

**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.

During the current quarter, the Company repurchased 150,000 of its issued ordinary shares from the open market at an overall average price of RM0.57 per share. The total consideration paid was RM87,906 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 2022, 3,744,200 ordinary shares have been purchased for RM2,119,742 including the transaction costs.

**A7. Dividend paid**

A first and final single tier dividend of 1.0 sen per ordinary share amounting to RM1,164,062 in respect of the financial year ended 31 August 2021 has been paid on 21 March 2022.

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A8 **Segmental reporting**

**31 May 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	20,296	74,166	-	94,462
Inter-segment revenue	-	-	-	-
Revenue from external customer	20,296	74,166	-	94,462
<b>RESULT</b>				
Segment results	5,094	22,273	(1,217)	26,150
Finance costs	(26)	(1,168)	(5)	(1,199)
Interest income	56	19	3	78
Profit/(Loss) before tax	5,124	21,124	(1,219)	25,029
Tax expense	(2,327)	(4,399)	(20)	(6,746)

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 31 May 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 31 May 2022.

A13. **Subsequent events**

There was no other material events subsequent to the financial period ended 31 May 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	5,630,254
Fixed deposits with licensed banks	25,329,727
	<hr/>
	30,959,981
Less:	
Deposits pledged with financial institution	(2,524,176)
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	28,435,805

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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	
	31/05/2022 RM '000	31/05/2021 RM '000		31/05/2022 RM '000	31/05/2021 RM '000	
Revenue	55,588	22,074	152	94,462	88,173	7
Operating Profit	21,485	1,448	1,384	27,158	4,790	467
Profit Before Interest and Tax	20,247	675	2,900	26,227	2,571	920
Profit Before Tax	19,581	669	2,827	25,029	2,546	883
Profit After Tax	14,305	559	2,459	18,283	1,657	1003
Profit Attributable to Ordinary Equity Holders of the Parent	14,305	559	2,459	18,283	1,657	1003

For the financial period ended 31 May 2022, the Group achieved revenue of RM94.462 million and profit before tax of RM25.029 million as compared to RM88.173 million and RM2.546 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 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 31 May 2022 is as follows:

Construction

The Group recorded revenue of RM20.296 million and profit before tax of RM5.124 million as compared to the preceding year corresponding period of RM77.843 million and RM3.254 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 RM74.166 million and profit before tax of RM21.124 million as compared to the preceding year corresponding period of RM10.282 million and RM1.716 million respectively. The improved performance of this segment was mainly attributed from the disposal of a land held for property development and sales recorded for the landed residential development known as Meridian at Taman Kluang Barat, Johor.

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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 (%)
	31/05/2022 RM '000	28/02/2022 RM '000	
Revenue	55,588	17,584	216
Operating Profit	21,485	2,409	792
Profit Before Interest and Tax	20,247	3,106	552
Profit Before Tax	19,581	2,578	660
Profit After Tax	14,305	1,657	763
Profit Attributable to Ordinary Equity Holders of the Parent	14,305	1,657	763

For the current quarter under review, the Group recorded a profit before tax of RM19.581 million as compared to RM2.578 million in the immediate preceding quarter. The higher profit before tax in the current financial quarter as compared to the immediate preceding quarter was due mainly to disposal of a land held for property development.

**B3. Commentary on prospects**

Transition of the Novel Coronavirus (Covid-19) 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, stringent lending policies by banks and interest rate hike 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</b> <b>31 May 2022</b> <b>RM’000</b>	<b>Current Period To-Date</b> <b>31 May 2022</b> <b>RM’000</b>
Current tax expense	6,676	8,146
Deferred tax expense	(1,400)	(1,400)
Total	5,276	6,746

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 2022, except as disclosed below:-

	<b>31 May 2022</b>		<b>31 May 2021</b>	
	<b>Short term</b> <b>RM’000</b>	<b>Long term</b> <b>RM’000</b>	<b>Short term</b> <b>RM’000</b>	<b>Long term</b> <b>RM’000</b>
<b>Secured</b>				
Term loan	965	63,429	370	-

**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 2022 RM'000</b>	<b>Current Period To-Date 31 May 2022 RM'000</b>
Interest income	20	78
Other income including investment income	30	395
Interest expenses	(666)	(1,199)
Depreciation and amortisation	(106)	(317)

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 31/05/22</b>	<b>Preceding year corresponding quarter 31/05/21</b>	<b>Current period To-date 31/05/22</b>	<b>Preceding year corresponding period to-date 31/05/21</b>
Profit attributable to owners of the parent (RM)	14,305,258	559,348	18,282,706	1,656,732
Number of ordinary shares ('000)	116,256	116,406	116,256	116,406
Weighted average number of ordinary shares ('000)	116,388	116,411	116,400	117,006
Basic earnings per share (sen)	12.29	0.48	15.71	1.42

(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 July 2022