

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 2016.

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 2016 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 2016.

Title	Effective Date
FRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to FRS 10, Investment Entities: Applying the Consolidation Exception FRS 12 and FRS 128	1 January 2016
Amendments to FRS 101 Disclosure Initiative	1 January 2016
Amendments to FRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 116 Clarification of Acceptable Methods of Depreciation and and FRS 138 Amortisation	1 January 2016
Amendments to FRS 127 Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRSs Annual Improvements to 2012 – 2014 Cycle	1 January 2016

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 2016.

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 1,000 of its issued ordinary shares of RM0.50 each from the open market at an overall average price of RM1.06 per share. The total consideration paid was RM1,105 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 2016, 593,000 ordinary shares have been purchased for RM551,119 including the transaction costs.

A7. Dividend paid

There were no dividends paid during the quarter under review.

A8. Segmental reporting

30 November 2016					
REVENUE	Construction RM'000	Trading RM'000	Property Development RM'000	Others RM'000	Consolidated RM'000
Total revenue	14,189	5,461	2,158	-	21,808
Inter-segment revenue	-	-	-	-	-
Revenue from external customer	14,189	5,461	2,158	-	21,808
RESULT					
Segment results	344	136	492	(82)	890
Finance costs	(2)	-	-	-	(2)
Interest income	66	-	2	2	70
Profit/(loss) before tax	408	136	494	(80)	958
Tax expense	(390)	(33)	(31)	-	(454)

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 2016 are as follows:

	RM'000
Secured:	
Guarantees given to financial institutions on performance guarantee granted to subsidiaries	122,210
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	5,500
Guarantees given to a third party for performance in the development agreement granted to a third party	4,390
	<u>395,794</u>

A12. Subsequent events

There was no other material events subsequent to the financial period ended 30 November 2016 up to the date of this report.

A13. Commitments

There was no capital commitment in the financial period ended 30 November 2016, except as disclosed below:

	RM
Capital expenditure contracted but not provided for in respect of:-	
- purchase of property, plant & equipment	736,000
- purchase of land held for property development	70,135,849
	<u>70,871,849</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	6,972,040
Fixed deposits with licensed banks	3,587,974
	<u>10,560,014</u>
Less:	
Deposits pledged with financial institution	(1,970,542)
	<u>8,589,472</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 2016, the Group achieved a revenue of RM21.808 million and profit before tax of RM0.958 million as compared to RM19.706 million and RM1.502 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 other income and higher administrative expenses.

Detailed analysis of the performance for the respective operating business segments for the period ended 30 November 2016 are as follows:

Construction

The group recorded revenue of RM14.189 million and profit before tax of RM0.408 million as compared to the preceding year corresponding period of RM17.224 million and RM1.459 million respectively. The lower revenue of this operation was due mainly to the new road work in East Coast Economic Region (“ECER”) project at an initial stage. The revenue recorded in the current quarter was mainly attributed from the “*Program Perumahan Rakyat*” (“PPR”) Project.

Property development

The group recorded revenue of RM2.158 million and profit before tax of RM0.494 million as compared to the preceding year corresponding period of RM0.549 million and RM0.042 million respectively. The increased in revenue was derived from sales of completed units during the current quarter.

Trading

The group recorded revenue of RM5.462 million and profit before tax of RM0.136 million as compared to the preceding year corresponding period of RM1.933 million and RM0.047 million respectively. The increased 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 division.

B2. Comparison with preceding quarter results

For the current quarter under review, the Group recorded a profit before tax of RM0.958 million as compared to RM13.051 million in the immediate preceding quarter. The lower profit in the current financial quarter as compared to the immediate preceding quarter was due mainly to reduction in other operating income.

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 Federal Budget 2017 presented on 21 October 2016 has introduced various measures and focused on the strengthening of our economic and financial fundamental to better global uncertainties. The proactive spending and pump priming of the economy are capable of driving domestic demand thereby supporting economic growth. The Government quoted 2017 as “Delivery Year”. Therefore, it is foreseeable that business and construction activities to be increased and benefited the Group in line with this direction.

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 2017.

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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 30 November 2016 RM’000	Current Period To-Date 30 November 2016 RM’000
Current tax expense	423	423
Deferred tax expense	31	31
Total	454	454

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 2016, except as disclosed below:-

	Short term (Secured) RM’000	Long term (Secured) RM’000
Hire-purchase	119	287
Term loan	-	1,474
	119	1,761

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

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 2016 RM'000	Current Period To-Date 30 November 2016 RM'000
Interest income	70	70
Other income including investment income	67	67
Interest expenses	(18)	(18)
Depreciation and amortisation	(193)	(193)

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 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 30/11/16	Preceding year corresponding quarter 30/11/15	Current period To-date 30/11/16	Preceding year corresponding period to-date 30/11/15
Profit attributable to owners of the parent (RM)	503,730	1,066,585	503,730	1,066,585
Number of ordinary shares ('000)	119,407	119,495	119,407	119,495
Weighted average number of ordinary shares ('000)	119,408	119,499	119,408	119,499
Basic earnings per share (sen)	0.42	0.89	0.42	0.89

(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.

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B13. Realised and unrealised profits/losses disclosure

	As at 30/11/2016 RM'000	As at 31/08/2016 RM'000
Total retained profits of the Group		
- realised	170,580	169,790
- unrealised	45	282
	<hr/> 170,625	<hr/> 170,072
Less: Consolidation adjustments	(5,276)	(5,227)
Total Group retained profits as per financial statements	<hr/> 165,349	<hr/> 164,845

By Order of the Board

Wong Youn Kim
Chan Chee Yean
Company Secretaries
Kuala Lumpur
19 January 2017