

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.

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 except as disclosed below:

During the current quarter, the Company repurchased 200,000 of its issued ordinary shares from the open market at an overall average price of RM0.57 per share. The total consideration paid was RM114,818 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 2022, 3,944,200 ordinary shares have been purchased for RM2,234,561 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 2022

REVENUE	Construction RM'000	Property Development RM'000	Others RM'000	Consolidated RM'000
Total revenue	25,997	75,390	1	101,388
Inter-segment revenue	-	-	-	-
Revenue from external customer	25,997	75,390	1	101,388
RESULT				
Segment results	4,978	18,950	4,131	28,059
Finance costs	(26)	(2,024)	(7)	(2,057)
Interest income	65	67	4	136
Profit before tax	5,017	16,993	4,128	26,138
Tax expense	(2,641)	(4,439)	(20)	(7,100)

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 August 2022 are as follows:

	RM'000
Secured:	
Guarantees given to financial institutions on credit facilities granted to subsidiaries	181,467
Unsecured:	
Guarantees given to a third party 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	42,512
Guarantees given to a financial institution on credit facilities granted to a joint venture	280,770
	344,263

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A12. **Commitments**

There was no capital commitment in the financial year ended 31 August 2022.

A13. **Subsequent events**

There was no other material events subsequent to the financial year ended 31 August 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:

	RM
Cash and bank balances	14,691,660
Fixed deposits with licensed banks	30,233,779
	<hr/>
	44,925,439
Less:	
Deposits pledged with financial institution	(2,535,027)
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	42,390,412

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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	
	31/08/2022 RM '000	31/08/2021 RM '000		31/08/2022 RM '000	31/08/2021 RM '000	
Revenue	6,926	23,252	(70)	101,388	111,425	(9)
Operating Profit / (Loss)	1,201	(3,916)	131	28,359	874	3,145
Profit Before Interest and Tax	1,968	2,028	(3)	28,195	4,600	513
Profit Before Tax	1,110	2,023	(45)	26,138	4,570	472
Profit After Tax	756	632	20	19,038	2,289	732
Profit Attributable to Ordinary Equity Holders of the Parent	756	632	20	19,038	2,289	732

For the financial year ended 31 August 2022, the Group achieved revenue of RM101.388 million and profit before tax of RM26.138 million as compared to RM111.425 million and RM4.570 million respectively for the preceding year.

The increased in profit before tax of the Group in the current financial year as compared to the preceding year was due mainly to profit attributed from property development segment and construction projects.

Detailed analysis of the performance for the respective operating business segments for the year ended 31 August 2022 is as follows:

Construction

The Group recorded revenue of RM25.997 million and profit before tax of RM5.017 million as compared to the preceding year of RM92.747 million and RM1.276 million respectively. The lower revenue recorded in the current year was mainly attributed from the construction of office tower at Jalan Conlay and *Dewan Bandaraya Kuala Lumpur* (“DBKL”) *Kompleks Pejabat Direktorat* project at Bandar Tun Razak, Kuala Lumpur. In spite of the lower revenue, this segment recorded higher profit before tax due to lower costs of sales.

Property development

The Group recorded revenue of RM75.390 million and profit before tax of RM16.993 million as compared to the preceding year of RM18.630 million and RM0.586 million respectively. The improved performance of this segment was mainly attributed from the disposal of lands held for property development and sales recorded for the landed residential development known as Meridian at Taman Kluang Barat, Johor. In addition, shop offices at Pandamaran, Klang were sold during the year.

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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 (%)
	31/08/2022 RM '000	31/05/2022 RM '000	
Revenue	6,926	55,588	(88)
Operating (Loss)/Profit	1,201	21,485	(94)
Profit Before Interest and Tax	1,968	20,247	(90)
Profit Before Tax	1,110	19,581	(94)
Profit After Tax	756	14,305	(95)
Profit Attributable to Ordinary Equity Holders of the Parent	756	14,305	(95)

For the current quarter under review, the Group recorded a profit before tax of RM1.110 million as compared to RM19.581 million in the immediate preceding quarter. The lower profit before tax in the current financial quarter was due mainly to disposal of lands held for property development in the immediate preceding quarter.

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

	Current Quarter 31 August 2022 RM’000	Current Year To-Date 31 August 2022 RM’000
Current tax expense	360	8,506
Deferred tax expense	(6)	(1,406)
Total	354	7,100

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 2022, except as disclosed below:-

	31 August 2022		31 August 2021	
	Short term RM’000	Long term RM’000	Short term RM’000	Long term RM’000
Secured				
Term loan	964	79,888	247	-

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 RM1,160,562 in respect of the financial year ended 31 August 2022 (2021: 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 year has been arrived at after crediting/(charging):-

	Current Quarter 31 August 2022 RM'000	Current Year To-Date 31 August 2022 RM'000
Interest income	58	136
Other income including investment income	964	1,359
Reversal of impairment losses	8	8
Discounting on amount owing by a joint venture	158	158
Interest expenses	(858)	(2,057)
Depreciation and amortisation	(105)	(422)
Impairment losses	(9)	(9)

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 31/08/2022	Preceding year corresponding quarter 31/08/2021	Current year To-date 31/08/2022	Preceding year 31/08/2021
Profit attributable to owners of the parent (RM)	755,686	631,794	19,038,392	2,288,528
Number of ordinary shares ('000)	116,056	116,406	116,056	116,406
Weighted average number of ordinary shares ('000)	116,158	116,406	116,339	116,855
Basic earnings per share (sen)	0.65	0.54	16.36	1.96

(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
 17 October 2022