

**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 37,000 of its issued ordinary shares from the open market at an overall average price of RM0.61 per share. The total consideration paid was RM22,712 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 August 2018, 831,300 ordinary shares have been purchased for RM708,670 including the transaction costs.

**A7. Dividend paid**

There were no dividends paid during the quarter under review.

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A8 **Segmental reporting**

**31 August 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	173,938	31,662	82,639	3,000	291,239
Inter-segment revenue	(351)	(39)	-	(3,000)	(3,390)
Revenue from external customer	173,587	31,623	82,639	-	287,849
<b>RESULT</b>					
Segment results	4,042	979	(1,816)	(267)	2,938
Finance costs	(100)	-	(96)	-	(196)
Interest income	232	6	190	32	460
Profit/(loss) before tax	4,174	985	(1,722)	(235)	3,202
Tax expense	(686)	(179)	76	-	(789)

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 August 2018 up to the date of this report.

A12. **Commitments**

There was no capital commitment in the financial year ended 31 August 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 August 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	6,000
Guarantees given to a financial institution on a credit facility granted to a subsidiary	144,000
Guarantees given to a financial institution on a credit facility granted to a joint venture	280,770
	<u>836,155</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	11,464,309
Fixed deposits with licensed banks	8,344,375
	<u>19,808,684</u>
Less:	
Deposits pledged with financial institution	<u>(2,039,219)</u>
	<u>17,769,465</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	
	31/08/2018 RM '000	31/08/2017 RM '000		31/08/2018 RM '000	31/08/2017 RM '000	
Revenue	69,286	79,558	(13)	287,849	168,048	71
Operating (Loss) / Profit	(270)	340	(179)	2,130	4,087	(48)
Profit Before Interest and Tax	1,051	317	232	3,398	4,012	(15)
Profit Before Tax	939	279	237	3,202	3,909	(18)
Profit After Tax	959	899	7	2,413	2,426	(1)
Profit Attributable to Ordinary Equity Holders of the Parent	959	899	7	2,413	2,426	(1)

For the financial year ended 31 August 2018, the Group achieved a revenue of RM287.849 million and profit before tax of RM3.202 million as compared to RM168.048 million and RM3.909 million respectively for the preceding year.

The decreased in profit before tax of the Group in the current financial year as compared to the preceding year 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 year ended 31 August 2018 are as follows:

Construction

The group recorded revenue of RM173.587 million and profit before tax of RM4.174 million as compared to the previous year of RM144.290 million and RM6.027 million respectively. The revenue recorded in the current year 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 RM82.639 million and loss before tax of RM1.722 million as compared to the previous year of RM6.483 million and RM1.957 million respectively. The significant increased in revenue was due mainly to inventories of property units sold during the year. However this segment remained loss before tax was due mainly to liquidated damages incurred and paid during the year.

Trading

The group recorded revenue of RM31.623 million and profit before tax of RM0.985 million as compared to the previous year of RM17.275 million and RM0.451 million respectively. The increased in revenue in the current year 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 (%)
	31/08/2018 RM '000	31/05/2018 RM '000	
Revenue	69,286	127,545	(46)
Operating (Loss) / Profit	(270)	516	(152)
Profit Before Interest and Tax	1,051	498	111
Profit Before Tax	939	469	100
Profit After Tax	959	434	121
Profit Attributable to Ordinary Equity Holders of the Parent	959	434	121

For the current quarter under review, the Group recorded a profit before tax of RM0.939 million as compared to RM0.469 million in the immediate preceding quarter. The higher revenue in immediate preceding quarter was due mainly to bulk inventories sold during the last quarter. The higher profit before tax in the current financial quarter as compared to the immediate preceding quarter was due mainly to share of profit of a joint venture during the current 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% has increased consumers' willingness to spend, rendered turnover 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 likely 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 2019.

**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 August 2018 RM’000</b>	<b>Current Year To-Date 31 August 2018 RM’000</b>
Current tax expense	(65)	744
Deferred tax expense	45	45
Total	<u>(20)</u>	<u>789</u>

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 2018, except as disclosed below:-

	<b>31 August 2018</b>		<b>31 August 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	289	245	164	237
Term loan	14,811	1,197	402	1,613
	<u>15,100</u>	<u>1,442</u>	<u>566</u>	<u>1,850</u>

**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 RM1,191,691 in respect of the financial year ended 31 August 2018 (2017: single tier dividend of 1.0 sen per ordinary share). The dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

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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 August 2018 RM'000</b>	<b>Current Year To-Date 31 August 2018 RM'000</b>
Interest income	39	460
Other income including investment income	394	697
Reversal of impairment losses on other receivables	450	450
Interest expenses	(113)	(197)
Depreciation and amortization	(102)	(406)
Liquidated damages	-	(710)
Fair value on amount due from a joint venture	(1,012)	(1,012)

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 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 31/08/18</b>	<b>Preceding year corresponding quarter 31/08/17</b>	<b>Current year To-date 31/08/18</b>	<b>Preceding year corresponding year to-date 31/08/17</b>
Profit attributable to owners of the parent (RM)	959,145	898,522	2,412,911	2,425,577
Number of ordinary shares ('000)	119,169	119,376	119,169	119,376
Weighted average number of ordinary shares ('000)	119,184	119,376	119,290	119,391
Basic earnings per share (sen)	0.80	0.75	2.02	2.03

(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.

By Order of the Board

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