

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:

As at 28 February 2018, 654,000 ordinary shares have been purchased for RM594,062 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.

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A8 **Segmental reporting**

28 February 2018

REVENUE	Construction RM'000	Trading RM'000	Property Development RM'000	Others RM'000	Consolidated RM'000
Total revenue	75,415	11,135	4,560	-	91,110
Inter-segment revenue	(92)	-	-	-	(92)
Revenue from external customer	75,323	11,135	4,560	-	91,018
RESULT					
Segment results	1,511	302	1	(223)	1,591
Finance costs	(9)	-	(46)	-	(55)
Interest income	222	5	4	27	258
Profit/(loss) before tax	1,724	307	(41)	(196)	1,794
Tax expense	(700)	(74)	-	-	(774)

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 28 February 2018 are as follows:

	RM'000
Secured:	
Guarantees given to financial institutions on performance guarantee granted to subsidiaries	266,210
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	5,800
Guarantees given to a third party for performance in the development agreement granted to a third party	4,390
	415,575

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A12. **Subsequent events**

There was no other material events subsequent to the financial period ended 28 February 2018 up to the date of this report.

A13. **Commitments**

There was no capital commitment in the financial period ended 28 February 2018, 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	
	28/02/2018 RM '000	28/02/2017 RM '000		28/02/2018 RM '000	28/02/2017 RM '000	
Revenue	46,821	34,446	36	91,018	56,255	62
Operating Profit	1,063	1,286	(17)	1,884	2,264	(17)
Profit Before Interest and Tax	1,044	1,269	(18)	1,849	2,229	(17)
Profit Before Tax	1,017	1,264	(20)	1,794	2,222	(19)
Profit After Tax	416	509	(18)	1,020	1,013	1
Profit Attributable to Ordinary Equity Holders of the Parent	416	509	(18)	1,020	1,013	1

For the financial period ended 28 February 2018, the Group achieved a revenue of RM91.018 million and profit before tax of RM1.794 million as compared to RM56.255 million and RM2.222 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 despite increased in revenue was due mainly to decrease in gross profit margin.

Detailed analysis of the performance for the respective operating business segments for the period ended 28 February 2018 are as follows:

Construction

The group recorded revenue of RM75.323 million and profit before tax of RM1.724 million as compared to the preceding year corresponding period of RM45.676 million and RM1.944 million respectively. The revenue recorded in the current quarter was mainly attributed from the construction of road work in East Coast Economic Region (“ECER”) projects, office tower at Jalan Conlay and “Perumahan Penjawat Awam 1 Malaysia” (“PPA1M”) Project in Sentul.

Property development

The group recorded revenue of RM4.560 million and loss before tax of RM0.041 million as compared to the preceding year corresponding period of RM2.308 million and profit before tax of RM0.279 million respectively. The increased in revenue was due mainly to higher sales recognition during the current quarter.

Trading

The group recorded revenue of RM11.135 million and profit before tax of RM0.307 million as compared to the preceding year corresponding period of RM8.271 million and RM0.213 million respectively. The increased in revenue 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.

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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 (%)
	28/02/2018 RM '000	30/11/2017 RM '000	
Revenue	46,821	44,197	6
Operating Profit	1,063	822	29
Profit Before Interest and Tax	1,044	805	30
Profit Before Tax	1,017	777	31
Profit After Tax	416	604	(31)
Profit Attributable to Ordinary Equity Holders of the Parent	416	604	(31)

For the current quarter under review, the Group recorded a profit before tax of RM1.017 million as compared to RM0.777 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 the higher construction activities of our road work in ECER projects, office tower at Jalan Conlay and PPA1M Project in Sentul.

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. 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 28 February 2018 RM'000	Current Period To-Date 28 February 2018 RM'000
Current tax expense	601	774
Deferred tax expense	-	-
Total	601	774

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 28 February 2018, except as disclosed below:-

	28 February 2018		28 February 2017	
	Short term RM'000	Long term RM'000	Short term RM'000	Long term RM'000
Secured				
Hire-purchase	241	306	209	159
Term loan	632	1,193	-	2,210
	873	1,499	209	2,369

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 28 February 2018 RM'000	Current Period To-Date 28 February 2018 RM'000
Interest income	97	258
Other income including investment income	98	207
Interest expenses	(27)	(55)
Depreciation and amortisation	(105)	(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.

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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 28/02/18	Preceding year corresponding quarter 28/02/17	Current period To-date 28/02/18	Preceding year corresponding period to-date 28/02/17
Profit attributable to owners of the parent (RM)	416,436	509,477	1,020,004	1,013,207
Number of ordinary shares ('000)	119,346	119,397	119,346	119,397
Weighted average number of ordinary shares ('000)	119,346	119,397	119,356	119,398
Basic earnings per share (sen)	0.35	0.43	0.85	0.85

(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.

By Order of the Board

Wong Youn Kim
Chan Chee Yean
 Company Secretaries
 Kuala Lumpur
 23 April 2018