

Notes to the Interim Financial Report

A1 Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with applicable approved Malaysian Financial Reporting Standards ("MFRS") No. 134 "Interim Financial Reporting" and Chapter 9 Part K paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Securities Exchange").

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 January 2014. There was no qualification in the audited financial statements for the year ended 31 January 2014.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the year ended 31 January 2014. The transition from previous FRSs to the new MFRSs had no impact on the Group financial position, financial performance, cash flow and the notes to the financial statement.

A2 Seasonal or cyclical factors

The business operations of the Group were not affected by any significant seasonal or cyclical factors.

A3 Items affecting assets, liabilities, equity, net income or cash flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the current financial quarter.

A4 Change in estimates

There were no significant changes in the estimates of amounts reported in the interim periods of prior financial years that have a material effect in the current financial quarter.

A5 Debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy-back, share cancellations, share held as treasury shares and resale of treasury shares for the current financial year to-date.

A6 Dividend paid

No dividends were paid for the current quarter under review.

A7 Segment Revenue and Segment Result by Business Segments

Segment information is presented in respect of the Group's business segment. All inter-segment transactions have been entered into in the normal course of business and have been established under terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. The effects of the inter-segment transactions are eliminated on consolidation.

Business Segments	Investment Holding RM'000	Construction RM'000	Property Investment RM'000	Trading RM'000	Oil & Gas RM'000	Others RM'000	Elimination RM'000	Group RM'000
3 months ended 31 Oct 2014								
Revenue								
External sales	-	17,075	7	562	1,275	-	-	18,919
Inter-segment sales	-	-	42			-	(42)	-
	<u>-</u>	<u>17,075</u>	<u>49</u>	<u>562</u>	<u>1,275</u>	<u>-</u>	<u>(42)</u>	<u>18,919</u>
Segment Profit / (Loss)	(182)	(552)	(8)	188	(28)	(5)	2	(585)
Share of results of Associate	-	(7)	-	-	-	-		(7)
Profit / (Loss) before tax	<u>(182)</u>	<u>(559)</u>	<u>(8)</u>	<u>188</u>	<u>(28)</u>	<u>(5)</u>	<u>2</u>	<u>(592)</u>
Taxation	-	(169)	(1)	(16)	22	-	-	(164)
Profit / (Loss) after taxation	<u><u>(182)</u></u>	<u><u>(728)</u></u>	<u><u>(9)</u></u>	<u><u>172</u></u>	<u><u>(6)</u></u>	<u><u>(5)</u></u>	<u><u>2</u></u>	<u><u>(756)</u></u>

A7 Segment Revenue and Segment Result by Business Segments (cont'd)

Business Segments	Investment Holding RM'000	Construction RM'000	Property Investment RM'000	Trading RM'000	Oil & Gas RM'000	Others RM'000	Elimination RM'000	Group RM'000
3 months ended 31 Oct 2013								
Revenue								
External sales	-	24,784	7	133	2,572	-	-	27,496
Inter-segment sales	-	-	42			-	(42)	-
		<u>24,784</u>	<u>49</u>	<u>133</u>	<u>2,572</u>		<u>(42)</u>	<u>27,496</u>
Segment Profit / (Loss)	(285)	1,267	(16)	(77)	638	4,240	(4,741)	1,026
Share of results of Associate	-	(4)	-	-	-	-	-	(4)
Profit / (Loss) before tax	<u>(285)</u>	<u>1,263</u>	<u>(16)</u>	<u>(77)</u>	<u>638</u>	<u>4,240</u>	<u>(4,741)</u>	<u>1,022</u>
Taxation	-	(130)	(7)	(16)	(57)	-	-	(210)
Profit / (Loss) after taxation	<u><u>(285)</u></u>	<u><u>1,133</u></u>	<u><u>(23)</u></u>	<u><u>(93)</u></u>	<u><u>581</u></u>	<u><u>4,240</u></u>	<u><u>(4,741)</u></u>	<u><u>812</u></u>

A7 Segment Revenue and Segment Result by Business Segments (cont'd)

Business Segments	Investment RM'000	Construction RM'000	Property Investment RM'000	Trading RM'000	Oil & Gas RM'000	Others RM'000	Elimination RM'000	Group RM'000
9 months ended 31 Oct 2014								
Revenue								
External sales	-	64,350	22	1,704	6,347	-		72,423
Inter-segment sales	-	-	126	7	11	-	(144)	-
	<u>-</u>	<u>64,350</u>	<u>148</u>	<u>1,711</u>	<u>6,358</u>	<u>-</u>	<u>(144)</u>	<u>72,423</u>
Segment Profit / (Loss)	(585)	307	(14)	135	159	(7)	6	1
Share of results of Associate	-	(39)	-	-	-	-		(39)
Profit / (Loss) before tax	<u>(585)</u>	<u>268</u>	<u>(14)</u>	<u>135</u>	<u>159</u>	<u>(7)</u>	<u>6</u>	<u>(38)</u>
Taxation	-	(310)	(8)	(48)	(18)	-	-	(384)
Profit / (Loss) after taxation	<u><u>(585)</u></u>	<u><u>(42)</u></u>	<u><u>(22)</u></u>	<u><u>87</u></u>	<u><u>141</u></u>	<u><u>(7)</u></u>	<u><u>6</u></u>	<u><u>(422)</u></u>

A7 Segment Revenue and Segment Result by Business Segments (cont'd)

Business Segments	Investment Holding RM'000	Construction RM'000	Property Investment RM'000	Trading RM'000	Oil & Gas RM'000	Others RM'000	Elimination RM'000	Group RM'000
9 months ended 31 Oct 2013								
Revenue								
External sales	-	66,453	27	1,282	6,355	-	-	74,117
Inter-segment sales	-	765	126	2	-	-	(893)	-
	<u>-</u>	<u>67,218</u>	<u>153</u>	<u>1,284</u>	<u>6,355</u>	<u>-</u>	<u>(893)</u>	<u>74,117</u>
Segment Profit / (Loss)	(678)	2,953	(20)	(296)	469	4,238	(4,736)	1,930
Share of results of Associate	-	(7)	-	-	-	-	-	(7)
Profit / (Loss) before tax	<u>(678)</u>	<u>2,946</u>	<u>(20)</u>	<u>(296)</u>	<u>469</u>	<u>4,238</u>	<u>(4,736)</u>	<u>1,923</u>
Taxation	-	(138)	(17)	(64)	(37)	-	-	(256)
Profit / (Loss) after taxation	<u><u>(678)</u></u>	<u><u>2,808</u></u>	<u><u>(37)</u></u>	<u><u>(360)</u></u>	<u><u>432</u></u>	<u><u>4,238</u></u>	<u><u>(4,736)</u></u>	<u><u>1,667</u></u>

A8 Valuation of property, plant and equipment

The valuation of property, plant and equipment has been brought forward without amendment from the previous annual financial statements for the year ended 31 January 2014.

A9 Material subsequent events

There were no other material events subsequent to the end of the quarter under review, which are likely to affect the result of the Group's operation substantially.

A10 Changes in composition of the Group

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

A11 Contingent liabilities or contingent assets

The Company has given corporate guarantees amounting to RM50.71 million (31/01/2014 : RM36.91 million) to licensed banks for banking and suppliers credit facilities granted to a subsidiary company. Consequently, the Company is contingently liable for the amount of banking facilities utilized by a subsidiary company amounting to RM13.23 million (31/01/2014 : RM15.98 million)

Additional information required by Bursa Malaysia Listing Requirements

B1 Review of performance

For the nine months ended 31 October 2014, the Group recorded revenue of RM72.42 million and losses before taxation of RM38,000 compared to revenue of RM74.12 million and profit before taxation of RM1.92 million for the preceding year nine months ended 31 October 2013. The losses were mainly due to lower progress billing as the major contracts has reached completion and has been fully recognized as compared for the same period in the preceding year.

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

For the current quarter under review, the Group recorded revenue of RM18.92 million and losses before taxation of RM592,000 as compared to a revenue of RM36.08 million and profit before taxation of RM144,000 million in the preceding quarter ended 31 July 2014. The losses were mainly due to lower progress billing in current quarter.

B3 Prospects

The Group will continue its effort in improving the efficiency and maintain its competitiveness in the market despite the competition within the water works, oil and gas industries. The Group is currently exploring into property development to enhance the Group's performance.

Barring unforeseen circumstances, the Board of Director expect the Group will operate in a challenging economic and business environment due to the slow economic growth.

B4 Profit forecast

Not applicable as no profit forecast was published.

B5 Taxation

	Current Quarter 31 Oct 2014 RM'000	Current Year To-Date 31 Oct 2014 RM'000
Income Tax		
- Current Year	38	258
- Tax Under Provision in Prior Year	126	126
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	164	384
	=====	=====

Provision for tax was made in the current quarter on business and non business income derived mainly from operating income, rental, interest on repo and fixed deposit.

B6 Unquoted investments and properties

There was no sale of unquoted investments or properties for the current quarter and financial year to date.

B7 Purchase or disposal of quoted investments

There was no purchase or disposal of quoted investments for the current quarter.

B8 Borrowing

The Group borrowings as at 31 October 2014 are as follows: -

	31 Oct 2014 RM'000	31 Oct 2013 RM'000
<u>Short term borrowing</u>		
- Hire purchase creditor	317	275
- Letter of Credit / Trust Receipt	-	-
- Bank Overdraft	-	-
- Term Loan	21	266
<u>Long term borrowing</u>		
- Hire purchase creditor	408	456
- Term Loan	476	-
Total	1,222	997

B9 Material litigation

There is no litigation for the financial year as at 31 October 2014.

B10 Dividend

No dividends were proposed or declared for the current quarter and financial year to date. (2014: Nil).

B11 Earnings per share

The basic earnings per share for the financial year has been calculated based on the consolidated loss after taxation attributable to the owner of the parent of RM754,000 and on the number of ordinary shares in issue of 67,000,000.

B12 Realised and Unrealised Profit / Loss Disclosures

The following analysis is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the context of disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad

	As at 31 Oct 2014 RM'000	As at 31 Jan 2014 RM'000 (Audited)
Total retained profits / (accumulated losses) of Merge Energy Bhd and its subsidiaries :		
- Realised	(44,245)	(43,857)
- Unrealised	4,686	4,686
	(39,559)	(39,171)
Total share of retained profits / (accumulated losses) of the associate :		
- Realised	(241)	(202)
- Unrealised	-	-
	(39,800)	(39,373)
Add : Consolidation adjustments	20,423	20,474
Total group retained profits / (accumulated losses) as per consolidated accounts	(19,377)	(18,899)

By Order of the Board
Yew @ Yeoh Siew Yen
MAICSA 7048094
Company Secretary
Shah Alam
18 December 2014