

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 2022 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 2022 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 2022.

Title	Effective Date
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

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 2022.

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 150,000 of its issued ordinary shares from the open market at an overall average price of RM0.56 per share. The total consideration paid was RM85,171 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 30 November 2022, 4,094,200 ordinary shares have been purchased for RM2,319,731 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 2022

REVENUE	Construction RM'000	Property Development RM'000	Others RM'000	Consolidated RM'000
Total revenue	7,302	6,118	116	13,536
Inter-segment revenue	-	-	-	-
Revenue from external customer	7,302	6,118	116	13,536
RESULT				
Segment results	3,919	478	444	4,841
Finance costs	-	(982)	(1)	(983)
Interest income	45	19	-	64
Profit/(Loss) before tax	3,964	(485)	443	3,922
Tax expense	(1,500)	-	(4)	(1,504)

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 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	35,253
Guarantees given to a financial institution on credit facilities granted to a joint venture	280,770
	337,004

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A12. **Commitments**

There was no capital commitment in the financial period ended 30 November 2022.

A13. **Subsequent events**

There was no other material events subsequent to the financial period ended 30 November 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	7,781,943
Fixed deposits with licensed banks	23,345,429
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	31,127,372
Less:	
Deposits pledged with financial institution	(2,546,729)
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	28,580,643

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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 Corresponding Period	
	30/11/2022 RM '000	30/11/2021 RM '000		30/11/2022 RM '000	30/11/2021 RM '000	
Revenue	13,536	21,291	(36)	13,536	21,291	(36)
Operating Profit	4,407	3,264	35	4,407	3,264	35
Profit Before Interest and Tax	4,905	2,874	71	4,905	2,874	71
Profit Before Tax	3,922	2,870	37	3,922	2,870	37
Profit After Tax	2,418	2,320	4	2,418	2,320	4
Profit Attributable to Ordinary Equity Holders of the Parent	2,418	2,320	4	2,418	2,320	4

For the financial period ended 30 November 2022, the Group achieved revenue of RM13.536 million and profit before tax of RM3.922 million as compared to RM21.291 million and RM2.870 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 construction projects despite of lower revenue was recorded.

Detailed analysis of the performance for the respective operating business segments for the period ended 30 November 2022 is as follows:

Construction

The Group recorded revenue of RM7.302 million and profit before tax of RM3.964 million as compared to the preceding year corresponding period of RM7.198 million and RM0.952 million respectively. The higher revenue and higher profit before tax recorded in the current period was mainly attributed from the office tower project at Jalan Conlay.

Property development

The Group recorded revenue of RM6.118 million and loss before tax of RM0.485 million as compared to the preceding year corresponding period of RM14.093 million and profit before tax of RM2.360 million respectively. The loss before tax for the current quarter was mainly due to finance costs incurred. Whereas the revenue for the current quarter was mainly attributed from the 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 (%)
	30/11/2022 RM '000	31/08/2022 RM '000	
Revenue	13,536	6,926	95
Operating Profit	4,407	1,201	267
Profit Before Interest and Tax	4,905	1,968	149
Profit Before Tax	3,922	1,110	253
Profit After Tax	2,418	756	220
Profit Attributable to Ordinary Equity Holders of the Parent	2,418	756	220

For the current quarter under review, the Group recorded a profit before tax of RM3.922 million as compared to RM1.110 million in the immediate preceding quarter. The higher profit before tax in the current financial quarter was due mainly to the contribution from the construction project.

B3. Commentary on prospects

Malaysia economy is slowly recovering since the reopening of Malaysia's borders, however we are facing other internal and external risks such as hike in the prices of commodities and inflationary pressure/higher cost of living and the Russia-Ukraine war will likely affect sentiment of the overall market.

Noting that the overall business conditions in 2023, 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 2023. 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 2023. 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 2023.

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.

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B6. Income tax expense

	Current Quarter 30 November 2022 RM'00	Current Period To-Date 30 November 2022 RM'000
Current tax expense	1,504	1,504
Deferred tax expense	-	-
Total	1,504	1,504

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 2022, except as disclosed below:-

	30 November 2022		30 November 2021	
	Short term RM'000	Long term RM'000	Short term RM'000	Long term RM'000
Secured				
Term loan	978	79,637	8,291	-

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.

B11. Notes to the Statement of Comprehensive Income

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

	Current Quarter 30 November 2022 RM'000	Current Period To-Date 30 November 2022 RM'000
Interest income	64	64
Other income including investment income	19	19
Interest expenses	(983)	(983)
Depreciation and amortisation	(89)	(89)

Save as disclosed above, the other items as required under Appendix 9B, Part A (16) of the Bursa Malaysia Listing Requirements are not applicable.

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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 30/11/2022	Preceding Year Corresponding Quarter 30/11/2021	Current Period To-date 30/11/2022	Preceding Year Corresponding Period To-Date 30/11/2021
Profit attributable to owners of the parent (RM)	2,417,818	2,320,014	2,417,818	2,320,014
Number of ordinary shares ('000)	115,906	116,406	115,906	116,406
Weighted average number of ordinary shares ('000)	115,957	116,406	115,957	116,406
Basic earnings per share (sen)	2.09	1.99	2.09	1.99

(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 Yeap
Company Secretaries
Kuala Lumpur
19 January 2023