

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.

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.

As at 31 August 2016, 602,000 ordinary shares have been purchased for RM550,014 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.

A7. Dividend paid

There were no dividends paid during the quarter under review.

A8. Segmental reporting

31 August 2016	Construction	Trading	Property	Others	Consolidated
REVENUE	RM'000	RM'000	Development	RM'000	RM'000
			RM'000		
Total revenue	78,582	11,066	16,414	-	106,062
Inter-segment revenue	(1,474)	(725)	-	-	(2,199)
Revenue from external customer	77,108	10,341	16,414	-	103,863

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A8 **Segmental reporting (continue)**

31 August 2016					
RESULT	Construction RM'000	Trading RM'000	Property Development RM'000	Others RM'000	Consolidated RM'000
Segment results	(398)	184	102	29,863	29,751
Finance costs	(25)	-	(29)	-	(54)
Interest income	562	8	20	49	639
Profit before tax	139	192	93	29,912	30,336
Tax (expense)/income	(161)	(46)	41	-	(166)

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.

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.

A11. **Contingent liabilities**

The details of Company contingent liabilities as at 31 August 2016 are as follows:

	RM'000
Secured:	
Guarantees given to financial institutions on performance guarantee granted to subsidiaries	122,210
Unsecured:	
Guarantees given to third parties for performance in the development agreement granted to a subsidiary	385,904
Guarantees given to a third party for performance in the development agreement granted to a third party	4,390
Guarantees given to suppliers for credit facilities granted to a subsidiary	5,600
	<u>395,894</u>

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A12. Subsequent events

There was no other material events subsequent to the financial year ended 31 August 2016 up to the date of this report.

A13. Commitments

There was no capital commitment in the financial year ended 31 August 2016, except as disclosed below:

	RM
Contracted but not provided for	
- property, plant & equipment	920,000
- land held for property development	70,135,849
	<u>71,055,849</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	27,019,193
Fixed deposits with licensed banks	4,083,256
	<u>31,102,449</u>
Less:	
Deposits pledged with financial institution	<u>(1,956,850)</u>
	<u>29,145,599</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 year ended 31 August 2016, the Group achieved revenue of RM103.863 million and profit before tax of RM30.336 million as compared to RM178.813 million and RM10.859 million respectively for the preceding year.

The increase in profit of the Group in the current financial year as compared to the preceding year was mainly arising from gain on disposal of a subsidiary.

Detailed analysis of the performance for the respective operating business segments for the year ended 31 August 2016 are as follows:

Construction

The Group recorded revenue of RM77.108 million and profit before tax of RM0.139 million as compared to previous year of RM135.085 million and profit before tax RM3.994 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 RM16.414 million and profit before tax of RM0.093 million as compared to previous year of RM38.260 million and profit before tax of RM7.695 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 RM10.341 million and profit before tax of RM0.192 million as compared to previous year of RM5.468 million and RM0.108 million respectively. The increase in sales 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 RM13.051 million as compared to RM2.779 million in the immediate preceding quarter. The higher profit in the current financial quarter as compared to the immediate preceding quarter was due mainly to full and final recognition of a completed residential project.

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 11th 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 mega development projects, infrastructure works and affordable housing schemes will ensure the sector continues to grow in the next few years.

The property sector outlook is expected to remain challenging. Prices will continue to consolidate due to cautious buyers’ sentiment and the banks’ conservative lending stance given the current uncertain economic environment. However, a sharp decline in property prices is unlikely due to rising construction costs, stable employment rate and economic fundamentals remain intact.

Bank Negara Malaysia (BNM) has on 13 July 2016 cut the overnight policy rate (OPR) by 25 basis points to 3% for the first time after keeping the rate unchanged at 3.25% since July 2014, on grounds that there are increasing signs of moderating growth momentum on gross domestic product (GDP) and economies of our major trading partners. BNM’s move to cut the OPR could lead to lower borrowing costs to shore up growth prospects. The recent 2017 Budget continues to focus on ensuring the economy continues to expand at a healthy pace and with an objective of promoting the well-being of the people.

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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 as at the date of this report except as follows:

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 (“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 only (“Proposed Acquisition”).

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

B6. Income tax expense

	Current Quarter 31 August 2016 RM’000	Current Year To-Date 31 August 2016 RM’000
Current tax expense	(429)	(530)
Deferred tax income	517	364
Total	88	(166)

The tax expense for the current quarter and current year to-date is derived based on management’s best estimate of the tax rate for the financial year.

B7. Group borrowings

There were no other borrowings and debts securities in the Group as at 31 August 2016, except as disclosed below:-

	Short term (Secured) RM’000	Long term (Secured) RM’000
Hire-purchase	35	-
Term loan	-	1,290
	35	1,290

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.

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B10. Dividends

The directors proposed a first and final single tier dividend of 1.75 sen per ordinary share, amounting to RM2,089,473 in respect of the financial year ended 31 August 2016 (2015 : single tier dividend of 1.75 sen per ordinary share). The dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

B11. Notes to the Statement of Comprehensive Income

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

	Current Quarter 31 August 2016 RM'000	Current Year To-Date 31 August 2016 RM'000
Interest income	52	639
Other income including investment income	76	1,719
Interest expenses	(31)	(54)
Depreciation and amortization	(189)	(753)
Provision for liquidated damages	(3,703)	(3,776)
Gain on disposal of a subsidiary	-	30,508

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

B12. Earnings per share

(a) Basic earnings per share

Basic earnings per share for the current quarter and financial year 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 31/08/2016	Preceding year corresponding quarter 31/08/2015	Current year To-date 31/08/2016	Preceding year corresponding year to-date 31/08/2015
Profit attributable to owners of the parent (RM)	13,140,089	2,296,524	30,170,228	7,804,132
Number of ordinary shares ('000)	119,398	119,500	119,398	119,500
Weighted average number of ordinary shares ('000)	119,398	119,500	119,464	119,557
Basic earnings per share (sen)	11.00	1.92	25.25	6.53

(b) Diluted earnings per share

The Group does not have any convertible shares or financial instruments for the current quarter and financial year to-date.

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B13. Realised and unrealised profits/losses disclosure

	As at 31/08/2016 RM'000	As at 31/05/2016 RM'000
Total retained profits of the Group		
- realised	169,790	157,006
- unrealised	282	302
	<hr/> 170,072	<hr/> 157,308
Less: Consolidation adjustments	(5,227)	(5,603)
Total Group retained profits as per financial statements	<hr/> 164,845	<hr/> 151,705

By Order of the Board

Wong Youn Kim
Chan Chee Yean
Company Secretaries
Kuala Lumpur
26 October 2016