

**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.

<b>Title</b>		<b>Effective Date</b>
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.

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

**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 5,000 of its issued ordinary shares of RM0.50 each from the open market at an overall average price of RM1.140 per share. The total consideration paid was RM5,750 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 2015, 500,200 ordinary shares have been purchased for RM466,539 including the transaction costs.

**A7. Dividend paid**

A first and final single tier dividend of 2.75 sen per ordinary share amounting to RM3,286,394 in respect of the financial year ended 31 August 2014 has been paid on 19 March 2015.

**A8. Segmental reporting**

<b>31 May 2015</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	132,403	6,650	27,864	-	166,917
Inter-segment revenue	(10,514)	(2,078)	-	-	(12,592)
Revenue from external customer	121,889	4,572	27,864	-	154,325
<b>RESULT</b>					
Segment results	4,917	91	2,933	(361)	7,580
Finance costs	(62)	-	-	-	(62)
Interest income	372	8	82	100	562
Profit/(loss) before tax	5,227	99	3,015	(261)	8,080
Tax expense	(1,636)	(26)	(910)	-	(2,572)

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.

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

**A11. Contingent liabilities**

The details of Company contingent liabilities as at 31 May 2015 are as follows:

	<b>RM'000</b>
Secured:	
Guarantees given to financial institutions on performance guarantee granted to third parties	<u>142,400</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	6,800
	<u><u>392,704</u></u>

**A12. Subsequent events**

There was no other material events subsequent to the financial period ended 31 May 2015 up to the date of this report except the following:

B.H.O. Melati Sdn Bhd (“BHOME”), a 49% joint-venture company of Melati Ehsan Holdings Berhad had on 3 June 2015 entered into a Concession Agreement with the Government of Malaysia, represented by Ministry of Education (“Government”) and Universiti Malaysia Sabah (“UMS”), whereby the Government and UMS have granted to BHOME the concession to undertake the development of Universiti Malaysia Sabah Teaching Hospital in Kota Kinabalu, Sabah.

**A13. Commitments**

There was no capital commitment in the financial period ended 31 May 2015, except as disclosed below:

	<b>RM</b>
Contracted but not provided for - property, plant & equipment	<u>2,944,000</u>

**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	10,964,324
Fixed deposits with licensed banks	<u>28,092,660</u>
	39,056,984
Less:	
Deposits pledged with financial institution	<u>(2,471,794)</u>
	<u><u>36,585,190</u></u>

**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 2015, the Group achieved revenue of RM154.325 million and profit before tax of RM8.080 million as compared to RM252.668 million and RM23.001 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 from all segments of the Group.

Detailed analysis of the performance for the respective operating business segments for the period ended 31 May 2015 are as follows:

Construction

The Group recorded revenue of RM121.889 million and profit before tax of RM5.227 million as compared to the preceding year corresponding period of RM151.523 million and RM17.078 million respectively. The lower revenue of this operation was due mainly to construction works at Medini Iskandar and one of the “*Program Perumahan Rakyat*” (“PPR”) project have reached final stage of completion. The lower profit before tax derived was due to the lower revenue and margin of those construction activities as compared to construction projects for property development.

Property development

The Group recorded revenue of RM27.864 million and profit before tax of RM3.015 million as compared to the preceding year corresponding period of RM70.658 million and RM5.322 million respectively. The lower profit recorded was due mainly to lower revenue as two of our residential projects namely, Laman Bayu @ Bukit Jalil, Kuala Lumpur and Taman Ehsan Jaya, Phase 1A(i) Project at Pandamaran, Klang have been completed.

Trading

The Group recorded revenue of RM4.572 million and profit before tax of RM0.099 million as compared to the preceding year corresponding period of RM30.487 million and RM0.899 million respectively. The reduction in sales in the current financial period was due mainly to lower volume of building materials being traded and consumed by our subcontractors.

**B2. Comparison with preceding quarter results**

For the current quarter under review, the Group recorded a profit before tax of RM1.594 million as compared to RM2.006 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 and some provisional cost recognised during the current financial quarter under review.

**B3. Commentary on prospects**

The on-going construction works and property development such as road work in East Coast Economic Region (“ECER”) projects, PPR, 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 Government 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.

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

**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 31 May 2015 RM'000</b>	<b>Current Period To-Date 31 May 2015 RM'000</b>
Current tax expense	677	2,091
Deferred tax expense	91	481
<b>Total</b>	768	2,572

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 2015, except as disclosed below:-

	<b>Short term (Secured) RM'000</b>	<b>Long term (Secured) RM'000</b>
Hire-purchase	1,124	35
Term loan	13,080	-
	14,204	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):-

	<b>Current Quarter 31 May 2015 RM'000</b>	<b>Current Period To-Date 31 May 2015 RM'000</b>
Interest income	238	562
Other income including investment income	560	1,144
Interest expenses	(17)	(62)
Depreciation and amortization	(192)	(575)
Provision for liquidated damages	(892)	(892)

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.

	<b>Current quarter 31/05/2015</b>	<b>Preceding year corresponding quarter 31/05/2014</b>	<b>Current period To-date 31/05/2015</b>	<b>Preceding year corresponding period to-date 31/05/2014</b>
Profit attributable to owners of the parent (RM)	826,858	6,640,125	5,507,608	16,914,609
Number of ordinary shares ('000)	119,500	119,655	119,500	119,655
Weighted average number of ordinary shares ('000)	119,504	119,676	119,576	119,721
Basic earnings per share (sen)	0.69	5.55	4.61	14.13

(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**

	<b>As at 31/05/2015 RM'000</b>	<b>As at 28/02/2015 RM'000</b>
Total retained profits of the Group		
- realised	140,924	143,422
- unrealised	5	5
	<u>140,929</u>	<u>143,427</u>
Less: Consolidation adjustments	(6,460)	(6,498)
Total Group retained profits as per financial statements	<u>134,469</u>	<u>136,929</u>

By Order of the Board

**Chow Chooi Yoong**  
**Chan Chee Yean**  
 Company Secretaries  
 Kuala Lumpur  
 27 July 2015