

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 2023 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 2023 except for the adoption of new standards and amendments to MFRSs which are relevant to its operations and effective for the financial period beginning on or after 1 September 2023.

Title	Effective Date
MFRS 17 <i>Insurance Contracts</i>	01 January 2023
Amendments to MFRS 17 <i>Initial Application MFRS 17 and MFRS 9 – Comparative Information</i>	01 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	01 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	01 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	01 January 2023
Amendments to MFRS 112 <i>International Tax Reform – Pillar Two Model Rules</i>	Refer paragraph 98M of MFRS 112

The adoption of these standards and 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 2023.

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 29 February 2024, 4,244,400 ordinary shares have been purchased for RM2,406,916 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.

MELATI EHSAN HOLDINGS BERHAD (200401034784 (673293-X))
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A7. **Dividend paid**
There were no dividends paid during the quarter under review.

A8 **Segmental reporting**

29 February 2024

	Construction	Property Development	Trading	Others	Consolidated
REVENUE	RM'000	RM'000	RM'000	RM'000	RM'000
Total revenue	8,387	12,065	3,417	-	23,869
Inter-segment revenue	-	-	-	-	-
Revenue from external customer	8,387	12,065	3,417	-	23,869
RESULT					
Segment results	(109)	801	78	(573)	197
Finance costs	-	(391)	-	(2)	(393)
Interest income	829	102	-	-	931
Profit/ (Loss) before tax	720	512	78	(575)	735
Tax expense	(270)	(139)	(18)	-	(427)

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.

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

A11. **Contingent liabilities**

The details of Company contingent liabilities as at 29 February 2024 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	5,000
Guarantees given to a financial institution on credit facilities granted to a subsidiary	23,978
	48,459

A12. **Commitments**

There was no capital commitment in the financial period ended 29 February 2024.

A13. **Subsequent events**

There was no other material events subsequent to the financial period ended 29 February 2024 up to the date of this report.

A14. **Cash and cash equivalents**

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

	RM
Cash and bank balances	27,315,889
Fixed deposits with licensed banks	5,028,296
	32,344,185
Less:	
Deposits pledged with financial institution	(2,676,671)
	29,667,514

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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	
	29/02/2024 RM '000	28/02/2023 RM '000		29/02/2024 RM '000	28/02/2023 RM '000	
Revenue	11,265	22,562	(50)	23,869	36,098	(34)
Operating Profit	735	5,454	(87)	1,128	9,861	(89)
Profit Before Interest and Tax	735	4,622	(84)	1,128	9,257	(88)
Profit Before Tax	563	3,596	(84)	735	7,518	(90)
Profit After Tax	151	3,559	(96)	308	5,977	(95)
Profit Attributable to Ordinary Equity Holders of the Parent	151	3,559	(96)	308	5,977	(95)

For the financial period ended 29 February 2024, the Group achieved revenue of RM23.869 million and profit before tax of RM0.735 million as compared to RM36.098 million and RM7.518 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 the Group's construction and development projects are at preliminary stage.

Detailed analysis of the performance for the respective operating business segments for the period ended 29 February 2024 is as follows:

Construction

The Group recorded revenue of RM8.387 million and profit before tax of RM0.720 million as compared to the preceding year corresponding period of RM19.442 million and profit before tax of RM7.680 million respectively. The lower revenue and profit before tax in the current period to-date was mainly due to the current construction projects are at a preliminary stage.

Property development

The Group recorded revenue of RM12.065 million and profit before tax of RM0.512 million as compared to the preceding year corresponding period of RM16.361 million and profit before tax of RM0.339 million respectively. The higher profit before tax for the current period to-date was mainly due to lower operating expenses and finance costs incurred. The revenue was mainly attributed from the sales of the landed residential development known as Meridian at Taman Kluang Barat, Johor. Besides that, there is another development project known as Bayu Selayang Heights, Gombak, Selangor which is at a preliminary stage and no revenue was recorded to-date.

Trading

The Group recorded revenue of RM3.417 million and profit before tax of RM0.078 million as compared to the preceding year corresponding period of RM0.295 million and RM0.024 million respectively. The increased in sales and profit before tax in the current period to-date was due to the increased in construction materials purchase order from our subcontractors.

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 (%)
	29/02/2024 RM '000	30/11/2023 RM '000	
Revenue	11,265	12,604	(11)
Operating Profit	735	392	88
Profit Before Interest and Tax	735	392	88
Profit Before Tax	563	172	227
Profit After Tax	151	157	(4)
Profit Attributable to Ordinary Equity Holders of the Parent	151	157	(4)

For the current quarter under review, the Group recorded a profit before tax of RM0.563 million as compared to RM0.172 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 higher interest income reported.

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.

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B5. Corporate proposal

There are no corporate proposals announced as at the date of this report except as follows:

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”.

On 28 December 2023, the Company at an Extraordinary General Meeting had obtained shareholders’ approval of the Proposals. All conditions for completion as set out in the Proposals have been fulfilled on 1 March 2024.

B6. Income tax expense

	Current Quarter 29 February 2024 RM’000	Current Period To-Date 29 February 2024 RM’000
Current tax expense	412	427
Deferred tax expense	-	-
Total	412	427

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 year.

B7. Group borrowings

There were no other borrowings and debts securities in the Group as at 29 February 2024, except as disclosed below:-

	29 February 2024		28 February 2023	
	Short term RM’000	Long term RM’000	Short term RM’000	Long term RM’000
Secured				
Term loan	31,446	41,654	5,528	74,841

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.

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B10. Dividends

No dividend has been declared for the current quarter under review.

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 29 February 2024 RM'000	Current Period To-Date 29 February 2024 RM'000
Interest income	905	931
Other income including investment income	208	227
Finance Costs	(173)	(393)
Depreciation and amortisation	(116)	(226)

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 29/02/2024	Preceding year corresponding quarter 28/02/2023	Current Period To-date 29/02/2024	Preceding Year Corresponding Period To-Date 28/02/2023
Profit attributable to owners of the parent (RM)	150,802	3,559,389	307,694	5,977,208
Number of ordinary shares ('000)	115,756	115,796	115,756	115,796
Weighted average number of ordinary shares ('000)	115,756	115,832	115,756	115,895
Basic earnings per share (sen)	0.13	3.07	0.27	5.16

(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
 25 April 2024