

**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 and amendments to FRSs which are relevant to its operations and effective for the financial period beginning on or after 1 September 2016.

<b>Title</b>	<b>Effective Date</b>
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 and amendments to FRSs 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.

As at 31 August 2017, 624,000 ordinary shares have been purchased for RM569,716 including the transaction costs. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act, 2016.

**A7. Dividend paid**

There were no dividends paid during the quarter under review.

**A8. Segmental reporting**

<b>31 August 2017</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	144,254	17,275	6,483	3,000	171,012
Inter-segment revenue	36	-	-	(3,000)	(2,964)
Revenue from external customer	144,290	17,275	6,483	-	168,048
<b>RESULT</b>					
Segment results	5,700	447	(2,161)	(615)	3,371
Finance costs	(15)	-	(88)	-	(103)
Interest income	342	3	292	4	641
Profit/(loss) before tax	6,027	450	(1,957)	(611)	3,909
Tax expense	(1,704)	(110)	331	-	(1,483)

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 31 August 2017 are as follows:

	<b>RM'000</b>
Secured:	
Guarantees given to financial institutions on performance guarantee granted to subsidiaries	<u>122,210</u>
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 construction contract granted to a subsidiary	19,481
Guarantees given to suppliers for credit facilities granted to a subsidiary	4,300
Guarantees given to a third party for performance in the development agreement granted to a third party	4,390
	<u>414,075</u>

**A12. Subsequent events**

There was no other material events subsequent to the financial year ended 31 August 2017 up to the date of this report except as disclosed below:

On 5 October 2017, Melati Ehsan Capital Sdn Bhd, a wholly-owned subsidiary of the Company, had obtained a conditional Letter of Approval dated 14 September 2017, from the Ministry of Wellbeing, Housing and Local Government for the Money Lending Licence under the Money Lending Act 1951 (Act 400).

**A13. Commitments**

There was no capital commitment in the financial year ended 31 August 2017, except as disclosed below:

	<b>RM</b>
Capital expenditure contracted but not provided for in respect of:-	
- purchase of land held for property development	<u>70,135,849</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**

Financial review for current quarter and financial year to date

	Individual Period		Changes (%)	Cumulative Period		Changes (%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-Date	Preceding Year Corresponding Period	
	31/08/2017 RM '000	31/08/2016 RM '000		31/08/2017 RM '000	31/08/2016 RM '000	
Revenue	79,558	53,705	48	168,048	103,863	62
Operating Profit	340	13,100	(97)	4,087	30,463	(87)
Profit Before Interest and Tax	317	13,082	(98)	4,012	30,390	(87)
Profit Before Tax	279	13,051	(98)	3,909	30,336	(87)
Profit After Tax	899	13,140	(93)	2,426	30,170	(92)
Profit Attributable to Ordinary Equity Holders of the Parent	899	13,140	(93)	2,426	30,170	(92)

For the financial year ended 31 August 2017, the Group achieved a revenue of RM168.048 million and profit before tax of RM3.909 million as compared to RM103.863 million and RM30.336 million respectively for the preceding year.

The decreased in profit despite of higher revenue of the Group in the current financial year as compared to the preceding year was due mainly to lower other income and higher cost of sales. In the preceding year, other income was mainly derived from gain on disposal of a subsidiary.

Detailed analysis of the performance for the respective operating business segments for the year ended 31 August 2017 are as follows:

Construction

The Group recorded revenue of RM144.290 million and profit before tax of RM6.027 million as compared to the previous year of RM77.108 million and profit before tax of RM0.139 million respectively. The higher revenue and profit before tax of this operation was due mainly attributed from “*Program Perumahan Rakyat*” (“PPR”) project and the new road work in East Coast Economic Region (“ECER”) project.

Property development

The Group recorded revenue of RM6.483 million and loss before tax of RM1.957 million as compared to the previous year of RM16.414 million and profit before tax of RM0.093 million respectively. The decreased in revenue was due mainly to lower sales under the current market sentiment.

Trading

The Group recorded revenue of RM17.275 million and profit before tax of RM0.450 million as compared to the previous year of RM10.341 million and profit before tax of RM0.192 million respectively. The increased in sales and profit was due mainly to higher volume of building materials being traded and consumed by our appointed sub-contractors for the Group’s construction division.

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**B2. Comparison with preceding quarter results**

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31/08/2017 RM '000	31/05/2017 RM '000	
Revenue	79,558	32,235	147
Operating Profit	340	1,484	(77)
Profit Before Interest and Tax	317	1,467	(78)
Profit Before Tax	279	1,408	(80)
Profit After Tax	899	514	75
Profit Attributable to Ordinary Equity Holders of the Parent	899	514	75

For the current quarter under review, the Group recorded a profit before tax of RM0.279 million as compared to RM1.408 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 provision of liquidated damages in current financial quarter.

**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 caution economic outlook.

Government proactive spending and pump priming of the economy through various mega public infrastructure projects 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. We expect domestic economy to remain relatively stable with a more positive outlook in 2018. We are cautiously optimistic on the property market given Malaysia young demographics and property is still the best hedges against inflation and preferred assets for wealth preservation.

The Board of Directors is optimistic about the Group's ability to continue to achieve satisfactory performance for the financial year ending 31 August 2018.

**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").

On 7 September 2017, the Company at an Extraordinary General Meeting had obtained shareholders' approval of the Proposed Acquisition. The completion of the Proposed Acquisition is still subject to and conditional upon the conditions precedent being fulfilled.

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**B6. Income tax expense**

	<b>Current Quarter 31 August 2017 RM'000</b>	<b>Current Year To-Date 31 August 2017 RM'000</b>
Current tax expense	269	2,341
Deferred tax expense	(889)	(858)
<b>Total</b>	<b>(620)</b>	<b>1,483</b>

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 2017, except as disclosed below:-

	<b>31 August 2017</b>		<b>31 August 2016</b>	
	<b>Short term RM'000</b>	<b>Long term RM'000</b>	<b>Short term RM'000</b>	<b>Long term RM'000</b>
<b>Secured</b>				
Hire-purchase	164	237	35	-
Term loan	402	1,613	-	1,290
	566	1,850	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.

**B10. Dividends**

The directors proposed a first and final single tier dividend of 1.0 sen per ordinary share, amounting to RM1,193,764 in respect of the financial year ended 31 August 2017 (2016 : 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):-

	<b>Current Quarter 31 August 2017 RM'000</b>	<b>Current Year To-Date 31 August 2017 RM'000</b>
Interest income	102	641
Other income including investment income	156	1,109
Interest expenses	(37)	(103)
Depreciation and amortization	(298)	(916)
Provision for liquidated damages	(1,270)	(1,270)
Loss on disposal of property, plant & equipment	-	(16)

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 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.

	<b>Current quarter 31/08/17</b>	<b>Preceding year corresponding quarter 31/08/16</b>	<b>Current year To-date 31/08/17</b>	<b>Preceding year corresponding year to-date 31/08/16</b>
Profit attributable to owners of the parent (RM)	898,522	13,140,089	2,425,577	30,170,228
Number of ordinary shares ('000)	119,376	119,398	119,376	119,398
Weighted average number of ordinary shares ('000)	119,376	119,398	119,391	119,464
Basic earnings per share (sen)	0.75	11.00	2.03	25.25

(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.

**B13. Realised and unrealised profits/losses disclosure**

	<b>As at 31/08/2017 RM'000</b>	<b>As at 31/05/2017 RM'000</b>
Total retained profits of the Group		
- realised	168,055	169,548
- unrealised	2,460	45
	<u>170,515</u>	<u>169,593</u>
Less: Consolidation adjustments	(5,334)	(5,310)
Total Group retained profits as per financial statements	<u>165,181</u>	<u>164,283</u>

By Order of the Board

**Wong Youn Kim**  
**Chan Chee Yean**  
 Company Secretaries  
 Kuala Lumpur  
 25 October 2017