

MELATI EHSAN HOLDINGS BERHAD (673293-X)
(Incorporated in Malaysia)

A. EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The unaudited interim financial report has been prepared in compliance with Financial Reporting Standard (FRS) 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2011.

The accounting policies and methods of computation adopted in this interim financial report are consistent with those adopted in the annual audited financial statements for the financial year ended 31 August 2011 except for the adoption of new FRSs, amendments to FRSs and IC interpretations (IC) which are relevant to its operations and effective for the financial period beginning on or after 1 September 2011. The adoption of these FRSs do not have significant impact on the results and the financial position of the Group.

A2. Audit report of preceding annual financial statements

There were no audit qualification on the financial statements of the Company and its subsidiaries for the financial year ended 31 August 2011.

A3. Seasonal or cyclical factors

The Group's business operations were not materially affected by any major seasonal or cyclical factors.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter under review.

A5. Material changes in estimates

There was no material changes in estimates used for preparation of the interim financial report.

A6. Issuance or repayment of debts and equity securities

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities for the current quarter under review except as disclosed below:

During the current quarter, the Company repurchased 10,000 of its ordinary shares of RM0.50 each from the open market at an overall average price of RM0.73 per share. The total consideration paid was RM7,354 including transaction costs and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. As at 31 May 2012, 155,600 ordinary shares have been purchased for RM120,629.

A7. Dividend paid

A first and final dividend of 1.5 sen per ordinary share, less 25% tax, amounting to RM1,348,367 in respect of the financial year ended 31 August 2011 has been paid on 19 March 2012.

MELATI EHSAN HOLDINGS BERHAD (673293-X)
(Incorporated in Malaysia)

A8 **Segmental reporting**

31 May 2012					
REVENUE	Construction RM'000	Trading RM'000	Property Development RM'000	Others RM'000	Consolidated RM'000
Total revenue	94,546	6,160	1,249	-	101,955
Inter-segment revenue	(22,085)	(184)	-	-	(22,269)
Revenue from external customer	72,461	5,976	1,249	-	79,686
RESULT					
Segment results	3,175	59	27	(447)	2,814
Finance costs	(4)	-	-	-	(4)
Interest income	394	-	3	4	401
Profit/(loss) before tax	3,565	59	30	(443)	3,211
Taxation	(1,009)	-	(12)	94	(927)
Profit/(loss) for the financial period	2,556	59	18	(349)	2,284

No segmental information is provided on geographical basis as the Group's activities are conducted wholly in Malaysia.

A9. **Valuation of property, plant and equipment**

Property, plant and equipment of the Group are stated at cost less accumulated depreciation and impairment loss, if any.

There was no valuation of the property, plant and equipment during the current quarter under review.

A10. **Changes in the composition of the Group**

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

A11. **Contingent liabilities**

The details of Company contingent liabilities as at 31 May 2012 are as follows:

	RM'000
Secured:	
Guarantee given to financial institutions on performance guarantee granted to third parties	136,850
Unsecured:	
Guarantee given to a third party for performance in the development agreement granted to subsidiary company	419,165
Guarantee given to suppliers for credit facilities granted to subsidiary Companies	5,300
	<u>424,465</u>

MELATI EHSAN HOLDINGS BERHAD (673293-X)
(Incorporated in Malaysia)

A12. **Subsequent events**

There was no other material events subsequent to the financial period ended 31 May 2012 up to the date of this report.

A13. **Commitments**

There was no capital commitment in the financial period ended 31 May 2012.

A14. **Cash and cash equivalents**

Cash and cash equivalents included in the statements of cash flows comprise the following:

	RM
Cash and bank balances	26,095,152
Fixed deposits with licensed banks	23,784,064
	<hr/>
	49,879,216
Less:	
Deposits pledged with financial institution	(4,656,513)
Amount deposited into sinking fund trust account	(7,964,855)
	<hr/>
	37,257,848
	<hr/>

MELATI EHSAN HOLDINGS BERHAD (673293-X)
(Incorporated in Malaysia)

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

For the financial period ended 31 May 2012, the Group achieved revenue of RM79.686 million and profit before tax of RM3.211 million as compared to RM52.381 million and RM7.307 million respectively for the preceding year.

The decreased in profit of the Group in the current financial period as compared to the preceding year corresponding period was due mainly to lower margin contributed from construction activities.

Detailed analysis of the performance for the respective operating business segments for the period ended 31 May 2012 is as follows:

Construction

The group recorded revenue of RM72.461 million and profit before tax of RM3.565 million as compared to the previous corresponding year of RM43.275 million and RM5.422 million respectively. The improved performance of this operation was due mainly to the increase of the construction activities, which include the road works in East Coast Economic Region and “*Program Perumahan Rakyat*” (PPR) projects.

Property development

The group recorded revenue of RM1.249 million and profit before tax of RM0.030 million as compared to the previous corresponding year of RM8.326 million and RM1.949 million respectively. The performance of this segment was due to lower sales volume recorded in the current financial period as the comparative sales figures in the preceding year corresponding period was comprises of disposal of two pieces of land.

Trading

The group recorded revenue of RM5.976 million and profit before tax of RM0.059 million as compared to the previous corresponding year of RM0.780 million and RM0.035 million respectively. The performance of this operation has remained satisfactory.

B2. Comparison with preceding quarter results

For the current quarter under review, the Group recorded a profit before tax of RM1.961 million compared to RM0.647 million in the immediate preceding quarter. The increased in the profit was attributed by the high volume of construction activities recorded during the current quarter under review.

B3. Commentary on prospects

Barring any unforeseen circumstances, the Board of Directors is optimistic about the Group’s ability to continue to achieve satisfactory performance for financial year ending 31 August 2012.

B4. Variance of actual and forecast profit

The Group did not issue any forecast for the current quarter and therefore this is not applicable.

B5. Corporate proposal

There are no corporate proposals announced but not completed as at the date of this report.

MELATI EHSAN HOLDINGS BERHAD (673293-X)
(Incorporated in Malaysia)

B6. Income tax expense

	Current Quarter 31 May 2012 RM'000	Current Period To-Date 31 May 2012 RM'000
Current tax expense	547	927
Deferred tax expense	-	-
Total	547	927

The tax expense for the current quarter and current period to-date is derived based on management's best estimate of the tax rate for the financial period.

B7. Group borrowings

There were no other borrowings and debts securities in the Group as at 31 May 2012, except as disclosed below:-

	Short term (Secured) RM'000	Long term (Secured) RM'000
Hire-purchase	12	64
Term loan	-	29,300
	12	29,364

B8. Off balance sheet financial instruments

There are no financial instruments with off balance sheet risk as at the date of this report.

B9. Material litigation

As at the date of this announcement, there are no material litigations against the Group or taken by the Group.

B10. Dividends

No dividend has been declared for the current quarter under review.

B11. Notes to the Statement of Comprehensive Income

The profit for the period has been arrived at after crediting/(charging):-

	Current Quarter 31 May 2012 RM'000	Current Period To-Date 31 May 2012 RM'000
Interest Income	128	401
Other income including investment income	48	64
Gain on disposal of property, plant and equipment	1	1
Interest expenses	(94)	(169)
Depreciation and amortisation	(70)	(179)

Save as disclosed above, the other items as required under Appendix 9B, Part A (16) of the Bursa Malaysia Listing Requirements are not applicable.

MELATI EHSAN HOLDINGS BERHAD (673293-X)
(Incorporated in Malaysia)

B12. Earnings per share

(a) Basic earnings per share

Basic earnings per share for the current quarter and financial period to-date are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares in issue, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

	Current quarter 31/05/12	Preceding year corresponding quarter 31/05/11	Current period To-date 31/05/12	Preceding year corresponding period to-date 31/05/11
Profit for the financial period attributable to equity holders of the Company (RM)	1,414,061	3,506,796	2,284,192	5,402,686
Number of ordinary shares ('000)	119,845	119,860	119,845	119,860
Weighted average number of ordinary shares ('000)	119,851	119,886	119,855	119,915
Basic earnings per share (sen)	1.18	2.93	1.91	4.51

(b) Diluted earnings per share

The Group does not have any convertible shares or financial instruments for the current quarter and financial period to-date.

B13. Realised and unrealised profits/losses disclosure

	As at 31/05/2012 RM'000	As at 29/02/2012 RM'000
Total retained profits of the Group		
- realised	104,600	104,535
- unrealised	977	977
	<u>105,577</u>	<u>105,512</u>
Less: Consolidation adjustments	(5,040)	(5,040)
Total Group retained profits as per consolidated accounts	<u>100,537</u>	<u>100,472</u>

By Order of the Board

Chow Chooi Yoong
Chan Chee Yean
 Company Secretaries
 Kuala Lumpur
 25 July 2012