

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 40,200 of its issued ordinary shares from the open market at an overall average price of RM0.59 per share. The total consideration paid was RM23,751 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 2023, 4,244,400 ordinary shares have been purchased for RM2,406,917 including the transaction costs.

A7. Dividend paid

MELATI EHSAN HOLDINGS BERHAD (200401034784 (673293-X))
(Incorporated in Malaysia)

A first and final single tier dividend of 1.0 sen per ordinary share amounting to RM1,157,962 in respect of the financial year ended 31 August 2022 has been paid on 14 March 2023.

A8 Segmental reporting

31 May 2023				
REVENUE	Construction RM'000	Property Development RM'000	Others RM'000	Consolidated RM'000
Total revenue	25,169	26,045	435	51,649
Inter-segment revenue	(854)	-	-	(854)
Revenue from external customer	24,315	26,045	435	50,795
RESULT				
Segment results	5,936	3,342	11,257	20,535
Finance costs	-	(3,058)	(4)	(3,062)
Interest income	84	286	1	371
Profit before tax	6,020	570	11,254	17,844
Tax expense	(2,326)	(45)	(5)	(2,376)

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 other changes in the composition of the Group for the current quarter under review except as disclosed below:

During the current quarter, the Company has disposed 2,450,000 ordinary shares representing 49% shareholdings in BHO Melati Sdn Bhd. The transaction has been completed on 11 April 2023.

MELATI EHSAN HOLDINGS BERHAD (200401034784 (673293-X))
(Incorporated in Malaysia)

A11. Contingent liabilities

The details of Company's contingent liabilities as at 31 May 2023 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	30,961
	<u>51,942</u>

A12. Commitments

There was no capital commitment in the financial period ended 31 May 2023.

A13. Subsequent events

There was no other material events subsequent to the financial period ended 31 May 2023 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	12,996,823
Fixed deposits with licensed banks	9,087,528
	<u>22,084,351</u>
Less:	
Deposits pledged with financial institution	<u>(2,587,528)</u>
	<u>19,496,823</u>

MELATI EHSAN HOLDINGS BERHAD (200401034784 (673293-X))
(Incorporated in Malaysia)

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	
	31/05/2023 RM '000	31/05/2022 RM '000		31/05/2023 RM '000	31/05/2022 RM '000	
Revenue	14,698	55,588	(74)	50,796	94,462	(46)
Operating Profit	11,981	21,485	(44)	21,841	27,158	(20)
Profit Before Interest and Tax	11,379	20,247	(44)	20,905	26,227	(20)
Profit Before Tax	10,326	19,581	(47)	17,844	25,029	(29)
Profit After Tax	9,491	14,305	(34)	15,468	18,283	(15)
Profit Attributable to Ordinary Equity Holders of the Parent	9,491	14,305	(34)	15,468	18,283	(15)

For the financial period ended 31 May 2023, the Group achieved revenue of RM50.796 million and profit before tax of RM17.844 million as compared to RM94.462 million and RM25.029 million respectively for the preceding year corresponding period. The decreased in profit before tax of the Group in the current financial period as compared to the preceding year corresponding period was due mainly to lower revenue attributed from property development. Nevertheless, the performance of the group was mitigated by the other income arising from the gain of disposal of a joint venture namely B.H.O. Melati Sdn Bhd.

Detailed analysis of the performance for the respective operating business segments for the period ended 31 May 2023 is as follows:

Construction

The Group recorded revenue of RM24.315 million and profit before tax of RM6.020 million as compared to the preceding year corresponding period of RM20.296 million and RM5.124 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 RM26.045 million and profit before tax of RM0.570 million as compared to the preceding year corresponding period of RM74.166 million and profit before tax of RM21.124 million respectively. The lower profit before tax for the current quarter was mainly due to finance costs incurred and lower revenue generated. 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.

MELATI EHSAN HOLDINGS BERHAD (200401034784 (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 (%)
	31/05/2023 RM '000	28/02/2023 RM '000	
Revenue	14,698	22,562	(35)
Operating Profit	11,981	5,454	120
Profit Before Interest and Tax	11,379	4,622	146
Profit Before Tax	10,326	3,596	187
Profit After Tax	9,491	3,559	167
Profit Attributable to Ordinary Equity Holders of the Parent	9,491	3,559	167

For the current quarter under review, the Group recorded a profit before tax of RM10.326 million as compared to RM3.596 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 the gain on disposal of a joint venture.

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 current economic condition, 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.

MELATI EHSAN HOLDINGS BERHAD (200401034784 (673293-X))
(Incorporated in Malaysia)

B6. Income tax expense

	Current Quarter 31 May 2023 RM'000	Current Period To-Date 31 May 2023 RM'000
Current tax expense	835	2,376
Deferred tax expense	-	-
Total	835	2,376

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 2023, except as disclosed below:-

	31 May 2023		31 May 2022	
	Short term RM'000	Long term RM'000	Short term RM'000	Long term RM'000
Secured				
Term loan	6,708	73,414	965	63,429

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 31 May 2023 RM'000	Current Period To-Date 31 May 2023 RM'000
Interest income	141	371
Gain on disposal of a joint venture	11,719	11,719
Other income including investment income	737	787
Interest expenses	(1,052)	(3,061)
Depreciation and amortisation	(186)	(365)

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

MELATI EHSAN HOLDINGS BERHAD (200401034784 (673293-X))
(Incorporated in Malaysia)

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 31/05/2023	Preceding Year Corresponding Quarter 31/05/2022	Current Period To-date 31/05/2023	Preceding Year Corresponding Period To-Date 31/05/2022
Profit attributable to owners of the parent (RM)	9,490,622	14,305,258	15,467,830	18,282,706
Number of ordinary shares ('000)	115,756	116,256	115,756	116,256
Weighted average number of ordinary shares ('000)	115,761	116,388	115,850	116,400
Basic earnings per share (sen)	8.20	12.29	13.35	15.71

(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 2023