

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 2014.

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 2014 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 2014.

Title		Effective Date
Amendments to FRS 10	Consolidated Financial Statements: Investment Entities	1 January 2014
Amendments to FRS 12	Disclosure of Interest in Other Entities: Investment Entities	1 January 2014
Amendments to FRS 127	Separate Financial Statements (2011): Investment Entities	1 January 2014
Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 136	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to FRS 139	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21	Levies	1 January 2014
Amendments to FRS 119	Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to FRSs	Annual Improvements to FRSs 2010-2012 Cycle	1 July 2014
Amendments to FRSs	Annual Improvements to FRSs 2011-2013 Cycle	1 July 2014

The adoption of these FRSs, amendments to FRSs and IC interpretations (IC) 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 2014.

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 100,000 of its issued ordinary shares of RM0.50 each from the open market at an overall average price of RM1.040 per share. The total consideration paid was RM104,656 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 28 February 2015, 495,200 ordinary shares have been purchased for RM460,789 including the transaction costs.

A7. Dividend paid

There were no dividends paid during the quarter under review.

A8. Segmental reporting

28 February 2015					
REVENUE	Construction RM'000	Trading RM'000	Property Development RM'000	Others RM'000	Consolidated RM'000
Total revenue	93,113	4,139	20,937	-	118,189
Inter-segment revenue	(8,696)	(1,431)	-	-	(10,127)
Revenue from external customer	84,417	2,708	20,937	-	108,062
RESULT					
Segment results	1,483	51	5,010	(339)	6,205
Finance costs	(44)	-	-	-	(44)
Interest income	236	9	33	46	324
Profit/(loss) before tax	1,675	60	5,043	(293)	6,485
Tax expense	(513)	(16)	(1,276)	-	(1,805)

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 2015 are as follows:

	RM'000
Secured:	
Guarantees given to financial institutions on performance guarantee granted to third parties	<u>149,900</u>
Unsecured:	
Guarantees given to a third parties for performance in the development agreement granted to a subsidiary	385,904
Guarantees given to suppliers for credit facilities granted to a subsidiary	6,300
	<u><u>392,204</u></u>

A12. Subsequent events

There was no other material events subsequent to the financial period ended 28 February 2015 up to the date of this report.

A13. Commitments

There was no capital commitment in the financial period ended 28 February 2015, except as disclosed below:

	RM
Contracted but not provided for - property, plant & equipment	<u>3,312,000</u>

A14. Cash and cash equivalents

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

	RM
Cash and bank balances	18,505,292
Fixed deposits with licensed banks	<u>28,319,407</u>
	46,824,699
Less:	
Deposits pledged with financial institution	<u>(2,600,099)</u>
	<u><u>44,224,600</u></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 2015, the Group achieved revenue of RM108.062 million and profit before tax of RM6.485 million as compared to RM144.510 million and RM14.049 million respectively for the preceding year corresponding period.

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 operating revenue contributed from the trading and property development activities.

Detailed analysis of the performance for the respective operating business segments for the period ended 28 February 2015 are as follows:

Construction

The group recorded revenue of RM84.417 million and profit before tax of RM1.675 million as compared to the preceding year corresponding period of RM74.892 million and RM13.332 million respectively. The higher revenue of this operation was due mainly to the increase of the construction activities, which include the “*Program Perumahan Rakyat*” (“PPR”), Medini Iskandar and road work in East Coast Economic Region (“ECER”) projects. Nevertheless, lower profit before tax derived was due to lower margin of those aforementioned projects as compared to construction projects for property development.

Property development

The group recorded revenue of RM20.937 million and profit before tax of RM5.043 million as compared to the preceding year corresponding period of RM50.656 million and RM0.269 million respectively. Higher profit recorded despite of a lower revenue was due to the completion of our residential project namely, Laman Bayu @ Bukit Jalil, Kuala Lumpur and Taman Ehsan Jaya, Phase 1A(i) Project at Pandamaran, Klang.

Trading

The group recorded revenue of RM2.708 million and profit before tax of RM0.060 million as compared to the preceding year corresponding period of RM18.962 million and RM0.642 million respectively. The reduction in sales in the current financial period was due mainly to lower volume of building materials being traded and consumed as most of the building materials had been purchased prior to the current financial period by our appointed sub-contractors for the Group. In addition, several projects of the construction and property division were nearing completion stages. The lower margin yield had also resulted in lower profit of this segment.

B2. Comparison with preceding quarter results

For the current quarter under review, the Group recorded a profit before tax of RM2.006 million as compared to RM3.262 million in the immediate preceding quarter. The lower profit in the current financial quarter compared to the immediate preceding quarter was due mainly to higher operating expenses during the current financial quarter under review.

B3. Commentary on prospects

The on-going construction works and property development such as ECER, PPR, Medini Iskandar and Taman Ehsan Jaya at Pandamaran will continue to contribute positively to the Group’s revenue and profitability despite moderation economic outlook due to the falling crude oil prices and weaker Ringgit. The decision to cut operating expenditure but maintain development expenditure under the revised Budget 2015 is a positive move to boost the country’s economic growth.

The Board of Directors is optimistic about the Group’s ability to continue to achieve satisfactory performance for the financial year ending 31 August 2015.

B4. Variance of actual and forecast profit

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

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B5. Corporate proposal

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

B6. Income tax expense

	Current Quarter 28 February 2015 RM'000	Current Period To-Date 28 February 2015 RM'000
Current tax expense	511	1,415
Deferred tax expense	76	390
Total	587	1,805

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 2015, except as disclosed below:-

	Short term (Secured) RM'000	Long term (Secured) RM'000
Hire-purchase	1,360	35
Term loan	16,619	-
	17,979	35

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 28 February 2015 RM'000	Current Period To-Date 28 February 2015 RM'000
Interest income	209	324
Other income including investment income	245	584
Interest expenses	(20)	(44)
Depreciation and amortisation	(191)	(383)

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 28/02/2015	Preceding year corresponding quarter 28/02/2014	Current period To-date 28/02/2015	Preceding year corresponding period to-date 28/02/2014
Profit attributable to owners of the parent (RM)	1,418,537	5,290,375	4,680,750	10,274,484
Number of ordinary shares ('000)	119,505	119,685	119,505	119,685
Weighted average number of ordinary shares ('000)	119,585	119,732	119,612	119,744
Basic earnings per share (sen)	1.19	4.42	3.91	8.58

(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 28/02/2015 RM'000	As at 30/11/2014 RM'000
Total retained profits of the Group		
- realised	143,422	142,412
- unrealised	5	5
	<u>143,427</u>	<u>142,417</u>
Less: Consolidation adjustments	(6,498)	(6,907)
Total Group retained profits as per financial statements	<u>136,929</u>	<u>135,510</u>

By Order of the Board

Chow Chooi Yoong
Chan Chee Yean
 Company Secretaries
 Kuala Lumpur
 30 April 2015