

**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 2012.

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 2012 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 2012. The adoption of these FRSs do not have significant impact on the results and the financial position of the Group.

**Malaysian Financial Reporting Standards (MFRS)**

On 19 November 2011, the Malaysian Accounting Standards Board ('MASB') announced the issuance of the new MFRS framework that is applicable to entities other than private entities. However, based on the MASB announcement on 30 June 2012, the Group has elected for the continued use of FRS for the financial years ending 31 August 2013 and 31 August 2014 as a transitioning entity affected by the scope of MFRS 141 and/or IC Interpretation 15. The Group would subsequently adopt the MFRS framework for the financial year ending 31 August 2015.

The subsequent adoption of the MFRS framework would result in the Group preparing an opening MFRS statement of financial position as at 1 September 2013 which adjusts for differences between the classification and measurement bases in the existing FRS framework versus that in the new MFRS framework. This would also result in a restatement of the annual and quarterly financial performance for the financial year ending 31 August 2015 in accordance with MFRS which would form the MFRS comparatives for the annual and quarterly financial performance for the financial year ending 31 August 2015 respectively.

**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 2012.

**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.

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**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.

As at 28 February 2013, 175,600 ordinary shares have been purchased for RM133,020 including the transaction costs.

**A7. Dividend paid**

There were no dividends paid during the quarter under review.

**A8. Segmental reporting**

<b>28 February 2013</b>					
<b>REVENUE</b>	<b>Construction RM'000</b>	<b>Trading RM'000</b>	<b>Property Development RM'000</b>	<b>Others RM'000</b>	<b>Consolidated RM'000</b>
Total revenue	79,659	14,277	14,269	-	108,205
Inter-segment revenue	(17,912)	(73)	-	-	(17,985)
Revenue from external customer	61,747	14,204	14,269	-	90,220
<b>RESULT</b>					
Segment results	3,904	515	3,024	(262)	7,181
Finance costs	(1)	-	(284)	-	(285)
Interest income	282	-	24	7	313
Profit/(loss) before tax	4,185	515	2,764	(255)	7,209
Taxation	(1,573)	(100)	(698)	100	(2,271)
Profit/(loss) for the financial period	2,612	415	2,066	(155)	4,938

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.

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**A11. Contingent liabilities**

The details of Company contingent liabilities as at 28 February 2013 are as follows:

	<b>RM'000</b>
Secured:	
Guarantee given to financial institutions on performance guarantee granted to third parties	174,250
Unsecured:	
Guarantee given to a third party for performance in the development agreement granted to subsidiary company	396,665
Guarantee given to suppliers for credit facilities granted to subsidiary Companies	8,800
	<u>405,465</u>

**A12. Subsequent events**

There was no other material events subsequent to the financial period ended 28 February 2013 up to the date of this report.

**A13. Commitments**

There was no capital commitment in the financial period ended 28 February 2013.

**A14. Cash and cash equivalents**

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

	<b>RM</b>
Cash and bank balances	8,034,358
Fixed deposits with licensed banks	20,420,837
	<u>28,455,195</u>
Less:	
Deposits pledged with financial institution	<u>(6,416,538)</u>
	<u>22,038,657</u>

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**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 28 February 2013, the Group achieved revenue of RM90.220 million and profit before tax of RM7.209 million as compared to RM30.644 million and RM1.250 million respectively for the preceding year corresponding period.

The increased in profit of the Group in the current financial period as compared to the preceding year corresponding period was due mainly to higher operating revenue contributed from the construction, trading and property development activities.

Detailed analysis of the performance for the respective operating business segments for the period ended 28 February 2013 is as follows:

Construction

The group recorded revenue of RM61.747 million and profit before tax of RM4.185 million as compared to the preceding year corresponding period of RM27.884 million and RM1.197 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 (“ECER”) and “*Program Perumahan Rakyat*” (“PPR”) projects.

Property development

The group recorded revenue of RM14.269 million and profit before tax of RM2.764 million as compared to the preceding year corresponding period of RM1.013 million and RM0.296 million respectively. The performance of this segment was improved by the new launching of property development projects such as Taman Ehsan Jaya, Pandamaran, Selangor and Laman Bayu, Bukit Jalil, Kuala Lumpur. The said projects comprise of commercial lots and residential houses.

Trading

The group recorded revenue of RM14.204 million and profit before tax of RM0.515 million as compared to the preceding year corresponding period of RM1.747 million and RM0.011 million respectively. The higher profit in the current quarter was due mainly to higher volume of building materials being traded and consumed by our appointed sub-contractors for the Group’s construction and property division.

**B2. Comparison with preceding quarter results**

For the current quarter under review, the Group recorded a profit before tax of RM5.024 million compared to RM2.185 million in the immediate preceding quarter. The increased in the profit was due mainly to higher operating revenue contributed from three main operating business segments during the current quarter as compared to the immediate preceding quarter.

**B3. Commentary on prospects**

The on-going construction works such as ECER and PPR will continue to contribute positively to the Group’s revenue and profitability. In addition, the Group expects the newly launched property projects, Taman Ehsan Jaya at Pandamaran and Laman Bayu at Bukit Jalil to further improve the performance of the Group as the products comprise gated and guarded terrace houses that are in great demand. We are confident that the property market is sustainable as buying activities are backed by strong economic fundamentals.

In respect of the construction industry, the fluctuation in material prices and scarcity of workforce coupled with the competitive nature of the industry may add pressure to the difficult operating environment of the construction industry.

Nevertheless, the Board of Directors is optimistic about the Group’s ability to continue to achieve satisfactory performance for the financial year ending 31 August 2013.

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**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.

**B6. Income tax expense**

	<b>Current Quarter 28 February 2013 RM'000</b>	<b>Current Period To-Date 28 February 2013 RM'000</b>
Current tax expense	1,731	2,271
Deferred tax expense	-	-
Total	1,731	2,271

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 28 February 2013, except as disclosed below:-

	<b>Short term (Secured) RM'000</b>	<b>Long term (Secured) RM'000</b>
Hire-purchase	46	110
Term loan	-	26,542
	46	26,652

**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.

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**B11. Notes to the Statement of Comprehensive Income**

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

	<b>Current Quarter 28 February 2013 RM'000</b>	<b>Current Period To-Date 28 February 2013 RM'000</b>
Interest Income	137	314
Other income including investment income	3	82
Interest expenses	(142)	(286)
Depreciation and amortization	(67)	(127)
Provision for and write off of receivables	(4,571)	(4,571)

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

**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.

	<b>Current quarter 28/02/13</b>	<b>Preceding year corresponding quarter 29/02/12</b>	<b>Current period To-date 28/02/13</b>	<b>Preceding year corresponding period to-date 29/02/12</b>
Profit for the financial period attributable to equity holders of the Company (RM)	3,293,225	447,161	4,938,456	870,131
Number of ordinary shares ('000)	119,825	119,855	119,825	119,855
Weighted average number of ordinary shares ('000)	119,825	119,855	119,832	119,857
Basic earnings per share (sen)	2.75	0.37	4.12	0.73

(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.

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**B13. Realised and unrealised profits/losses disclosure**

	<b>As at 28/02/2013 RM'000</b>	<b>As at 30/11/2012 RM'000</b>
Total retained profits of the Group		
- realised	115,451	112,158
- unrealised	(63)	(63)
	<hr/> 115,388	<hr/> 112,095
Less: Consolidation adjustments	(5,040)	(5,040)
	<hr/> 110,348	<hr/> 107,055

By Order of the Board

**Chow Chooi Yoong**  
**Chan Chee Yean**  
Company Secretaries  
Kuala Lumpur  
29 April 2013