

**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 2017 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.

<b>Title</b>	<b>Effective Date</b>
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 140,300 of its issued ordinary shares from the open market at an overall average price of RM0.65 per share. The total consideration paid was RM91,896 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 31 May 2018, 794,300 ordinary shares have been purchased for RM685,958 including the transaction costs.

**A7. Dividend paid**

A first and final single tier dividend of 1.0 sen per ordinary share amounting to RM1,193,464 in respect of the financial year ended 31 August 2017 has been paid on 19 March 2018.

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A8 **Segmental reporting**

**31 May 2018**

<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	120,745	23,092	74,818	-	218,655
Inter-segment revenue	(92)	-	-	-	(92)
Revenue from external customer	120,653	23,092	74,818	-	218,563
<b>RESULT</b>					
Segment results	2,593	690	(1,039)	(318)	1,926
Finance costs	(16)	-	(68)	-	(84)
Interest income	366	6	19	30	421
Profit/(loss) before tax	2,943	696	(1,088)	(288)	2,263
Tax expense	(655)	(154)	-	-	(809)

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. **Subsequent events**

There was no other material events subsequent to the financial period ended 31 May 2018 up to the date of this report.

A12. **Commitments**

There was no capital commitment in the financial period ended 31 May 2018, except as disclosed below:

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

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A13. **Contingent liabilities**

The details of Company contingent liabilities as at 31 May 2018 are as follows:

	<b>RM'000</b>
Secured:	
Guarantees given to financial institutions on credit facilities granted to subsidiaries	182,210
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 financial institution on a credit facility granted a subsidiary	144,000
Guarantees given to a financial institution on a credit facility granted a joint venture	280,770
	<u>835,955</u>

A14. **Cash and cash equivalents**

Cash and cash equivalents included in the statements of cash flows comprise the following:

	<b>RM</b>
Cash and bank balances	2,827,232
Fixed deposits with licensed banks	6,825,525
	<u>9,652,757</u>
Less:	
Deposits pledged with financial institution	<u>(2,021,838)</u>
	<u>7,630,919</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	
	31/05/2018 RM '000	31/05/2017 RM '000		31/05/2018 RM '000	31/05/2017 RM '000	
Revenue	127,545	32,235	296	218,563	88,490	147
Operating Profit	516	1,484	(65)	2,400	3,747	(36)
Profit Before Interest and Tax	498	1,467	(66)	2,347	3,696	(36)
Profit Before Tax	469	1,408	(67)	2,263	3,630	(38)
Profit After Tax	434	514	(16)	1,454	1,527	(5)
Profit Attributable to Ordinary Equity Holders of the Parent	434	514	(16)	1,454	1,527	(5)

For the financial period ended 31 May 2018, the Group achieved a revenue of RM218.563 million and profit before tax of RM2.263 million as compared to RM88.490 million and RM3.630 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 31 May 2018 are as follows:

Construction

The group recorded revenue of RM120.653 million and profit before tax of RM2.943 million as compared to the preceding year corresponding period of RM76.734 million and RM4.046 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 Malaysia*” (“PPAM”) Project in Sentul.

Property development

The group recorded revenue of RM74.818 million and loss before tax of RM1.088 million as compared to the preceding year corresponding period of RM0.176 million and loss before tax of RM0.429 million respectively. The significant increased in revenue was due mainly to inventories sold during the current quarter. However this segment remained loss before tax was due mainly to liquidated damages incurred and paid during the current quarter.

Trading

The group recorded revenue of RM23.092 million and profit before tax of RM0.696 million as compared to the preceding year corresponding period of RM11.580 million and RM0.322 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 (%)
	31/05/2018 RM '000	28/02/2018 RM '000	
Revenue	127,545	46,821	172
Operating Profit	516	1,063	(51)
Profit Before Interest and Tax	498	1,044	(52)
Profit Before Tax	469	1,017	(54)
Profit After Tax	434	416	4
Profit Attributable to Ordinary Equity Holders of the Parent	434	416	4

For the current quarter under review, the Group recorded a profit before tax of RM0.469 million as compared to RM1.017 million in the immediate preceding quarter. The significant increased in revenue was due mainly to inventories sold during the current quarter. The lower profit before tax in the current financial quarter as compared to the immediate preceding quarter was due mainly to payment of liquidated damages in current financial quarter.

**B3. Commentary on prospects**

The new Government after general election on 9 May has announced numerous prudent measures to tackle the country's debt level, from reviewing and scrapping large infrastructure projects that will bring no economic benefit to the nation. The cost cutting pursuit is largely aimed at streamlining the national expenditure and improving the federal government's fiscal health. Nevertheless, the secured and on-going construction works of the Company will continue to contribute positively to the Group's revenue and profitability despite lesser lucrative contracts will be dishd out by the new Government in the near term.

Reduction of the Goods and Services Tax (GST) from 6% to 0% will increase consumers' willingness to spend, render turnover to pick up in areas where the GST is lifted from merchandise and boost the local commercial property market. The reintroduction of the Sales and Services Tax (SST) in September is expected to result in lower prices of goods in general. The measures are expected to stimulate purchasing power and consumption, which would yield a multiplier effect in the economy and eventually spur business activities domestically.

The outlook for Malaysia appears to be promising as the new government sets to work to address some issues and problems that have held back Malaysia's long-term prospects and deterred foreign investment. There is better clarity and the market is poised for growth.

Based upon the above, the outlook of the local construction sector is promising and will benefit the industry players. For the property development segment, we expect that there will be a period of adjustment and consolidation to clear existing stock before an uptrend can be seen. Nevertheless, due to a clearer economic and political direction, certain developers may still implement projects that they had planned or announced earlier.

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.

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**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.

**B6. Income tax expense**

	<b>Current Quarter 31 May 2018 RM’000</b>	<b>Current Period To-Date 31 May 2018 RM’000</b>
Current tax expense	35	809
Deferred tax expense	-	-
<b>Total</b>	<b>35</b>	<b>809</b>

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 31 May 2018, except as disclosed below:-

	<b>31 May 2018</b>		<b>31 May 2017</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	286	315	169	159
Term loan	533	1,191	-	2,113
	819	1,506	169	2,272

**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.

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**B11. Notes to the Statement of Comprehensive Income**

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

	<b>Current Quarter 31 May 2018 RM'000</b>	<b>Current Period To-Date 31 May 2018 RM'000</b>
Interest income	163	421
Other income including investment income	96	303
Interest expenses	(29)	(84)
Depreciation and amortization	(111)	(304)
Liquidated damages	(710)	(710)

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.

	<b>Current quarter 31/05/18</b>	<b>Preceding year corresponding quarter 31/05/17</b>	<b>Current period To-date 31/05/18</b>	<b>Preceding year corresponding period to-date 31/05/17</b>
Profit attributable to owners of the parent (RM)	433,762	513,849	1,453,766	1,527,055
Number of ordinary shares ('000)	119,206	119,376	119,206	119,376
Weighted average number of ordinary shares ('000)	119,267	119,391	119,326	119,395
Basic earnings per share (sen)	0.36	0.43	1.22	1.28

(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  
 30 July 2018