

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

A. EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD (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 2013.

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 2013 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 2013. The adoption of these FRSs does 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, the MASB deferred the effective date of MFRS Framework for transitioning entities (i.e. entities affected by MFRS 141 *Agriculture* and IC Interpretation 15 *Agreement for Construction of Real Estate*) from 1 January 2013 to 1 January 2015. The Group would subsequently adopt the MFRS Framework for the financial year ending 31 August 2016 as it is a transitioning entity.

The subsequent adoption of the MFRS Framework would result in the Group preparing an opening MFRS statement of financial position as at 1 September 2014 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 2016 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 2013.

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 except as disclosed below:

During the current quarter, the Company repurchased 30,000 of its issued ordinary shares of RM0.50 each from the open market at an overall average price of RM1.050 per share. The total consideration paid was RM31,730 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 30 November 2013, 265,200 ordinary shares have been purchased for RM206,417 including the transaction costs.

A7. Dividend paid

There were no dividends paid during the quarter under review.

A8. Segmental reporting

30 November 2013					
REVENUE	Construction RM'000	Trading RM'000	Property Development RM'000	Others RM'000	Consolidated RM'000
Total revenue	52,326	8,536	27,998	-	88,860
Inter-segment revenue	(22,375)	-	-	-	(22,375)
Revenue from external customer	29,951	8,536	27,998	-	66,485
RESULT					
Segment results	5,562	287	987	(67)	6,769
Finance costs	(35)	-	(43)	-	(78)
Interest income	118	-	22	15	155
Profit/(loss) before tax	5,645	287	966	(52)	6,846

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 30 November 2013 are as follows:

	RM'000
Secured:	
Guarantee given to financial institutions on performance guarantee granted to third parties	<u>149,900</u>
Unsecured:	
Guarantee given to a third party for performance in the development agreement granted to subsidiary company	388,665
Guarantee given to suppliers for credit facilities granted to subsidiary Companies	10,500
	<u>399,165</u>

A12. **Subsequent events**

There was no other material events subsequent to the financial period ended 30 November 2013 up to the date of this report.

A13. **Commitments**

There was no capital commitment in the financial period ended 30 November 2013.

A14. **Cash and cash equivalents**

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

	RM
Cash and bank balances	17,914,974
Fixed deposits with licensed banks	<u>20,722,728</u>
	38,637,702
Less:	
Deposits pledged with financial institution	<u>(4,650,439)</u>
	<u>33,987,263</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 30 November 2013, the Group achieved revenue of RM66.485 million and profit before tax of RM6.846 million as compared to RM40.211 million and RM2.185 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 30 November 2013 are as follows:

Construction

The group recorded revenue of RM52.326 million and profit before tax of RM5.645 million as compared to the preceding year corresponding period of RM36.212 million and RM0.906 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 RM27.998 million and profit before tax of RM0.966 million as compared to the previous corresponding period of RM5.253 million and RM1.188 million respectively. Although the revenue during the quarter has increased substantially, but the profit was affected due mainly to higher construction costs such as petrol, labour and other building materials.

Trading

The group recorded revenue of RM8.536 million and profit before tax of RM0.287 million as compared to the previous corresponding period of RM6.719 million and RM0.189 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 RM6.846 million compared to RM8.071 million in the immediate preceding quarter. The decreased in the profit was due mainly to lower construction activities during the current quarter as compared to the immediate preceding quarter.

B3. Commentary on prospects

The on-going construction works and property development such as ECER, PPR, Taman Ehsan Jaya at Pandamaran and Laman Bayu at Bukit Jalil will continue to contribute positively to the Group’s revenue and profitability.

The Board of Directors is optimistic about the Group’s ability to continue to achieve satisfactory performance for the financial year ending 31 August 2014.

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.

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B6. Income tax expense

	Current Quarter 30 November 2013 RM'000	Current Period To-Date 30 November 2013 RM'000
Current tax expense	2,286	2,286
Deferred tax income	(424)	(424)
Total	1,862	1,862

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 30 November 2013, except as disclosed below:-

	Short term (Secured) RM'000	Long term (Secured) RM'000
Hire-purchase	1,548	852
Term loan	-	17,149
	1,548	18,001

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 30 November 2013 RM'000	Current Period To-Date 30 November 2013 RM'000
Interest income	225	225
Other income including investment income	461	461
Interest expenses	(78)	(78)
Depreciation and amortisation	(187)	(187)
Gain or loss on disposal of quoted or unquoted investments or properties	4	4

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

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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 30/11/13	Preceding year corresponding quarter 30/11/12	Current period To-date 30/11/13	Preceding year corresponding period to-date 30/11/12
Profit attributable to owners of the parent (RM)	4,984,109	1,645,231	4,984,109	1,645,231
Number of ordinary shares ('000)	119,735	119,825	119,735	199,825
Weighted average number of ordinary shares ('000)	119,755	119,838	119,755	119,838
Basic earnings per share (sen)	4.16	1.37	4.16	1.37

(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 30/11/2013 RM'000	As at 31/08/2013 RM'000
Total retained profits of the Group		
- realized	127,884	121,628
- unrealised	33	33
	<u>127,917</u>	<u>121,661</u>
Less: Consolidation adjustments	(7,017)	(5,745)
Total Group retained profits as per financial statements	<u>120,900</u>	<u>115,916</u>

By Order of the Board

Chow Chooi Yoong
Chan Chee Yean
 Company Secretaries
 Kuala Lumpur
 27 January 2014