

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 2021 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 2021 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 2021.

Title	Effective Date
<i>Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)</i>	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to MFRS 16 Leases)</i>	1 April 2021

The adoption of these amendments to MFRSs 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 2021.

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 2021, 2,590,900 ordinary shares have been purchased for RM1,514,733 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 2021

REVENUE	Construction RM'000	Property Development RM'000	Others RM'000	Consolidated RM'000
Total revenue	7,198	14,093	-	21,291
Inter-segment revenue	-	-	-	-
Revenue from external customer	7,198	14,093	-	21,291
RESULT				
Segment results	933	2,360	(442)	2,851
Finance costs	-	(2)	(2)	(4)
Interest income	19	2	2	23
Profit/(Loss) before tax	952	2,360	(442)	2,870
Tax expense	(550)	-	-	(550)

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 2021 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	1,500
Guarantees given to a financial institution on credit facilities granted to a subsidiary	120,000
Guarantees given to a financial institution on credit facilities granted to a joint venture	280,770
	421,751

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A12. **Commitments**

There was no capital commitment in the financial period ended 30 November 2021, except as disclosed below:

	RM
Capital expenditure contracted but not provided for in respect of:-	
- purchase of land held for property development	<u>57,496,862</u>

Subsequent to financial period ended 30 November 2021, the capital commitment was fully paid on 22 December 2021.

A13. **Subsequent events**

There was no other material events subsequent to the financial period ended 30 November 2021 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	2,953,801
Fixed deposits with licensed banks	<u>5,510,030</u>
	8,463,831
Less:	
Deposits pledged with financial institution	<u>(2,510,030)</u>
	<u>5,953,801</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 period to date

	Individual Period		Changes (%)	Cumulative Period		Changes (%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-Date	Preceding Year Corresponding Period	
	30/11/2021 RM '000	30/11/2020 RM '000		30/11/2021 RM '000	30/11/2020 RM '000	
Revenue	21,291	41,633	(49)	21,291	41,633	(49)
Operating Profit	3,264	1,822	79	3,264	1,822	79
Profit Before Interest and Tax	2,874	1,106	160	2,874	1,106	160
Profit Before Tax	2,870	1,096	162	2,870	1,096	162
Profit After Tax	2,320	516	350	2,320	516	350
Profit Attributable to Ordinary Equity Holders of the Parent	2,320	516	350	2,320	516	350

For the financial period ended 30 November 2021, the Group achieved revenue of RM21.291 million and profit before tax of RM2.870 million as compared to RM41.633 million and RM1.096 million respectively for the preceding year corresponding period.

The increased in profit before tax of the Group in the current financial period as compared to the preceding year corresponding period despite lower revenue was due mainly to higher profit attributed from property development segment.

Detailed analysis of the performance for the respective operating business segments for the period ended 30 November 2021 is as follows:

Construction

The Group recorded revenue of RM7.198 million and profit before tax of RM0.952 million as compared to the preceding year corresponding period of RM40.560 million and RM2.212 million respectively. The lower revenue recorded in the current quarter was mainly attributed from the nearly completion of the construction of office tower at Jalan Conlay and *Dewan Bandaraya Kuala Lumpur* (“DBKL”) *Kompleks Pejabat Direktorat* project at Bandar Tun Razak, Kuala Lumpur.

Property development

The Group recorded revenue of RM14.093 million and profit before tax of RM2.360 million as compared to the preceding year corresponding period of RM1.033 million and loss before tax of RM0.356 million respectively. The performance of this segment was attributed from sales from property development project known as Meridian at Taman Kluang Barat, Johor. The said project comprises of landed residential houses.

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 (%)
	30/11/2021 RM '000	31/08/2021 RM '000	
Revenue	21,291	24,732	(14)
Operating Profit / (Loss)	3,264	(3,859)	185
Profit Before Interest and Tax	2,874	2,086	38
Profit Before Tax	2,870	2,081	38
Profit After Tax	2,320	639	263
Profit Attributable to Ordinary Equity Holders of the Parent	2,320	639	263

For the current quarter under review, the Group recorded a profit before tax of RM2.870 million as compared to RM2.081 million in the immediate preceding quarter. The lower profit before tax in the immediate preceding quarter as compared to the current financial quarter was due mainly to adjustment of impairment losses on MFRS9.

B3. Commentary on prospects

Since the Novel Coronavirus (Covid-19) outbreak in 2020, the Malaysian government has announced the implementation of varying degrees of movement restrictions and standard operating procedures and is being reviewed from time to time. The impact of Covid-19 is being felt across all business sectors and industries worldwide. The pandemic has caused local and global markets to fluctuate widely, demand and supply shocks, job losses and business closures/suspension due to unprecedented measures implemented to contain the spread of the virus.

To combat the economic fallout from the coronavirus outbreak, Malaysia has unveiled comprehensive rescue plans to boost consumer sentiment and inject liquidity into the market. Based upon this, earnings growth for 2022 looks better than expected and consumer spending habits should continue to normalize. However, pending further clarity on containment of the pandemic or concerns of Covid-19 variants, business activities will likely remain risk sensitive.

Noting that the overall business conditions in 2022, the management is cautiously optimistic that its existing activities will continue to contribute positively to Melati Ehsan's earnings. However, we foresee a lower availability of new construction jobs in the local market and a more competitive tender environment. Based upon this, Melati Ehsan plans to focus on execution and timely completion of its existing order book. The management, in response to the crisis and uncertainties, had also exercised great prudence and extra caution in the management of the Group's financial matters and operations. Effective cash and financial management were the immediate response in dealing with these challenges. In addition, strategies had also been drawn up to enhance operational and cost efficiency.

The momentum of the property sector should remain intact and chart a better performance as the market slowly regains some confidence and the economy starts to recover in 2022. Based upon new launches of housing developments of late, we note that the appetite for property is still commendable, with some launches taken up within a short period especially in the affordable housing sub-segment. Buyers who delayed buying for the last 2 years are likely to re-enter the market and scout for good buys and there are now more choices available. Generally, we expect residential property prices to remain relatively stable in 2022. Landed properties were less affected by the pandemic, compared with high rise units as landed properties are getting scarce and generally, Malaysians still prefer landed units. Significant growth is not, however, expected as yet as the issues of the property overhang and stringent lending policies by banks are expected to linger in the near term.

The Board of Directors is optimistic about the Group's ability to continue to achieve satisfactory performance for the financial year ending 31 August 2022.

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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. Subsequent to financial period ended 30 November 2021, the Proposed Acquisition was completed on 22 December 2021.

B6. Income tax expense

	Current Quarter 30 November 2021 RM’000	Current Period To-Date 30 November 2021 RM’000
Current tax expense	550	550
Deferred tax expense	-	-
Total	550	550

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 2021, except as disclosed below:-

	30 November 2021		30 November 2020	
	Short term RM’000	Long term RM’000	Short term RM’000	Long term RM’000
Secured				
Contract	8,167	-	-	-
Financing				
Term loan	124	-	610	-
	8,291	-	610	-

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):-

	Current Quarter 30 November 2021 RM'000	Current Period To-Date 30 November 2021 RM'000
Interest income	24	24
Other income including investment income	92	92
Interest expenses	(4)	(4)
Depreciation and amortisation	(104)	(104)

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 30/11/21	Preceding year corresponding quarter 30/11/20	Current period To-date 30/11/21	Preceding year corresponding period to-date 30/11/20
Profit attributable to owners of the parent (RM)	2,320,014	515,611	2,320,014	515,611
Number of ordinary shares ('000)	116,406	117,410	116,406	117,410
Weighted average number of ordinary shares ('000)	116,406	117,927	116,406	117,927
Basic earnings per share (sen)	1.99	0.44	1.99	0.44

(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
 25 January 2022