

**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 2015. There was no qualification in the audited financial statements for the year ended 31 January 2015.

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 period.

**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	Maintenance, Facility Management and Services RM'000	Oil & Gas RM'000	Others RM'000	Elimination RM'000	Group RM'000
<b>2 months ended 31 March 2016</b>								
<b>Revenue</b>								
Dividend Income	-	-	-	-	-	-	-	-
External sales	-	20,455	9	1,780	1,071	-	-	23,315
Inter-segment sales	-	-	37	26	-	-	(63)	-
	<u>-</u>	<u>20,455</u>	<u>46</u>	<u>1,806</u>	<u>1,071</u>	<u>-</u>	<u>(63)</u>	<u>23,315</u>
Segment Profit / (Loss)	(890)	(360)	(11)	(101)	(263)	-	613	(1,012)
Share of results of Associate	-	168	-	-	-	-	-	168
Profit / (Loss) before tax	<u>(890)</u>	<u>(192)</u>	<u>(11)</u>	<u>(101)</u>	<u>(263)</u>	<u>-</u>	<u>613</u>	<u>(844)</u>
Taxation	-	(486)	(3)	4	(312)	-	-	(797)
Deferred Taxation	-	-	-	-	13	-	-	13
Zakat	-	(75)	-	(13)	(75)	-	-	(163)
<b>Profit / (Loss) after taxation</b>	<u><u>(890)</u></u>	<u><u>(753)</u></u>	<u><u>(14)</u></u>	<u><u>(110)</u></u>	<u><u>(637)</u></u>	<u><u>-</u></u>	<u><u>613</u></u>	<u><u>(1,791)</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	Maintenance, Facility Management and Services RM'000	Oil & Gas RM'000	Others RM'000	Elimination RM'000	Group RM'000
<b>14 months ended 31 March 2016</b>								
<b>Revenue</b>								
Dividend Income	900	-	-	-	-	-	(900)	-
External sales	-	91,557	63	14,235	12,393	-	-	118,248
Inter-segment sales	-	-	259	41	-	-	(300)	-
	<u>900</u>	<u>91,557</u>	<u>322</u>	<u>14,276</u>	<u>12,393</u>	<u>-</u>	<u>(1,200)</u>	<u>118,248</u>
Segment Profit / (Loss)	(1,696)	2,080	21	690	2,432	(9)	621	4,139
Share of results of Associate	-	49	-	-	-	-	-	49
Profit / (Loss) before tax	<u>(1,696)</u>	<u>2,129</u>	<u>21</u>	<u>690</u>	<u>2,432</u>	<u>(9)</u>	<u>621</u>	<u>4,188</u>
Taxation	-	(851)	(20)	(359)	(888)	-	-	(2,118)
Deferred Taxation	-	-	-	-	13	-	-	13
Zakat	-	(75)	(13)	-	(75)	-	-	(163)
<b>Profit / (Loss) after taxation</b>	<u>(1,696)</u>	<u>1,203</u>	<u>(12)</u>	<u>331</u>	<u>1,482</u>	<u>(9)</u>	<u>621</u>	<u>1,920</u>

**A8 Valuation of property, plant and equipment and investment properties**

The valuation of property, plant and equipment has been brought forward without amendment from the previous annual financial statements for the year ended 31 January 2015.

**A9 Material subsequent events**

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

**A10 Changes in composition of the Group**

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

**A11 Contingent liabilities or contingent assets**

The Company has given corporate guarantees amounting to RM61.21 million (31/01/2015 : RM50.71 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 RM28.99 million (31/01/2015 : RM20.61 million)

## **Additional information required by Bursa Malaysia Listing Requirements**

### **B1 Review of performance**

For the fourteen months period ended 31 March 2016, the Group recorded revenue of RM118.25 million and profit before taxation of RM4.19 million.

There are no comparative figures for comparison with the preceding year's fourteen month results ended 31 March 2015 due to change in financial year end.

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

For the current year 2 months period under review, the Group recorded revenue of RM23.32 million and loss before taxation of RM844,000.

There are no comparative figures for comparison with the preceding quarter's results ended 31 January 2016 due to change in financial year end.

### **B3 Prospects**

The continued uncertainty in the global and slower economic growing rate in Malaysia has inevitably affected the Group's performance. There is fewer projects offer for tender internally and externally and these will increase the intense competition. The Group performance is expected to be underpinned by lower profit margin.

The Group operation will continue to face challenges, with inflation and volatility of foreign exchange rates globally. Nonetheless the Group is actively participate and putting full effort to tender for new projects to sustain its business.

### **B4 Profit forecast**

Not applicable as no profit forecast was published.

### **B5 Notes to Consolidated Statement of Comprehensive Income**

	Current Year 2 Months Ended 31 Mar 2016 RM'000	Current Year 14 Months Ended 31 Mar 2016 RM'000
Interest Income	279	331
Interest Expenses	(41)	(280)
Depreciation of Property, Plant and Equipment	(191)	(1,346)
Impairment of Receivable	(335)	(335)
Write off Receivable	(13)	(111)
Impairment of Goodwill	(154)	(154)
Foreign Exchange Gain / (Loss)	304	338

**B6 Taxation**

	Current Year 2 Months Ended 31 Mar 2016 RM'000	Current Year 14 Months Ended 31 Mar 2016 RM'000
Income Tax		
- Current Year	797	1,812
- Tax Under Provision in Prior Year	-	306
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	797	2,118
	=====	=====

Provision for tax was made in the current 2 months period on business and non business income derived mainly from operating income, rental, interest on repo and fixed deposit.

**B7 Unquoted investments and properties**

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

**B8 Purchase or disposal of quoted investments**

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

**B9 Borrowing**

The Group borrowings as at 31 March 2016 are as follows: -

	31 Mar 2016 RM'000
<u>Short term borrowing</u>	
- Hire purchase creditor	408
- Letter of Credit / Trust Receipt	616
- Bank Overdraft	7,304
- Term Loan	12
<u>Long term borrowing</u>	
- Hire purchase creditor	1,159
- Term Loan	469
<b>Total</b>	<b>9,968</b>

**B10 Material litigation**

There is no litigation for the financial year as at 31 March 2016.

**B11 Dividend**

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

**B12 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 RM1.33 million and on the number of ordinary shares issue of 67,000,000.

**B13 Change of financial year end**

On 15 September 2015, the Board approved the change in financial year end from 31 January to 31 March. The current financial statement commences for a period of 14 months, from 1 February 2015 to 31 March 2016.

**B14 Comparative Figure**

There were no comparative figures for the period ended 31 March 2016 following the Group's change in financial year end from 31 January to 31 March.

## B15 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 Mar 2016 RM'000	As at 31 Jan 2015 RM'000 (Audited)
Total retained profits / (accumulated losses) of Merge Energy Bhd and its subsidiaries :		
- Realised	(67,469)	(72,270)
- Unrealised	7,774	7,470
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	(59,695)	(64,800)
Total share of retained profits / (accumulated losses) of the associate :		
- Realised	(211)	(260)
- Unrealised	-	-
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	(59,906)	(65,060)
Add : Consolidation adjustments	44,506	48,333
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Total group retained profits / (accumulated losses) as per consolidated accounts	(15,400) =====	(16,727) =====

By Order of the Board  
Yew @ Yeoh Siew Yen  
MAICSA 7048094  
Company Secretary  
Shah Alam  
26 May 2016