

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.

As at 31 August 2023, 4,244,400 ordinary shares have been purchased for RM2,406,917 including the transaction costs. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act, 2016.

A7. Dividend paid

There were no dividends paid during the quarter under review.

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A8 **Segmental reporting**

31 August 2023	Construction	Property	Others	Consolidated
REVENUE	RM'000	Development	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000
Total revenue	60,537	37,306	3,043	100,886
Inter-segment revenue	(854)	-	(2,000)	(2,854)
Revenue from external customer	59,683	37,306	1,043	98,032
RESULT				
Segment results	2,697	8,584	9,146	20,427
Finance costs	-	(1,912)	(4)	(1,916)
Interest income	99	316	1	416
Profit before tax	2,796	6,988	9,143	18,927
Tax expense	(2,017)	(96)	(7)	(2,120)

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 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	3,000
Guarantees given to a financial institution on credit facilities granted to a subsidiary	30,961
	53,442

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A12. Commitments

There was no capital commitment in the financial year ended 31 August 2023.

A13. Subsequent events

There was no other material events subsequent to the financial year ended 31 August 2023 up to the date of this report except as disclosed below:

On 11 September 2023, Pembinaan Kery Sdn Bhd (“PKSB”), a wholly-owned subsidiary of the Company had entered into the following agreements with Mega Legacy (M) Sdn Bhd (“MLSB”), an indirect subsidiary of UEM Sunrise Berhad:-

- (a) a conditional sale and purchase agreement for the proposed acquisition of a plot of unsubdivided vacant commercial development land identified as Plot 9 measuring approximately 4.008 acres forming part of a master title No. HS(D) 119301, Lot No. PT 26689, Mukim of Batu, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur (“Acquisition Land”) for a cash consideration of RM85.0 million (“Purchased Consideration”) (“Proposed Acquisition”); and
- (b) a development rights agreement with regard to the development of the Acquisition Land in which PKSB grants MLSB the sole and exclusive irrevocable rights to develop the Acquisition Land and to market and sell the completed properties on the Acquisition Land (“Project”) in return for a development rights value of RM93.5 million or the aggregate of the Purchase Consideration plus entitlement of 20.0% of the profit from the Project (“Proposed Joint Development”).

The Proposed Acquisition and Proposed Joint Development are collectively referred to as the “Proposals”.

The completion of the Proposals are subject to and conditional upon the conditions precedent being fulfilled.

A14. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following:

	RM
Cash and bank balances	9,753,624
Fixed deposits with licensed banks	3,615,910
	<hr/>
	13,369,534
Less:	
Deposits pledged with financial institution	(2,615,874)
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	10,753,660

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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	
	31/08/2023 RM '000	31/08/2022 RM '000		31/08/2023 RM '000	31/08/2022 RM '000	
Revenue	47,236	6,926	582	98,032	101,388	(3)
Operating Profit	1,306	1,201	9	21,779	28,359	(23)
Profit Before Interest and Tax	1,306	1,968	(34)	20,843	28,195	(26)
Profit Before Tax	1,083	1,110	(2)	18,927	26,138	(28)
Profit After Tax	1,339	756	77	16,807	19,038	(12)
Profit Attributable to Ordinary Equity Holders of the Parent	1,339	756	77	16,807	19,038	(12)

For the financial year ended 31 Aug 2023, the Group achieved revenue of RM98.032 million and profit before tax of RM18.927 million as compared to RM101.388 million and RM26.138 million respectively for the preceding year. The decreased in profit before tax of the Group in the current financial year as compared to the preceding year 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 year ended 31 August 2023 is as follows:

Construction

The Group recorded revenue of RM59.683 million and profit before tax of RM2.796 million as compared to the preceding year of RM25.997 million and RM5.017 million respectively. The lower profit before tax recorded despite of higher revenue in the current year was mainly due to higher administrative expenses and rectification costs incurred during defect liability period for our completed projects.

Property development

The Group recorded revenue of RM37.306 million and profit before tax of RM6.988 million as compared to the preceding year of RM75.390 million and profit before tax of RM16.993 million respectively. The lower profit before tax for the current year was mainly due to higher administrative and marketing expenses incurred. The revenue 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 (%)
	31/08/2023 RM '000	31/05/2023 RM '000	
Revenue	47,236	14,698	221
Operating Profit	1,306	11,981	(89)
Profit Before Interest and Tax	1,306	11,379	(89)
Profit Before Tax	1,083	10,326	(90)
Profit After Tax	1,339	9,491	(86)
Profit Attributable to Ordinary Equity Holders of the Parent	1,339	9,491	(86)

For the current quarter under review, the Group recorded a profit before tax of RM1.083 million as compared to RM10.326 million in the immediate preceding quarter. The lower of 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 in the immediate preceding quarter.

B3. Commentary on prospects

With the end of the movement control order and the start of the endemic phase early last year, the overall business landscape has begun to normalise their way back to pre-covid levels. Whilst the initial recovery signs showed much promise, the current momentum has somewhat tanked. This sluggishness has much to do with the global economic uncertainties attributable to the recent escalation in geopolitical tensions between key countries coupled with rising inflationary pressures. Macroscopically, the market sentiment locally and abroad remains lukewarm at best.

The construction and property sector has not been shielded from the repercussions of the current global economic climate. The rising cost of materials alongside the fluctuation in interest rates have made the current sectors challenging. Nonetheless, the Board remains steadfast in weathering the current challenges with prudence and caution. We are grateful for the governments effort in pushing for economic reforms in Budget 2024 and staying true to their ethos of the Economy Madani framework for sustainable and inclusive growth. The Budget has clearly included proactive measures to support SMEs, affordable housing schemes, improvement of public infrastructure and the push for rationalisation to reduce selected subsidies. We greatly welcome the governments effort to support the construction industry and as such, Melati Ehsan will monitor closely for opportunities within the construction and property space.

Despite the challenges, the local property market demonstrated positive trends particularly with the affordable housing segment. The general response from launches within the affordable segment in acceptable areas have augured well with customers, leading to relatively high take up rates. We note that buyers that have delayed their purchases the last two years owing to the pandemic are now actively looking for quality buys.

Generally, we expect the residential property prices to remain stable with landed properties still remaining a safer bet over high rise units. Nonetheless, we are not expecting significant growth within the industry owing to the property overhang coupled by the global economic challenges at hand.

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 (credit)/expense

	Current Quarter 31 August 2023 RM'000	Current Year To-Date 31 August 2023 RM'000
Current tax (credit)/expense	(247)	2,129
Deferred tax credit	(9)	(9)
Total	<u>(256)</u>	<u>2,120</u>

The tax credit for the current quarter and tax expense for the 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 2023, except as disclosed below:-

	31 August 2023		31 August 2022	
	Short term RM'000	Long term RM'000	Short term RM'000	Long term RM'000
Secured				
Term loan	<u>16,252</u>	<u>63,759</u>	<u>964</u>	<u>79,888</u>

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 RM1,157,560 in respect of the financial year ended 31 August 2023 (2022: 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 Profit Or Loss And Other Comprehensive Income

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

	Current Quarter 31 August 2023 RM'000	Current Year To-Date 31 August 2023 RM'000
Interest income	45	416
Gain on disposal of a joint venture	-	11,719
Other income including investment income	799	1,586
Reversal of impairment losses	643	644
Reversal of discounting on amount owing by a joint venture	713	713
Fair value adjustment on other receivables	(1,777)	(1,777)
Finance Costs:		
-lease liabilities	(4)	(5)
-term loan	(223)	(1,916)
Depreciation and amortisation	(89)	(454)
Impairment losses	(82)	(83)

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 year 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 31/08/2023	Preceding year corresponding quarter 31/08/2022	Current year To-date 31/08/2023	Preceding year 31/08/2022
Profit attributable to owners of the parent (RM)	1,339,366	755,686	16,807,196	19,038,393
Number of ordinary shares ('000)	115,756	116,056	115,756	116,056
Weighted average number of ordinary shares ('000)	115,756	116,158	115,826	116,339
Basic earnings per share (sen)	1.16	0.65	14.51	16.36

(b) Diluted earnings per share

The Group does not have any convertible shares or financial instruments for the current quarter and financial year to-date.

By Order of the Board

Wong Youn Kim
Chan Chee Yean
 Company Secretaries
 Kuala Lumpur
 27 October 2023