

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 2017.

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 2017.

Title	Effective Date
Amendments to FRS 107 Disclosure Initiative	1 January 2017
Amendments to FRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 12 Annual Improvements to FRS Standards 2014-2016 Cycle	1 January 2017

The adoption of these amendments to FRSs does 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 2017.

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:

During the current quarter, the Company repurchased 30,000 of its issued ordinary shares from the open market at an overall average price of RM0.805 per share. The total consideration paid was RM24,346 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 127 of the Companies Act, 2016. As at 30 November 2017, 654,000 ordinary shares have been purchased for RM594,062 including the transaction costs.

A7. Dividend paid

There were no dividends paid during the quarter under review.

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A8 **Segmental reporting**

30 November 2017

REVENUE	Construction RM'000	Trading RM'000	Property Development RM'000	Others RM'000	Consolidated RM'000
Total revenue	36,404	5,233	2,560	-	44,197
Inter-segment revenue	-	-	-	-	-
Revenue from external customer	36,404	5,233	2,560	-	44,197
RESULT					
Segment results	(36)	144	624	(88)	644
Finance costs	(5)	-	(23)	-	(28)
Interest income	141	3	2	15	161
Profit/(loss) before tax	100	147	603	(73)	777
Tax expense	(130)	(35)	(8)	-	(173)

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.

A11. **Contingent liabilities**

The details of Company contingent liabilities as at 30 November 2017 are as follows:

	RM'000
Secured:	
Guarantees given to financial institutions on performance guarantee granted to subsidiaries	285,691
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
	414,075

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A12. **Subsequent events**

There was no other material events subsequent to the financial period ended 30 November 2017 up to the date of this report.

A13. **Commitments**

There was no capital commitment in the financial period ended 30 November 2017, except as disclosed below:

	RM
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	
	30/11/2017 RM '000	30/11/2016 RM '000		30/11/2017 RM '000	30/11/2016 RM '000	
Revenue	44,197	21,808	103	44,197	21,808	103
Operating Profit	822	994	(17)	822	994	(17)
Profit Before Interest and Tax	805	976	(18)	805	976	(18)
Profit Before Tax	777	958	(19)	777	958	(19)
Profit After Tax	604	504	20	604	504	20
Profit Attributable to Ordinary Equity Holders of the Parent	604	504	20	604	504	20

For the financial period ended 30 November 2017, the Group achieved a revenue of RM44.197 million and profit before tax of RM0.777 million as compared to RM21.808 million and RM0.958 million respectively for the preceding year corresponding period.

The decreased in profit before tax of the Group in the current financial period as compared to the preceding year corresponding period was due mainly to decrease in gross profit margin.

Detailed analysis of the performance for the respective operating business segments for the period ended 30 November 2017 are as follows:

Construction

The group recorded revenue of RM36.404 million and profit before tax of RM0.100 million as compared to the preceding year corresponding period of RM14.189 million and RM0.408 million respectively. The revenue recorded in the current quarter was mainly attributed from the construction of office tower at Jalan Conlay and “Perumahan Penjawat Awam 1 Malaysia” (“PPA1M”) Project in Sentul.

Property development

The group recorded revenue of RM2.560 million and profit before tax of RM0.603 million as compared to the preceding year corresponding period of RM2.158 million and RM0.494 million respectively. The increased in revenue was derived from sales of completed units during the current quarter.

Trading

The group recorded revenue of RM5.233 million and profit before tax of RM0.147 million as compared to the preceding year corresponding period of RM5.461 million and RM0.136 million respectively. The slight decreased in sales in the current quarter was due mainly to lower 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 (%)
	30/11/2017 RM '000	31/08/2017 RM '000	
Revenue	44,197	79,558	103
Operating Profit	822	340	(17)
Profit Before Interest and Tax	805	317	(18)
Profit Before Tax	777	279	(19)
Profit After Tax	604	899	20
Profit Attributable to Ordinary Equity Holders of the Parent	604	899	20

For the current quarter under review, the Group recorded a profit before tax of RM0.777 million as compared to RM0.279 million in the immediate preceding quarter. The higher profit before tax in the current financial quarter as compared to the immediate preceding quarter was due mainly to provision of liquidated damages in immediate preceding quarter.

B3. Commentary on prospects

The on-going construction works 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. 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

	Current Quarter 30 November 2017 RM'000	Current Period To-Date 30 November 2017 RM'000
Current tax expense	173	173
Deferred tax expense	-	-
Total	173	173

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 2017, except as disclosed below:-

	30 November 2017		30 November 2016	
	Short term RM'000	Long term RM'000	Short term RM'000	Long term RM'000
Secured				
Hire-purchase	298	62	119	287
Term loan	734	1,191	-	1,474
	1,032	1,253	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.

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 2017 RM'000	Current Period To-Date 30 November 2017 RM'000
Interest income	161	161
Other income including investment income	109	109
Interest expenses	(28)	(28)
Depreciation and amortisation	(88)	(88)

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.

	Current quarter 30/11/17	Preceding year corresponding quarter 30/11/16	Current period To-date 30/11/17	Preceding year corresponding period to-date 30/11/16
Profit attributable to owners of the parent (RM)	603,568	503,730	603,568	503,730
Number of ordinary shares ('000)	119,346	119,407	119,346	119,407
Weighted average number of ordinary shares ('000)	119,366	119,408	119,366	119,408
Basic earnings per share (sen)	0.51	0.42	0.51	0.42

(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

	As at 30/11/2017 RM'000	As at 31/08/2017 RM'000
Total retained profits of the Group		
- Realised	170,417	168,055
- Unrealised	719	2,460
	<u>171,136</u>	<u>170,515</u>
Total share of losses from a joint venture:		
- Realised	(254)	(237)
	<u>170,882</u>	<u>170,278</u>
Less: Consolidation adjustments	(5,097)	(5,097)
Total Group retained profits as per financial statements	<u>165,785</u>	<u>165,181</u>

By Order of the Board

Wong Youn Kim
Chan Chee Yean
 Company Secretaries
 Kuala Lumpur
 25 January 2018