

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 Jan 2015								
Revenue								
External sales	-	18,177	9	327	1,570	-	-	20,083
Inter-segment sales	-	-	42			-	(42)	-
	<u>-</u>	<u>18,177</u>	<u>51</u>	<u>327</u>	<u>1,570</u>	<u>-</u>	<u>(42)</u>	<u>20,083</u>
Segment Profit / (Loss)	(164)	3,011	3,439	(173)	564	(1)	(3,252)	3,424
Share of results of Associate	-	(19)	-	-	-	-		(19)
Profit / (Loss) before tax	<u>(164)</u>	<u>2,992</u>	<u>3,439</u>	<u>(173)</u>	<u>564</u>	<u>(1)</u>	<u>(3,252)</u>	<u>3,405</u>
Taxation	-	(353)	(2)	48	(20)	-	-	(327)
Deferred Taxation	-	(124)	(172)	(13)	-	-	163	(146)
Profit / (Loss) after taxation	<u>(164)</u>	<u>2,515</u>	<u>3,265</u>	<u>(138)</u>	<u>544</u>	<u>(1)</u>	<u>(3,089)</u>	<u>2,932</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 Jan 2014								
Revenue								
External sales	-	47,581	7	67	282	-	-	47,937
Inter-segment sales	-	-	42			-	(42)	-
		<u>47,581</u>	<u>49</u>	<u>67</u>	<u>282</u>		<u>(42)</u>	<u>47,937</u>
Segment Profit / (Loss)	(211)	3,186	3,098	(152)	(95)	(1)	(2,044)	3,781
Share of results of Associate	-	(43)	-	-	-	-	-	(43)
Profit / (Loss) before tax	<u>(211)</u>	<u>3,143</u>	<u>3,098</u>	<u>(152)</u>	<u>(95)</u>	<u>(1)</u>	<u>(2,044)</u>	<u>3,738</u>
Taxation	-	(1,285)	7	65	(71)	-	-	(1,284)
Deferred Taxation	-	(40)	(154)	38	-	-	102	(54)
Zakat	-	(149)	-	(19)	-	-	-	(168)
Profit / (Loss) after taxation	<u><u>(211)</u></u>	<u><u>1,669</u></u>	<u><u>2,951</u></u>	<u><u>(68)</u></u>	<u><u>(166)</u></u>	<u><u>(1)</u></u>	<u><u>(1,942)</u></u>	<u><u>2,232</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
12 months ended 31 Jan 2015								
Revenue								
External sales	-	82,527	31	2,031	7,917	-	-	92,506
Inter-segment sales	-	-	168	7	11	-	(186)	-
	<u>-</u>	<u>82,527</u>	<u>199</u>	<u>2,038</u>	<u>7,928</u>	<u>-</u>	<u>(186)</u>	<u>92,506</u>
Segment Profit / (Loss)	(749)	3,318	3,425	(64)	749	(8)	(3,246)	3,425
Share of results of Associate	-	(58)	-	-	-	-	-	(58)
Profit / (Loss) before tax	<u>(749)</u>	<u>3,260</u>	<u>3,425</u>	<u>(64)</u>	<u>749</u>	<u>(8)</u>	<u>(3,246)</u>	<u>3,367</u>
Taxation	-	(663)	(9)	-	(39)	-	-	(711)
Deferred Taxation	-	(124)	(172)	-	(13)	-	163	(146)
Profit / (Loss) after taxation	<u>(749)</u>	<u>2,473</u>	<u>3,244</u>	<u>(64)</u>	<u>697</u>	<u>(8)</u>	<u>(3,083)</u>	<u>2,510</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
12 months ended 31 Jan 2014								
Revenue								
External sales	-	114,034	34	1,349	6,637	-	-	122,054
Inter-segment sales	-	765	168	2	-	-	(935)	-
	<u>-</u>	<u>114,799</u>	<u>202</u>	<u>1,351</u>	<u>6,637</u>	<u>-</u>	<u>(935)</u>	<u>122,054</u>
Segment Profit / (Loss)	(889)	6,142	3,078	(450)	373	4,237	(6,781)	5,710
Share of results of Associate	-	(50)	-	-	-	-	-	(50)
Profit / (Loss) before tax	<u>(889)</u>	<u>6,092</u>	<u>3,078</u>	<u>(450)</u>	<u>373</u>	<u>4,237</u>	<u>(6,781)</u>	<u>5,660</u>
Taxation	-	(1,423)	(10)	1	(108)	-	-	(1,540)
Deferred Taxation	-	(40)	(154)	38	-	-	102	(54)
Zakat	-	(149)	-	(19)	-	-	-	(168)
Profit / (Loss) after taxation	<u><u>(889)</u></u>	<u><u>4,480</u></u>	<u><u>2,914</u></u>	<u><u>(430)</u></u>	<u><u>265</u></u>	<u><u>4,237</u></u>	<u><u>(6,679)</u></u>	<u><u>3,898</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

On 10 February 2015, Merge Energy Bhd ("the Company") announced that it has entered into a Share Purchase Agreement with Semarak Niaga Lanskap Sdn Bhd ("Semarak") for the acquisition of one hundred per cent (100%) equity interest (1,000,000 ordinary shares of RM1.00 each) in Semarak for a cash consideration of not exceeding Ringgit Malaysia Six Million (RM6,000,000) only.

The principal activities of Semarak are provision of nursery and landscaping, garden design, maintenance and beautification.

Semarak has a wholly-owned subsidiary, Yakin Rantau Sdn Bhd ("Yakin") which was acquired on 29 April 2014. Yakin has an authorized share capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 100,000 ordinary shares of RM1.00 each have been issued and fully paid up.

Yakin is principally engaged in housekeeping, cleaning and building management services.

The Proposed Acquisition is expected to create synergistic and diversification opportunities for the Group by providing the Company access to Semarak and Yakin's expertise in landscaping and integrated facilities management contract works which will enhance and contribute to the Group property development sector. The Proposed Acquisition is also in line with the Group's continuous effort to expand and diversify its business operation.

The Board of Director envisages that the acquisition will contribute positively to the future earnings and growth of the Group.

The Proposed Acquisition has been completed on 27 February 2015 and this was announced on 4 March 2015.

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 RM20.61 million (31/01/2014 : RM15.98 million)

Additional information required by Bursa Malaysia Listing Requirements

B1 Review of performance

For the twelve months ended 31 January 2015, the Group recorded revenue of RM92.51 million and profit before taxation of RM3.37 million compared to revenue of RM122.05 million and profit before taxation of RM5.66 million in the preceding year twelve months ended 31 January 2014. The lower progress billing and profit were mainly due to major contracts in hand had reached completion and have been fully recognized.

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

For the current quarter under review, the Group recorded revenue of RM20.08 million and profit before taxation of RM3.41 million as compared to a revenue of RM18.92 million and losses before taxation of RM592,000 million in the preceding quarter ended 31 October 2014. The profit increase were mainly due to gain on fair value adjustment on investment properties of RM2.93 million and progress billing in current quarter.

B3 Prospects

The Group construction activities is showing a slowdown in billings and projected to decline further in next 2 quarters due to most of the major project in hand are completed and / or nearing completion.

Although the Group earnings forecasted to be somewhat lower than in FYE 2015, the Board of Director believe with all the continuous efforts to bid for jobs couple with the recent acquisition of Semarak and its subsidiary, the business long-term outlook for the Group is considerably promising.

B4 Profit forecast

Not applicable as no profit forecast was published.

B5 Taxation

	Current Quarter 31 Jan 2015 RM'000	Current Year To-Date 31 Jan 2015 RM'000
Income Tax		
- Current Year	327	585
- Tax Under Provision in Prior Year	-	126
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	327	711
	=====	=====

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 January 2015 are as follows: -

	31 Jan 2015 RM'000	31 Jan 2014 RM'000
<u>Short term borrowing</u>		
- Hire purchase creditor	330	383
- Letter of Credit / Trust Receipt	-	-
- Bank Overdraft	110	-
- Term Loan	21	492
<u>Long term borrowing</u>		
- Hire purchase creditor	803	258
- Term Loan	474	13
Total	1,738	1,146

B9 Material litigation

There is no litigation for the financial year as at 31 January 2015.

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 profit after taxation attributable to the owner of the parent of RM2.24 million 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 Jan 2015 RM'000	As at 31 Jan 2014 RM'000 (Audited)
Total retained profits / (accumulated losses) of Merge Energy Bhd and its subsidiaries :		
- Realised	(40,989)	(43,857)
- Unrealised	7,470	4,686
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	(33,519)	(39,171)
Total share of retained profits / (accumulated losses) of the associate :		
- Realised	(260)	(202)
- Unrealised	-	-
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	(33,779)	(39,373)
Add : Consolidation adjustments	17,121	20,474
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Total group retained profits / (accumulated losses) as per consolidated accounts	(16,658) =====	(18,899) =====

By Order of the Board
Yew @ Yeoh Siew Yen
MAICSA 7048094
Company Secretary
Shah Alam
24 March 2015