

**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 2015.

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 2015 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 2015.

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 adoption of the MFRS Framework for transitioning entities (i.e. entities affected by MFRS 141 *Agriculture* and/or IC Interpretation 15 *Agreements for Construction of Real Estate*) for annual periods beginning on or after 1 January 2018. The Group would subsequently adopt the MFRS Framework for the financial year ending 31 August 2019 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 2017, 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 2018 in accordance with MFRS, which would form the MFRS comparatives for the annual and quarterly financial performance for the financial year ending 31 August 2019 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 2015.

**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:

As at 29 February 2016, 505,200 ordinary shares have been purchased for RM471,188 including the transaction costs. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

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A7. **Dividend paid**  
There were no dividends paid during the quarter under review.

A8 **Segmental reporting**

**29 February 2016**

<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	31,562	4,767	1,737	-	38,066
Inter-segment revenue	(631)	(534)	-	-	(1,165)
Revenue from external customer	30,931	4,233	1,737	-	36,901
<b>RESULT</b>					
Segment results	(260)	109	(965)	10,293	9,177
Finance costs	(19)	-	-	-	(19)
Interest income	405	7	14	38	464
Profit/(loss) before tax	126	116	(951)	10,331	9,622
Tax expense	(397)	(28)	186	-	(239)

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 except as disclosed below:

On 29 February 2016, the Company had disposed of the entire issued and paid-up share capital in its wholly-owned subsidiary, Newstar Equity Sdn Bhd ("Newstar") to Projects Selection Sdn Bhd for a total consideration of Ringgit Malaysia Thirty Million (RM30,000,000) only ("Disposal"). Following the Disposal, Newstar will cease as a subsidiary of the Company.

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**A11. Contingent liabilities**

The details of Company contingent liabilities as at 29 February 2016 are as follows:

	<b>RM'000</b>
Secured:	
Guarantees given to financial institutions on performance guarantee granted to third parties	142,400
Unsecured:	
Guarantees given to a third parties for performance in the development agreement granted to a subsidiary	385,904
Guarantees given to a third parties for performance in the development agreement granted to a third party	4,390
Guarantees given to suppliers for credit facilities granted to a subsidiary	7,800
	<u>398,094</u>

**A12. Subsequent events**

There was no other material events subsequent to the financial period ended 29 February 2016 up to the date of this report except as follow:

On 15 April 2016, Bayu Melati Sdn Bhd (“BMSB”), a wholly-owned subsidiary of the Company had entered into a conditional sale and purchase agreement with Aturan Utama Sdn Bhd to acquire three (3) parcels of leasehold land held under H.S.(D) 54886, 54887 and 54888 for PT No. 4505, 4506 and 4507, Mukim Bandar Selayang, District Gombak, State of Selangor (“Land”) for an aggregate purchase price of RM77,735,849.00 (“Purchase Price”). In the event that the requisite planning approval for BMSB’s proposed commercial development on the Land includes a condition requiring BMSB to build low cost and/or affordable homes under whatever name known including under the affordable housing scheme currently known as “Rumah SelangorKu”, the Purchase Price for the Land shall be reduced to RM70,000,000.00 only (“Proposed Acquisition”).

The completion of the Proposed Acquisition is subject to and conditional upon the conditions precedent being fulfilled.

**A13. Commitments**

There was no capital commitment in the financial period ended 29 February 2016, except as disclosed below:

	<b>RM</b>
Contracted but not provided for - property, plant & equipment	<u>1,656,000</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	3,393,753
Fixed deposits with licensed banks	28,734,990
	<u>32,128,743</u>
Less:	
Deposits pledged with financial institution	<u>(2,375,190)</u>
	<u>29,753,553</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 29 February 2016, the Group achieved revenue of RM36.901 million and profit before tax of RM9.622 million as compared to RM108.062 million and RM6.485 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 mainly arising from gain on disposal of a subsidiary company.

Detailed analysis of the performance for the respective operating business segments for the period ended 29 February 2016 are as follows:

Construction

The group recorded revenue of RM30.931 million and profit before tax of RM0.126 million as compared to the preceding year corresponding period of RM84.417 million and RM1.675 million respectively. The lower revenue of this operation was due mainly to the decrease of the construction activities, which include the “*Program Perumahan Rakyat*” (“PPR”) and road work in East Coast Economic Region (“ECER”) projects.

Property development

The group recorded revenue of RM1.737 million and loss before tax of RM0.951 million as compared to the preceding year corresponding period of RM20.937 million and profit before tax of RM5.043 million respectively. Lower revenue and lower profit recorded was due to the completion of our Bukit Bayu @ U10 Shah Alam residential project and there were no new launching of property development projects.

Trading

The group recorded revenue of RM4.767 million and profit before tax of RM0.116 million as compared to the preceding year corresponding period of RM2.708 million and RM0.060 million respectively. The increase in sales 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. In addition, the higher margin yield had also improved the profit of this segment.

**B2. Comparison with preceding quarter results**

For the current quarter under review, the Group recorded a profit before tax of RM8.121 million as compared to RM1.502 million in the immediate preceding quarter. The higher profit in the current financial quarter as compared to the immediate preceding quarter was mainly arising from gain on disposal of a subsidiary company.

**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 despite moderation economic outlook due to low crude oil prices and weaker Ringgit.

The 11<sup>th</sup> Malaysia Plan (“11MP”) 2016-2020 has been tabled in Parliament. 11MP marks the final lap in the route towards developed-nation status in 2020. Based upon this, the outlook of the local construction sector is good and will benefit the industry players. Ongoing projects and those scheduled to commence in the near term such as road works and affordable housing schemes will ensure the sector continues to grow in the next few years.

The Board of Directors is optimistic about the Group’s ability to continue to achieve satisfactory performance for the financial year ending 31 August 2016.

**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 as at the date of this report.

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**B6. Income tax expense**

	<b>Current Quarter 29 February 2016 RM'000</b>	<b>Current Period To-Date 29 February 2016 RM'000</b>
Current tax expense	(248)	178
Deferred tax income	52	61
<b>Total</b>	<b>(196)</b>	<b>239</b>

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 29 February 2016, except as disclosed below:-

	<b>Short term (Secured) RM'000</b>	<b>Long term (Secured) RM'000</b>
Hire-purchase	433	-
Term loan	-	554
	<b>433</b>	<b>554</b>

**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 29 February 2016 RM'000</b>	<b>Current Period To-Date 29 February 2016 RM'000</b>
Interest income	199	464
Other income including investment income	251	854
Interest expenses	(8)	(19)
Depreciation and amortization	(190)	(376)
Gain or loss on disposal of quoted or unquoted investments or properties	30,000	30,000
Reversal of impairment loss on other investment	500	500

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.

	<b>Current quarter 29/02/2016</b>	<b>Preceding year corresponding quarter 28/02/2015</b>	<b>Current period To-date 29/02/2016</b>	<b>Preceding year corresponding period to-date 28/02/2015</b>
Profit attributable to owners of the parent (RM)	8,316,913	1,418,537	9,383,498	4,680,750
Number of ordinary shares ('000)	119,495	119,505	119,495	119,505
Weighted average number of ordinary shares ('000)	119,495	119,585	119,497	119,612
Basic earnings per share (sen)	6.95	1.19	7.85	3.91

(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 29/02/2016 RM'000</b>	<b>As at 30/11/2015 RM'000</b>
Total retained profits of the Group		
- realised	151,699	143,504
- unrealised	302	302
	<u>152,001</u>	<u>142,751</u>
Less: Consolidation adjustments	(5,852)	(5,973)
Total Group retained profits as per financial statements	<u>146,149</u>	<u>137,833</u>

By Order of the Board

**Wong Youn Kim**  
**Chan Chee Yean**  
 Company Secretaries  
 Kuala Lumpur  
 27 April 2016