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Second (22nd) Annual General Meeting of Merge Energy Bhd will be held at The Boardroom of the Company, No. 2 Jalan Apollo U5/190, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan on **Thursday, 19 September 2019** at **10.00 a.m.** for the following purposes :

AGENDA

As Ordinary Business

1 To consider the Audited Financial Statements of the Company and the Group for the financial year ended 31 March 2019 together with the Reports of the Directors and Auditors thereon.
Refer to Explanatory Note A

2 To re-elect Dato' Kamarulzaman bin Jamil, who retire pursuant to Article 105 of the Memorandum and Articles of Association of the Company and being eligible, offer himself for re-election. **Ordinary Resolution 1**
Refer to Explanatory Note B

3 To re-elect the following Directors who retire pursuant to Article 112 of the Memorandum and Articles of Association of the Company and being eligible, offer themselves for re-election :
a) Dato' Hj Mohamad Haslah bin Mohamad Amin **Ordinary Resolution 2**
b) Dato' Tan Gee Swan @ Tan Suan Ching **Ordinary Resolution 3**
c) Dato' Lee Tian Hock **Ordinary Resolution 4**
d) Puan Czarina Alia binti Abdul Razak **Ordinary Resolution 5**
e) Tn Hj Mohamad Nor bin Hj Abas **Ordinary Resolution 6**
f) Encik Shahrizam bin A Shukor **Ordinary Resolution 7**
Refer to Explanatory Note C

4 To approve the payment of Directors' fees and benefits for an aggregate amount up to RM260,000 from the conclusion of this meeting up till the conclusion of the next Annual General Meeting of the Company. **Ordinary Resolution 8**
Refer to Explanatory Note D

5 To re-appoint Baker Tilly Monteiro Heng PLT as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Ordinary Resolution 9**
Refer to Explanatory Note E

As Special Business

6 To consider and if thought fit, to pass the following resolution as Ordinary Resolution :

Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 **Ordinary Resolution 10**

"**THAT**, subject to the Companies Act 2016, the Company's Constitution and approval from Bursa Malaysia Securities Berhad and other Governmental or regulatory bodies, full authority be and is hereby given to the Board of Directors pursuant to Sections 75 and 76 of the Companies Act 2016 to allot and issue shares in the Company at any time upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."
Refer to Explanatory Note F

7 To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016 and the Memorandum and Articles of Association of the Company.

By Order of the Board

HANI SYAMIRA ABDUL HAMID
LS0009872
Group Company Secretary

Shah Alam, Malaysia
26 July 2019

NOTICE OF TWENTY-SECOND
ANNUAL GENERAL MEETING (cont'd)

Explanatory Notes

A Audited Financial Statements for the Financial Year Ended 31 March 2019
This agenda item is meant for discussion only as under the provisions of section 266(1)(a), section 340(1)(a) of the Companies Act 2016 (CA2016) and the Memorandum & Articles of Association of the Company, the audited financial statements do not require formal approval of shareholders, and hence, the matter will not be put forward for voting.

B Ordinary Resolution 1
Re-election of Director Pursuant to Article 105 of the Memorandum and Articles of Association (M&A)
Article 105 of the M&A expressly stated that at every AGM, at least one-third (1/3) of the Directors for the time being shall retire from office. In addition, Article 105 of the M&A stated that all Directors shall retire from office once at least in each three (3) years. A retiring Director shall be eligible for re-election. Dato' Kamarulzaman bin Jamil being eligible, has offered himself for re-election at the 22nd AGM pursuant to Article 105 of the M&A. The Board is satisfied that in consideration of the wealth of expertise and experience which the retiring Director possesses, he will continue to bring sound judgement and valuable contribution to the board deliberations through active participation in discussions and decision making by the Board. The Nomination Committee (NC) and the Board were also satisfied that the retiring Independent Non-Executive Director has maintained his independence in the financial period under review. The Board has recommended for Dato' Kamarulzaman bin Jamil to be re-elected at the 22nd AGM.

C Ordinary Resolution 2 to 7
Re-election of Directors Pursuant to Article 112 of the M&A
Article 112 of the M&A provided that any Directors who are appointed during the (financial) year shall hold office only until the next AGM and shall then be eligible for re-election. The Board is satisfied that in consideration of the wealth of expertise and experience which the retiring Directors possess, they will continue to bring sound judgement and valuable contribution to the board deliberations through active participation in discussions and decision making by the Board. The Nomination Committee (NC) and the Board were also satisfied that the retiring Independent Non-Executive Directors have maintained their independence in the financial period under review. All Directors standing for re-elections have abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant NC and Board meetings and will continue to abstain from deliberations and decisions on their own eligibilities to stand for re-elections at this AGM.

D Payment of Directors' Fees & Benefits
Pursuant to Section 230(1) of the Companies Act 2016, fees and benefits payable to the Directors of the Company will have to be approved by the shareholders at a general meeting. The Company is requesting shareholders' approval for the payment of Directors' fees and benefits for the period commencing from 19 September 2019 up till the next Annual General Meeting of the Company. The Remuneration comprises fees and other benefits-in-kind payable to the Directors. If passed, it will allow the Company to make payment of the Remuneration to Directors on a monthly basis up till the next Annual General Meeting of the Company.

E Re-appointment of Auditors
The AC was satisfied with the suitability of BTMH based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Merge Energy Group. The AC was also satisfied in its review that the provisions of non-audit services by BTMH during the period under review did not impair BTMH's objectivity and independence.

The Board had approved the AC's recommendation for the shareholders' approval to be sought at the 22nd AGM on the re-appointment of BTMH as external auditors of the Company for the financial year ending 31 March 2020. The present external auditors, BTMH, have indicated their willingness to continue their services for the next financial year.

NOTICE OF TWENTY-SECOND
ANNUAL GENERAL MEETING (cont'd)

F Authority to Issue Shares pursuant to section 75 and 76 CA2016

The existing general mandate for the authority to issue shares was approved by the shareholders of the Company at the 21st Annual General Meeting held on 6 September 2018. The Company did not issue any new shares pursuant to the general mandate obtained at the 21st Annual General Meeting. The proposed Ordinary Resolution 10 is to renew the authority granted by the shareholders of the Company at the 21st Annual General Meeting.

The proposed mandate, if passed, will give the Directors, authority to issue shares of not more than 10% of the total number of issued shares for such purposes as the Directors consider would be in the best interests of the Company.

The general mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares in the Company for any fund raising activities, including but not limited to the placing of shares, for working capital, funding future investments and/or funding of strategic development of the Group.

The renewal of the general mandate is sought to avoid any delay arising from and cost in convening a general meeting to obtain approval of the shareholders for such issuance of shares, up to an amount not exceeding in total ten percent (10%) of the total number of issued shares of the Company, as the Directors consider appropriate in the best interest of the Company. The authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

Notes on Proxy

1 A Member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to exercise all or any of his rights to attend, participate, speak and vote at the Meeting on his/her behalf. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy may, but need not, be a Member of the Company.

2 A member may appoint any person to be his/her proxy without any restriction as to the qualification of such person.

3 Where a Member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 (SICDA), he/she may appoint not more than two (2) proxies in respect of each Securities Account he/she holds with ordinary shares of the Company standing to the credit of the said Securities Account to attend and vote at a meeting of the Company instead of him/her.

4 Where a Member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account (Omnibus Account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds PROVIDED THAT each beneficial owner of ordinary shares, or where the ordinary shares are held on behalf of joint beneficial owners, such joint beneficial owners, shall only be entitled to instruct the Exempt Authorised Nominee to appoint not more than two (2) proxies to attend and vote at a general meeting of the Company instead of the beneficial owner or joint beneficial owners.

5 The instrument appointing a proxy shall be in writing signed by the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of two (2) authorised officers, one of whom shall be a Director, or of its attorney duly authorised. Any alteration to the instrument appointing a proxy must be initialled.

6 The Proxy Form and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the registered office of the Company at No. 2 Jalan Apollo U5/190, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan than forty-eight (48) hours before the time appointed for holding this AGM or any adjournment thereof.

7 Only members whose names appear in the Record of Depositors as at 12 September 2019 shall be entitled to attend, speak and vote at this Meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.

8 Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the AGM of the Company shall be put to vote by way of a poll.

STATEMENT ACCOMPANYING

THE NOTICE OF ANNUAL GENERAL MEETING
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Details of Directors who are standing for re-election
The details of the Directors' interest in the securities of the Company as at 8 July 2019 are stated in the Analysis of Shareholdings section in the Company's Annual Report.

Personal Data Protection Measures
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company: (i) consents to the processing of the member's personal data by the Company (or its agents): (a) for processing and administration of proxies and representatives appointed for the AGM; (b) for preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (which includes any adjournments thereto); and (c) for the Company's (or its agents') compliance with any applicable laws, listing rules, regulations, codes and/or guidelines (collectively, the "Purposes"), (ii) undertakes and warrants that he or she has obtained such proxy(ies)' and/or representative(s)' prior consent for the Company's (or its agents') processing of such proxy(ies)' and/or representative(s)' personal data for the Purposes, and (iii) agrees that the member will fully indemnify the Company for any penalties, liabilities, legal suits, claims, demands, losses and damages as a result of the member's failure to provide accurate and correct information of the personal data or breach of the member's undertaking and/ or warranty as set out herein.

NOTE : the term "processing" and "personal data" shall have the same meaning as defined in the Personal Data Protection Act 2010.

Annual Report 2019 & Corporate Governance Report
The Annual Report 2019 and Corporate Governance Report may be downloaded at this link http://www.merge-energy.com.my

This page intentionally left blank

PROXY FORM

MERGE ENERGY BHD (420099-X)
(Incorporated in Malaysia)

CDS Account No.	
No of shares held	

I/we (full name in block capitals) ....
Nric no./Company no ....
Of (full address) ....
being a *member/members of **MERGE ENERGY BHD**, Hereby appoint (full name in block capitals)..
.... NRIC No. ....
of (full address) ....
and/or failing him/her... NRIC No. ....
of (full address) ....
and/or failing him/her, the chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Twenty-Second Annual General Meeting of the Company to be held at The Boardroom, No. 2 Jalan Apollo U5/190, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan on thursday, 19 September 2019 at 10.00 A.M., and at any adjournment thereof.

	Resolutions	For	Against
1	Re-election of Dato' Kamarulzaman bin Jamil as Director.		
2	Re-election of Dato' Hj Mohamad Haslah bin Mohamad Amin as Director.		
3	Re-election of Dato' Tan Gee Swan @ Tan Suan Ching as Director.		
4	Re-election of Dato' Lee Tian Hock as Director.		
5	Re-election of Puan Czarina Alia binti Abdul Razak as Director.		
6	Re-election of Tn Hj Mohamad Nor bin Hj Abas as Director.		
7	Re-election of Encik Shahrizam bin A Shukor as Director.		
8	Approval for payment of Directors' fees and benefits.		
9	Re-appointment of Baker Tilly Monteiro Heng PLT as Auditors of the Company		
10	Authority under Section 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares		

[Please indicate with an "x", in the space provided whether you wish your vote to be casted for or against the resolution. Unless otherwise instructed, the proxy may vote as he or she shall think fit in respect of the resolution.]

**Delete if not applicable.*

Signed this …….. Day of …………………. 2019

……………………………………………………
Signature/seal of shareholder

Notes:

1 *A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the company.*

2. *Where a member of the company is an authorised nominee as defined under the securities industry (central depositories) act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.*

3. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation, either under its common seal or the hand of a duly authorised officer or attorney of the corporation.*

4. *The instrument appointing a proxy must be deposited at the registered office of the company at no. 2 Jalan apollo u5/190, bandar pinggiran subang, seksyen u5, 40150 shah alam, selangor darul ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

5. *For purpose of determining members' eligibility to attend the meeting, only members whose names appear in the record of depositors as at 12 september 2019 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on his behalf.*

Fold this flap sealing

AFFIX
STAMP

The Company Secretary
MERGE ENERGY BHD (420099-X)
No. 2 Jalan Apollo U5/190
Bandar Pinggiran Subang
Seksyen U5
40150 Shah Alam
Selangor Darul Ehsan

1st fold here

2nd fold here

www.merge-energy.com.my

MERGE ENERGY BHD (420099-X)

No. 2 Jalan Apollo U5/190, Bandar Pinggiran Subang,
Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan.
Tel : +603 - 7847 2900
Fax : +603 - 7845 3900 / 7845 5800
Email : meb@merge-energy.com.my