

**MELATI EHSAN HOLDINGS BERHAD (200401034784 (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.

<b>Title</b>	<b>Effective Date</b>
<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 28 February 2022, 3,594,200 ordinary shares have been purchased for RM2,031,836 including the transaction costs.

**A7. Dividend paid**

There were no dividends paid during the quarter under review.

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A8 **Segmental reporting**

**28 February 2022**

<b>REVENUE</b>	<b>Construction RM'000</b>	<b>Property Development RM'000</b>	<b>Others RM'000</b>	<b>Consolidated RM'000</b>
Total revenue	13,637	25,237	-	38,874
Inter-segment revenue	-	-	-	-
Revenue from external customer	13,637	25,237	-	38,874
<b>RESULT</b>				
Segment results	2,773	3,042	107	5,922
Finance costs	(26)	(503)	(4)	(533)
Interest income	47	8	4	59
Profit/(Loss) before tax	2,794	2,547	107	5,448
Tax expense	(1,450)	-	(20)	(1,470)

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 2022 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 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 joint venture	280,770
	301,751

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A12. **Commitments**

There was no capital commitment in the financial period ended 28 February 2022.

A13. **Subsequent events**

There was no other material events subsequent to the financial period ended 28 February 2022 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:

	<b>RM</b>
Cash and bank balances	9,632,197
Fixed deposits with licensed banks	4,817,362
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	14,449,559
Less:	
Deposits pledged with financial institution	(2,517,074)
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	11,932,485

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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	
	28/02/2022 RM '000	28/02/2021 RM '000		28/02/2022 RM '000	28/02/2021 RM '000	
Revenue	17,584	24,467	(28)	38,874	66,100	(41)
Operating Profit	2,409	1,520	58	5,673	3,342	70
Profit Before Interest and Tax	3,106	790	293	5,980	1,895	216
Profit Before Tax	2,578	782	230	5,448	1,877	190
Profit After Tax	1,657	582	185	3,977	1,097	263
Profit Attributable to Ordinary Equity Holders of the Parent	1,657	582	185	3,977	1,097	263

For the financial period ended 28 February 2022, the Group achieved revenue of RM38.874 million and profit before tax of RM5.448 million as compared to RM66.100 million and RM1.877 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 profit attributed from property development segment and completion of two construction projects.

Detailed analysis of the performance for the respective operating business segments for the period ended 28 February 2022 is as follows:

Construction

The Group recorded revenue of RM13.637 million and profit before tax of RM2.795 million as compared to the preceding year corresponding period of RM64.054 million and RM3.322 million respectively. The lower revenue recorded in the current quarter was mainly attributed from the 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 RM25.237 million and profit before tax of RM2.547 million as compared to the preceding year corresponding period of RM1.998 million and RM0.121 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.

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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 (%)
	28/02/2022 RM '000	30/11/2021 RM '000	
Revenue	17,584	21,291	(14)
Operating Profit / (Loss)	2,409	3,264	185
Profit Before Interest and Tax	3,106	2,874	38
Profit Before Tax	2,578	2,870	38
Profit After Tax	1,657	2,320	263
Profit Attributable to Ordinary Equity Holders of the Parent	1,657	2,320	263

For the current quarter under review, the Group recorded a profit before tax of RM2.578 million as compared to RM2.870 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 increase in operating expenses.

**B3. Commentary on prospects**

Since the Novel Coronavirus (Covid-19) outbreak in 2020, the Malaysian government 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. Further, the transition to the endemic phase and the reopening of Malaysia's borders have clearly provided a positive impact on the national economy compared to the pandemic phase two years ago. Malaysia economy is recovering, however we are facing other internal and external risks such as the Russia-Ukraine war, hike in the prices of commodities and inflationary pressure/higher cost of living will likely affect sentiment of the overall market.

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 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.

**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”). 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 Proposed Acquisition was completed on 22 December 2021.

**B6. Income tax expense**

	<b>Current Quarter 28 February 2022 RM’000</b>	<b>Current Period To-Date 28 February 2022 RM’000</b>
Current tax expense	920	1,470
Deferred tax expense	-	-
<b>Total</b>	920	1,470

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 2022, except as disclosed below:-

	<b>28 February 2022</b>		<b>28 February 2021</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>				
Term loan	1,580	63,045	490	-

**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 28 February 2022 RM'000</b>	<b>Current Period To-Date 28 February 2022 RM'000</b>
Interest income	34	58
Other income including investment income	273	365
Interest expenses	(529)	(533)
Depreciation and amortisation	(107)	(211)

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 28/02/22</b>	<b>Preceding year corresponding quarter 28/02/21</b>	<b>Current period To-date 28/02/22</b>	<b>Preceding year corresponding period to-date 28/02/21</b>
Profit attributable to owners of the parent (RM)	1,657,434	581,773	3,977,448	1,097,384
Number of ordinary shares ('000)	116,406	116,506	116,406	116,506
Weighted average number of ordinary shares ('000)	116,406	116,683	116,406	117,309
Basic earnings per share (sen)	1.42	0.50	3.42	0.94

(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  
 28 April 2022