

MELATI EHSAN HOLDINGS BERHAD (673293-X)
(Incorporated in Malaysia)

A. EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134: INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The unaudited interim financial report has been prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 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 2019 and were prepared in accordance with Malaysian Financial Reporting Standard (MFRS).

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 2019 except for the adoption of new MFRSs, amendments to MFRSs and IC Interpretations (IC) which are relevant to its operations and effective for the financial period beginning on or after 1 September 2019.

Title		Effective Date
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3	Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11	Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 112	Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 123	Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019

The adoption of these MFRSs, amendments to MFRSs and IC Interpretations 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 2019.

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.

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 2019, 1,290,800 ordinary shares have been purchased for RM949,950 including the transaction costs.

MELATI EHSAN HOLDINGS BERHAD (673293-X)
(Incorporated in Malaysia)

A7. **Dividend paid**
There were no dividends paid during the quarter under review.

A8 **Segmental reporting**

30 November 2019

REVENUE	Construction RM'000	Trading RM'000	Property Development RM'000	Others RM'000	Consolidated RM'000
Total revenue	55,342	4,079	-	-	59,421
Inter-segment revenue	-	-	-	-	-
Revenue from external customer	55,342	4,079	-	-	59,421
RESULT					
Segment results	1,765	72	(109)	(147)	1,581
Finance costs	(620)	-	(14)	-	(634)
Interest income	37	2	2	13	54
Profit/(loss) before tax	1,182	74	(121)	(134)	1,001
Tax expense	(400)	(18)	-	-	(418)

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 2019 are as follows:

	RM'000
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 construction agreement granted to a subsidiary	19,481
Guarantees given to suppliers for credit facilities granted to a subsidiary	3,500
Guarantees given to a financial institution on credit facilities granted to a subsidiary	264,000
Guarantees given to a financial institution on credit facilities granted to a joint venture	280,770
	<u>567,751</u>

MELATI EHSAN HOLDINGS BERHAD (673293-X)
(Incorporated in Malaysia)

A12. Commitments

There was no capital commitment in the financial period ended 30 November 2019, except as disclosed below:

	RM
Capital expenditure contracted but not provided for in respect of:-	
- purchase of land held for property development	<u>62,400,000</u>

A13. Subsequent events

There was no other material events subsequent to the financial period ended 30 November 2019 up to the date of this report.

A14. Cash and cash equivalents

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

	RM
Cash and bank balances	16,588,642
Fixed deposits with licensed banks	4,933,465
	<u>21,522,107</u>
Less:	
Deposits pledged with financial institution	<u>(2,124,501)</u>
	<u>19,397,606</u>

MELATI EHSAN HOLDINGS BERHAD (673293-X)
(Incorporated in Malaysia)

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 period to date

	Individual Period		Changes (%)	Cumulative Period		Changes (%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-Date	Preceding Year Corresponding Period	
	30/11/2019 RM '000	30/11/2018 RM '000		30/11/2019 RM '000	30/11/2018 RM '000	
Revenue	59,421	40,450	47	59,421	40,450	47
Operating Profit	1,725	336	413	1,725	336	413
Profit Before Interest and Tax	1,635	1,183	38	1,635	1,183	38
Profit Before Tax	1,001	954	5	1,001	954	5
Profit After Tax	583	571	2	583	571	2
Profit Attributable to Ordinary Equity Holders of the Parent	583	571	2	583	571	2

For the financial period ended 30 November 2019, the Group achieved revenue of RM59.421 million and profit before tax of RM1.001 million as compared to RM40.450 million and RM0.954 million respectively for the preceding year corresponding period.

The slight increased in profit before tax of the Group in the current financial period as compared to the preceding year corresponding period was in line with increase in revenue.

Detailed analysis of the performance for the respective operating business segments for the period ended 30 November 2019 is as follows:

Construction

The group recorded revenue of RM55.342 million and profit before tax of RM1.182 million as compared to the preceding year corresponding period of RM37.709 million and RM0.494 million respectively. The revenue recorded in the current quarter was mainly attributed from the construction of road work in East Coast Economic Region (“ECER”) project, office tower at Jalan Conlay, *Dewan Bandaraya Kuala Lumpur* (“DBKL”) *Kompleks Pejabat Direktorat* project at Bandar Tun Razak, DBKL carpark project in Middle Ring Road 2 and “*Perumahan Penjawat Awam Malaysia*” (“PPAM”) project in Sentul.

Property development

There was no revenue recorded for current quarter and preceding year corresponding period. The loss before tax during the quarter and preceding year corresponding period of RM0.121 million and RM0.373 million respectively was due mainly to operating expenses incurred.

Trading

The group recorded revenue of RM4.079 million and profit before tax of RM0.074 million as compared to the preceding year corresponding period of RM2.741 million and RM0.056 million respectively. The increased in sales 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.

MELATI EHSAN HOLDINGS BERHAD (673293-X)
(Incorporated in Malaysia)

B2. Comparison with preceding quarter results

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	30/11/2019 RM '000	31/08/2019 RM '000	
Revenue	59,421	74,166	(20)
Operating Profit / (Loss)	1,725	1,628	6
Profit Before Interest and Tax	1,635	3,865	(58)
Profit Before Tax	1,001	3,589	(72)
Profit After Tax	583	1,305	(55)
Profit Attributable to Ordinary Equity Holders of the Parent	583	1,305	(55)

For the current quarter under review, the Group recorded a profit before tax of RM1.001 million as compared to RM3.589 million in the immediate preceding quarter. The lower profit before tax in the current financial quarter as compared to the immediate preceding quarter was due mainly to share of loss of joint venture in the current quarter.

B3. Commentary on prospects

The Global and local economic outlook is expected to remain challenging in view of the rise of the US-China trade conflict, disrupting global trade and economic growth prospects. We expect the current uncertain and volatile state to remain in the near term with concerns spread over to other economic entities affecting investor confidence across the globe. As an open trade entity, Malaysia's prospects will also be pressurised by these damaging waves. In response to this, the Government has announced a public and business-friendly and pro-growth Budget 2020 against the backdrop of rising global uncertainties and trade disruption risks. The Government's new mantra "Shared Prosperity Vision 2030" has geared-up for a new direction in the next decade, outlining the opportunities and challenges for the nation and steps will be taken to address wealth inequality and narrowing the urban-rural development gap without affecting growth of the country.

The construction sector supports the ecosystem of around 140 other downstream industries; a weak growth of this sector would have significant ripple effects on the economy. Based upon this, the Government after a detailed review has recommenced several mega construction and infrastructure activities aimed at energising the sector and have a broad-based sustainable impact on the local economy.

The property market has been in the doldrums for the past few years with oversupply and high overhang inventory rate in certain categories of real property. A property overhang is defined as units that are completed and issued with certificate of completion and compliance, but remain unsold nine months after launch. The current situation requires Government intervention, given its weight to the greater economy as a prolonged weak property market will stretch into other areas of the economy. Encouragingly, the recent Budget 2020 has announced measures to promote easier access to affordable homes such as Rent-to-Own financing scheme and relaxed the threshold for foreigners to purchase unsold real estate. Generally, to boost the real property sector, market sentiment and buyer confidence levels must be restored.

We maintain a stable with cautious outlook for the Group's businesses for financial year 2020 amid the local and global uncertainties. As highlighted above, construction segment continues to be the core and emphasis will be given to the Group's soon-to-be launched residential development schemes as housing is a basic need. We also intend to take advantage of the various Government initiatives in the coming year and ride on mid-level market demand due to population growth and urbanisation.

The Board of Directors is optimistic about the Group's ability to continue to achieve satisfactory performance for the financial year ending 31 August 2020.

MELATI EHSAN HOLDINGS BERHAD (673293-X)
(Incorporated in Malaysia)

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”). The Development Order for BMSB’s proposed commercial development on the Land includes a condition requiring BMSB to build affordable homes, as such the Purchase Price for the Land has been 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

	Current Quarter 30 November 2019 RM’000	Current Period To-Date 30 November 2019 RM’000
Current tax expense	418	418
Deferred tax expense	-	-
Total	418	418

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 2019, except as disclosed below:-

	30 November 2019		30 November 2018	
	Short term RM’000	Long term RM’000	Short term RM’000	Long term RM’000
Secured				
Hire-purchase	306	49	281	182
Term loan	53,818	613	18,476	757
	54,124	662	18,757	939

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.

MELATI EHSAN HOLDINGS BERHAD (673293-X)
(Incorporated in Malaysia)

B11. Notes to the Statement of Comprehensive Income

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

	Current Quarter 30 November 2019 RM'000	Current Period To-Date 30 November 2019 RM'000
Interest income	54	54
Other income including investment income	260	260
Interest expenses	(634)	(634)
Depreciation and amortisation	(108)	(108)

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.

	Current quarter 30/11/19	Preceding year corresponding quarter 30/11/18	Current period To-date 30/11/19	Preceding year corresponding period to-date 30/11/18
Profit attributable to owners of the parent (RM)	582,921	571,456	582,921	571,456
Number of ordinary shares ('000)	118,710	119,169	118,710	119,169
Weighted average number of ordinary shares ('000)	118,710	119,169	118,710	119,169
Basic earnings per share (sen)	0.49	0.48	0.49	0.48

(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
 21 January 2020