

UEM EDGENTA BERHAD
Company No. 196301000166 (5067-M)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 JUNE 2022

THE FIGURES HAVE NOT BEEN AUDITED.

I(A). CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/6/2022 RM'000	Preceding year corresponding quarter 30/6/2021 RM'000	Six months to 30/6/2022 RM'000	Six months to 30/6/2021 RM'000
1 (a) Revenue	627,677	538,600	1,166,886	1,022,152
(b) Cost of sales	(541,683)	(461,494)	(1,004,265)	(878,469)
(c) Gross profit	85,994	77,106	162,621	143,683
(d) Other income	7,061	8,509	14,683	16,414
(e) Expenses	(69,542)	(72,178)	(135,134)	(130,768)
(f) Finance costs	(4,943)	(5,408)	(9,873)	(10,730)
(g) Share of results of associates	4,383	5,639	7,906	10,983
(h) Profit before tax	22,953	13,668	40,203	29,582
(i) Income tax	(12,109)	(7,377)	(19,993)	(15,181)
(j) Profit for the period	10,844	6,291	20,210	14,401
Attributable to:				
(k) Owners of the parent	10,864	6,133	20,267	12,827
(l) Non-controlling interests	(20)	158	(57)	1,574
Profit for the period	10,844	6,291	20,210	14,401
2 Earnings per share based on 1(k) above (Note 26):				
Basic	1.31 sen	0.74 sen	2.44 sen	1.54 sen

The condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2021.

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I(B). CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2022	30/6/2021	30/6/2022	30/6/2021
	RM'000	RM'000	RM'000	RM'000
Profit for the period	10,844	6,291	20,210	14,401
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations, representing total other comprehensive income	15,144	4,093	18,858	9,378
Total comprehensive income for the period	25,988	10,384	39,068	23,779
Attributable to:				
Owners of the parent	26,008	10,161	39,125	22,118
Non-controlling interests	(20)	223	(57)	1,661
	25,988	10,384	39,068	23,779

The condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2021.

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Remarks to Condensed Consolidated Income Statement:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2022	30/6/2021	30/6/2022	30/6/2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after (crediting)/charging:				
Interest income	(598)	(1,227)	(1,417)	(2,195)
Accretion of interest on concession receivable	(4,360)	(4,745)	(8,739)	(9,465)
Dividend from short term investment	(86)	(127)	(147)	(340)
(Gain)/loss on disposal of property, plant and equipment	(98)	-	(113)	7
Net foreign exchange loss/(gain)	(930)	(270)	(757)	176
Net impairment/(reversal) of ECL on trade receivables	-	26	1,562	14
Interest expense	4,838	4,884	9,456	9,960
Depreciation and amortisation	21,556	21,965	44,395	40,487

Other than the above, there were no other significant impairment/(write back of impairment) of assets, (gain)/loss on investments, write down of inventories and/or other exceptional items.

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II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at end of current quarter	As at preceding financial year end
	30/6/2022	31/12/2021
	RM'000	RM'000
ASSETS		
1 Non-current assets		
Property, plant and equipment	151,697	166,502
Right-of-use assets	43,587	37,281
Land held for property development	477	477
Intangible assets	696,751	699,204
Investment in associates	109,232	102,922
Investment in joint venture	122	-
Other investments	232	232
Trade and other receivables	113,517	113,477
Contract related assets	66,475	77,694
Deferred tax assets	8,310	8,141
	1,190,400	1,205,930
2 Current assets		
Inventories	66,028	66,772
Trade and other receivables	668,632	586,918
Contract related assets	351,089	311,646
Tax recoverable	38,283	55,103
Short term investments	33,487	28,310
Cash, bank balances and deposits	557,323	600,391
	1,714,842	1,649,140
Total assets	2,905,242	2,855,070

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II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	As at end of current quarter 30/6/2022 RM'000	As at preceding financial year end 31/12/2021 RM'000
EQUITY AND LIABILITIES		
3	Equity attributable to Owners of the Parent	
	268,074	268,074
	313,856	313,856
	18,742	(116)
	949,340	954,022
	1,550,012	1,535,836
4	3,462	3,519
	1,553,474	1,539,355
5	Non-current liabilities	
	2,140	2,140
	942	1,003
	4,207	3,441
	302,592	58,095
	27,545	25,020
	1,307	10,765
	46,908	47,392
	385,641	147,856
6	Current liabilities	
	550	550
	1,620	1,620
	192,691	385,426
	13,196	8,599
	706,927	727,740
	37,531	30,312
	13,612	13,612
	966,127	1,167,859
	1,351,768	1,315,715
	2,905,242	2,855,070
7	Net assets per ordinary share attributable to Owners of the Parent (RM)	
	1.86	1.85

The condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2021.

* Cash, bank balances and deposits

Included in the cash, bank balances and deposits of the Group is an amount of RM12,108,236 (2021: RM26,579,348) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and Section 8A of the Housing Development Account (Control and Licensing) Sabah Act, 1978.

III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months to 30/6/2022 RM'000	Six months to 30/6/2021 RM'000
Cash flows from operating activities		
Cash receipts from customers	1,210,447	1,067,462
Cash payments to suppliers	(572,422)	(489,869)
Cash payments to employees and for expenses	(688,499)	(614,599)
Cash used in operations	(50,474)	(37,006)
Interest paid	(9,759)	(9,389)
Net income tax and zakat refund/(paid)	(3,856)	(23,222)
Net cash flows used in operating activities	(64,089)	(69,617)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	147	249
Acquisition of shares in a joint venture	(123)	-
Placement of cash in an escrow account for the acquisition of non-controlling interest in a subsidiary company	-	(24,446)
Net placements to short term investments	(4,998)	(29,827)
Interest received	1,702	2,025
Dividend received from associates	1,600	4,292
Payment of deferred consideration	-	(2,912)
Purchase of property, plant and equipment	(6,651)	(19,682)
Net cash flows used in investing activities	(8,323)	(70,301)
Cash flows from financing activities		
Draw down of borrowings	384,736	72,332
Repayment of borrowings	(336,149)	(94,508)
Repayment of lease liabilities	(3,008)	(4,359)
Dividend paid to shareholders of the Company	(24,949)	-
Dividend paid to non-controlling shareholders of subsidiaries	-	(1,396)
Net placement of pledged fixed deposits	(1,445)	(5,190)
Net cash flows generated from/(used in) financing activities	19,185	(33,121)
Net decrease in cash and cash equivalents	(53,227)	(173,039)
Net foreign exchange difference	7,360	5,974
Cash and cash equivalents as at beginning of financial period	554,760	638,806
Cash and cash equivalents as at end of financial period (a)	508,893	471,741

	As at 30/6/2022 RM'000	As at 30/6/2021 RM'000
(a) Cash and Cash Equivalents comprise the following amounts:		
Cash on hand and at banks	491,096	382,366
Fixed deposits with licensed banks	66,227	158,611
Cash, bank balances and deposits	557,323	540,977
Less: Cash, bank and fixed deposits pledged and on lien	(48,430)	(44,790)
Less: Cash in an escrow account	-	(24,446)
	508,893	471,741

The condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2021.

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IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	← Attributable to owners of the parent →				Total	Non-controlling interests	Total equity
	← Non-distributable →		Distributable				
	Share capital	Capital reserve	Other reserves	Retained earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Six months to 30 June 2022							
Balance as at 1 January 2022	268,074	313,856	(116)	954,022	1,535,836	3,519	1,539,355
Profit for the period	-	-	-	20,267	20,267	(57)	20,210
Other comprehensive income	-	-	18,858	-	18,858	-	18,858
Total comprehensive income for the period	-	-	18,858	20,267	39,125	(57)	39,068
Dividends paid to shareholders of the Company	-	-	-	(24,949)	(24,949)	-	(24,949)
Balance as at 30 June 2022	<u>268,074</u>	<u>313,856</u>	<u>18,742</u>	<u>949,340</u>	<u>1,550,012</u>	<u>3,462</u>	<u>1,553,474</u>

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V. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY (CONT'D)

	← Attributable to owners of the parent →				Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Non-distributable Capital reserve RM'000	Other reserves RM'000	Distributable Retained earnings RM'000			
Six months to 30 June 2021							
Balance as at 1 January 2021	268,074	313,856	(16,340)	935,082	1,500,672	8,590	1,509,262
Profit for the period	-	-	-	12,827	12,827	1,574	14,401
Other comprehensive income	-	-	9,291	-	9,291	87	9,378
Total comprehensive income for the period	-	-	9,291	12,827	22,118	1,661	23,779
Dividends paid to:							
- Non-controlling shareholders of shareholders of the subsidiaries	-	-	-	-	-	(1,396)	(1,396)
Balance as at 30 June 2021	<u>268,074</u>	<u>313,856</u>	<u>(7,049)</u>	<u>947,909</u>	<u>1,522,790</u>	<u>8,855</u>	<u>1,531,645</u>

The condensed Consolidated Statement of Changes in Total Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2021.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The notes to the condensed consolidated interim financial statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2021.

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

These financial statements have also been prepared on a historical cost basis except as disclosed in the audited financial statements for the year ended 31 December 2021.

2. Significant accounting policies

The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2021 except for standards effective for financial periods beginning on or after 1 January 2022 below:

	Effective for annual periods beginning on or after
Annual improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 Business Combinations: Reference to conceptual framework	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment: Property, plant and equipment - proceeds before intended use	1 January 2022
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous contracts - cost of fulfilling a contract	1 January 2022

The adoption of the above do not have any significant impact to the Group.

3. Standards issued but not yet effective

The standards that are issued but not yet effective up to the date of authorisation of these financial statements are disclosed below. The Group intends to adopt these standards if applicable when they become effective.

	Effective for annual periods beginning on or after
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of liabilities as current or non-current	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

These standards are not expected to have a significant impact on the financial statements in the period of initial application.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

4. Audit report in respect of the 2021 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2021 was not qualified.

5. Seasonal or cyclical factors

The Group's operations are not materially affected by any seasonal or cyclical factors.

6. Unusual items due to their nature, size, or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size, or incidence in the current period.

7. Material changes in estimates used

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current period.

8. Debt and equity securities

The Group did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period ended 30 June 2022.

9. Dividend

The amount of dividend paid by the Company since 31 December 2021 was as follows:-

RM'000

In respect of the financial year ended 31 December 2021:

Single-tier second interim dividend of 3.00 sen per ordinary share,
on 831,624,030 ordinary shares, paid on 19 May 2022

24,949

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V. **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**

10. **Operating Segments**

Operating Segment information for the financial period ended 30 June 2022 is as follows:

By operating segment

	Asset Management		Infrastructure Solutions		Others	Elimination	Group
	Healthcare Support	Property and Facility Solutions	Infrastructure Services	Asset Consultancy			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External revenue	717,032	64,791	332,359	51,720	984	-	1,166,886
Inter-segment revenue	545	3,982	-	-	41,868	(46,395)	-
Total Revenue	717,577	68,773	332,359	51,720	42,852	(46,395)	1,166,886
Results							
EBITDA	63,372	4,576	19,934	1,371	20,285	(24,807)	84,731
Depreciation and amortisation	(17,159)	(412)	(5,612)	(512)	(19,639)	(1,061)	(44,395)
EBIT	46,213	4,164	14,322	859	646	(25,868)	40,336
Interest income	636	207	580	100	247	(353)	1,417
Interest expense	(1,518)	(1,659)	(15)	-	(7,881)	1,617	(9,456)
Share of results of associates	6,269	1,338	-	299	-	-	7,906
Profit/(loss) before tax	51,600	4,050	14,887	1,258	(6,988)	(24,604)	40,203
Income tax	(8,324)	(1,014)	(4,254)	(543)	(5,356)	(502)	(19,993)
Profit/(loss) for the period	43,276	3,036	10,633	715	(12,344)	(25,106)	20,210

Notes:

- a. EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation
- b. EBIT – Earnings Before Interest and Tax

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V. **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**

10. **Operating Segments (cont'd)**

Operating Segment information for the financial period ended 30 June 2021 is as follows:

By operating segment

	Asset Management		Infrastructure Solutions		Others	Elimination	Group
	Healthcare Support	Property and Facility Solutions	Infrastructure Services	Asset Consultancy			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External revenue	644,989	78,502	250,767	39,937	7,957	-	1,022,152
Inter-segment revenue	1,233	4,368	75	65	39,715	(45,456)	-
Total Revenue	646,222	82,870	250,842	40,002	47,672	(45,456)	1,022,152
Results							
EBITDA	45,726	9,747	22,155	(11,197)	3,652	(3,232)	66,851
Depreciation and amortisation	(16,344)	(339)	(5,321)	(678)	(16,388)	(1,417)	(40,487)
EBIT	29,382	9,408	16,834	(11,875)	(12,736)	(4,649)	26,364
Interest income	524	346	902	211	212	-	2,195
Interest expense	(520)	(1,877)	(16)	(5)	(8,257)	715	(9,960)
Share of results of associates	7,713	3,341	-	(71)	-	-	10,983
Profit/(loss) before tax	37,099	11,218	17,720	(11,740)	(20,781)	(3,934)	29,582
Income tax	(6,796)	(1,964)	(4,541)	(771)	(29)	(1,080)	(15,181)
Profit/(loss) for the period	30,303	9,254	13,179	(12,511)	(20,810)	(5,014)	14,401

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

11. Material events subsequent to the end of the current financial period

In the opinion of the Directors, there are no items, transactions or events of a material and unusual nature that have arisen since 30 June 2022 to the date of this announcement which would substantially affect the financial results of the Group for the period ended 30 June 2022 that have not been reflected in the condensed financial statements.

12. Changes in the composition of the Group

There were no significant changes in the composition of the Group for the current period including business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring or discontinued operations except for the following:

- a) On 17 January 2022, Pengurusan LRT Sdn. Bhd., an indirect wholly-owned subsidiary of the Company, which was under Members' Voluntary Liquidation, has dissolved and ceased to be a subsidiary of the Company.
- b) On 22 April 2022, Opus Consultants (Sarawak) Sdn Bhd ("OCS"), an indirect wholly-owned subsidiary of the Company via Opus International (M) Berhad ("OIMB"), has issued 175,000 new ordinary shares. Pursuant to the Shareholders Agreement between OIMB and PPES Consults Sdn. Bhd. ("PPES"), 47,500 and 127,500 new ordinary shares were allotted to OIMB and PPES respectively.

As a result, OIMB's equity interest in OCS was diluted to 49% and OCS became a joint-venture company to OIMB.

The above changes in the Group's composition have no material financial impact to the Group for the current period ended 30 June 2022.

13. Capital commitments

There are no material capital commitments except as disclosed below:

	As at 30/6/2022	As at 31/12/2021
	RM'000	RM'000
Approved and contracted for	5,841	10,794
Approved but not contracted for	69,112	82,347

V. **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**

14. **Income tax**

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2022	30/6/2021	30/6/2022	30/6/2021
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- Malaysian income tax	2,897	3,650	6,208	6,584
- Foreign tax	4,707	3,625	9,335	8,517
Underprovision in prior years				
- Malaysian income tax	5,310	-	5,310	-
	<u>12,914</u>	<u>7,275</u>	<u>20,853</u>	<u>15,101</u>
Deferred tax				
- Relating to origination and reversal of temporary difference	(805)	102	(860)	80
Income tax expense	<u>12,109</u>	<u>7,377</u>	<u>19,993</u>	<u>15,181</u>

The Group's effective tax rate excluding share of results of associates for the current period was higher than the statutory tax rate of 24% mainly due to deferred tax assets not recognised for tax losses at certain subsidiaries.

15. **Status of corporate proposals announced but not completed as at the date of this announcement**

There is no corporate proposal announced but not completed as at the date of this announcement.

16. **Borrowings and debt securities**

Details of Group borrowings and debt securities as at 30 June 2022 are as follows:

	Long term borrow ings			Short term borrow ings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Borrowings</u>						
Domestic	52,592	250,000	302,592	65,900	53,911	119,811
Foreign						
- Singapore Dollar	-	-	-	-	-	-
- Taiw an Dollar	-	-	-	72,880	-	72,880
TOTAL	<u>52,592</u>	<u>250,000</u>	<u>302,592</u>	<u>138,780</u>	<u>53,911</u>	<u>192,691</u>

Details of Group borrowings and debt securities as at 31 December 2021 are as follows:

	Long term borrow ings			Short term borrow ings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Borrowings</u>						
Domestic	58,095	-	58,095	13,294	304,185	317,479
Foreign						
- Singapore Dollar	-	-	-	-	-	-
- Taiw an Dollar	-	-	-	67,947	-	67,947
TOTAL	<u>58,095</u>	<u>-</u>	<u>58,095</u>	<u>81,241</u>	<u>304,185</u>	<u>385,426</u>

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

17. Derivatives

There are no outstanding derivatives as at 30 June 2022 (31 December 2021: RM Nil).

18. Fair value hierarchy

There were no transfers between any levels of the fair value hierarchy that took place during the current interim period and the comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

19. Material litigation

The Company and its subsidiaries have no outstanding material litigation as at the date of this announcement except as disclosed below:

a) Rimbunan Melati Sdn Bhd ("RMSB") vs. EK Integrated Construction Sdn Bhd ("EKICSB")

RMSB appointed EKICSB as the main contractor for the piling and building works for Phase 3, mixed development of 191 units of 3 storey houses at Lot H.S.(D) 107003, PT 21706, Jalan Kepong, Mukim Batu, Daerah & Wilayah Persekutuan, Kuala Lumpur ("Project") under two separate contracts i.e. Piling Contract (Letter of Award dated 3 October 2007 for original contract sum of RM5,808,790.34) and Building Contract (Letter of Award dated 29 April 2008 for original contract sum of RM50,195,455.70).

With regards to the Building Contract, on 2 December 2016, EKICSB had served a Notice to Arbitrate against RMSB claiming RM4,018,030.02. On 15 March 2019 the arbitrator allowed EKICSB's claim in the sum of RM5,104,567.02 together with interest and cost ("Award").

With regards to the Piling Contract, RMSB commenced an arbitration proceeding on 24 August 2018 and applied for a stay of execution of the said Award pending disposal of the arbitration proceeding as commenced by them.

On 8 May 2019, EKICSB filed an enforcement application at Kuala Lumpur High Court to enforce the Award, which on 1 November 2019 was allowed by the Court. The judge requested for both parties to reach an agreement regarding the Award. It was agreed that RMSB will release 50% of the Award to EKICSB and the remaining 50% to be deposited into a stakeholder's account pending conclusion of the Piling Contract arbitration. The 50% payment was made to EKICSB on 31 December 2019.

Meanwhile, EKICSB alleged that RMSB's Piling Contract arbitration is time barred and sought declaration from the High Court on the same, which RMSB opposed and causes the Piling Contract arbitration to be put on hold. On 11 September 2020, the Court decided that RMSB's claim is not time-barred and therefore the Piling Contract Arbitration will continue.

On 8 October 2020, EKICSB appealed against the High Court's decision to the Court of Appeal. On 25 April 2022, the Court of Appeal dismissed EKICSB's appeal and on the same date EKICSB further appeals to the Court of Appeal's decision to the Federal Court, the hearing is fixed on 12 October 2022. Concurrently, the arbitrator decided to resume the arbitration proceeding and fixed the hearings on 9 and 14 September 2022.

RMSB's solicitors believe the leave to appeal to Federal Court will not be granted and RMSB has a good chance to succeed in its' arbitration based on the expert opinion by the independent engineers who supported the claim.

b) Edgenta PROPEL Berhad ("EPB") vs. Hartajaya-Benteng Timur-Amr Jeli JV Sdn Bhd ("HBT") vs. Government of Malaysia (Jabatan Kerja Raya/JKR/Third Party)

On 23 March 2012, EPB sued HBT for the payments of RM22,527,038.18 in respect of works done by EPB for HBT for the construction of a new road from Seremban-Port Dickson Highway to FR5 (Exit 5) and pavement works from Pasir Panjang to Linggi, Negeri Sembilan. The payments of RM22,527,038.18 consisted of RM16,117,148.72 as certified and unpaid ("Certified Work"), and RM6,409,889.46 as uncertified and unpaid.

EPB's claim to recover the Certified Work was granted but was later reversed by the Court of Appeal on 13 May 2013 upon an appeal by HBT. Accordingly, HBT proceeded to serve a third-party notice to JKR (its employer) on 4 March 2014 who failed to pay HBT for the same project. On 26 February 2015, HBT proposed a settlement with EPB for a payment of RM4,000,000.00 but subject to conclusion of third party proceeding against JKR and allowed for RM17,472,961.82 (the Certified Work plus cost and interest) to be subjected to assessment of damages. The payment for RM4,000,000.00 was agreed and recorded as a "Consent Order" on 2 April 2015.

The assessment of damages application was filed on 13 August 2015 and on 29 August 2017, the court decided that HBT shall pay EPB RM17,472,961.82 ("Assessed Damages") with interest of 5% per annum calculated from 2 April 2015 until full realisation and costs of RM15,000.00.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

19. Material litigation (Contd.)

b) Edgenta PROPEL Berhad (“EPB”) vs. Hartajaya-Benteng Timur-Amr Jeli JV Sdn Bhd (“HBT”) vs. Government of Malaysia (Jabatan Kerja Raya/JKR/Third Party)(Contd.)

On 22 November 2017, HBT again filed an application to set aside the decision on the Assessed Damages to High Court but was dismissed by the court on 15 March 2018 with cost of RM5,000.00. Thereafter, HBT appealed to the Court of Appeal on 5 April 2018 (“Setting Aside of Appeal”) which was heard on 7 March 2019, where the Court of Appeal allowed HBT’s appeal on a condition that HBT pays the sum of RM10,000,000.00 to the court or a stakeholder’s account within 14 days. HBT failed to deposit the required sum within the 14 days to the court or a stakeholder’s account.

Separately in a different proceeding, HBT’s assessment of damages against JKR was concluded in the high court on 27 September 2019. It was decided that the assessment of damages and delivered its decision on the amount to be approximately RM10,000,000.00. JKR had paid this amount to HBT.

On 21 March 2019, HBT filed a motion in the Court of Appeal for a stay of execution and filed another motion in the Federal Court for leave to appeal to Federal Court on the Appeal Order. During the hearing on 21 May 2020, HBT’s motion for leave to appeal to the Federal Court was dismissed with cost of RM30,000.00. In this regard, the Assessed Damages of RM17,472,961.82 in addition to the Consent Order of RM4,000,000.00 shall be payable by HBT to EPB, both amounting RM21,472,961.82.

EPB initiated winding up actions against HBT on 9 July 2021 to recover the total amount of RM21,472,961.82 plus cost and interest (“Recovery Amount”). The proceeding however was postponed pending the conclusion of the Judicial Management Application filed by HBT on 29 September 2021. EPB in response filed an Intervener Application on 13 October 2021, and HBT further filed Preliminary Objection Application to oppose EPB’s Intervener Application on 3 November 2021.

HBT also filed a Stay Application to the Winding Up Petition on 1 October 2021, which was later dismissed by Court on 8 December 2021.

On 10 March 2022, the Court decided to allow EPB to intervene in HBT Judicial Management Application and dismissed HBT Preliminary Objection Application. During the Judicial Management Application hearing on 8 June 2022, the Court dismissed the application and therefore the winding-up proceeding will resume. HBT filed an appeal to the dismissal of its Judicial Management Application, and a stay of winding-up proceeding, which will be heard on 8 September 2022.

EPB’s solicitors are of the opinion HBT does not have grounds for the stay and is unlikely to be granted by the Court, therefore will not postpone the winding-up proceeding.

c) Magna Meditech Sdn Bhd (“MMSB”) vs Edgenta Mediserve Sdn Bhd (“EMS”)

By way of a Letter of Acceptance dated 8 November 2019, EMS and MMSB entered a contract described as the “Provision of Comprehensive Maintenance Services for Radiology, Radiotherapy, Imaging and Ultrasound Equipment at Northern Region Hospitals under the Ministry of Health Malaysia (MOH) for Edgenta Mediserve Sdn Bhd with a contract value of RM53,665,958.88 (“Contract”).

On 18 May 2020, EMS served a Notice of Rescission of the Contract on MMSB (“Notice”). Since then, the parties had attempted to resolve the issues surrounding the Notice of Rescission via several communications and a dispute resolution committee as provided under the Contract but failed to reach any amicable solution.

Eventually on 30 March 2021, EMS was served with a Writ and a Statement of Claim (“Claim”) both dated 25 March 2021. Amongst others, MMSB claims that EMS has breached the Contract by, prematurely and unlawfully terminating the Contract by way of the Notice of Rescission and seeks reinstatement of the Contract for a new term of 3 years with an extension of a further 2 years or damages amounting to RM22,023,999.53. EMS filed the defence to MMSB’s claims on 3 May 2021.

We have been advised by our solicitors that the termination of the Contract is valid and lawful; and the Notice was properly and lawfully issued by EMSB under the Contract and/or in law. The solicitors have opined that EMS has a good chance of successfully defending the claim.

Parties have filed pre-trial documents based on Court’s directions, including the core bundle of documents and list of witnesses. The trial is fixed from 11 to 14 March 2024. The next case management is fixed on 8 November 2022.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

19. Material litigation (cont'd)

d) Ahmad Zaki Sdn Bhd ("AZSB") vs Edgenta PROPEL Berhad ("EPB")

By way of a Letter of Award dated 5 August 2016, AZSB appointed EPB as a sub-contractor to carry out and complete the works in respect of the "Projek Mass Rapid Transit Laluan 2: Sungai Buloh-Serdang-Putrajaya (SSP) Package V202: Construction and Completion of Viaduct Guideway and other associated works from Persiaran Dagang to Jinjang, Subcontract: Protection & Relocation of Utilities (Relocation of Telecommunication Works) for the contract sum of RM87,000,000.00 ("Contract").

On 15 April 2021, EPB received a Writ and Statement of Claim dated 12 April 2021 from AZSB. AZSB claims that EPB has breached the terms of the Contract, mainly on grounds that due to EPB's delay, EPB failed to meet the completion date. Therefore, AZSB had to engage third parties to complete some of the works under the Contract. AZSB is therefore seeking reliefs amounting to RM30,882,307.58 from EPB. This consist largely of claims for Liquidated Ascertained Damages ("LAD") for the alleged delays caused by EPB.

EPB strongly denies the claims and has engaged solicitor to represent and defend the suit. The basis of EPB's defence is that various events that contributed to the delay and these were not within the control and responsibility of EPB ("Delay Events"). Furthermore, extension of time applications was made by EPB, notifying AZSB of the Delay Events. These were unreasonably rejected by AZSB, hence causing the completion date to be "at large" (there is no enforceable date for completion, and EPB only has an implied obligation to complete the works within a reasonable time). EPB also contends that it had no knowledge on the engagement of third parties to carry out the omitted scope of works. The omissions were made wrongly and unlawfully by AZSB.

EPB filed its defence and counter claim on 25 May 2021 against AZSB for RM10,597,351.90 on the basis that AZSB has breached the Sub-Contract. EPB contends that AZSB failed, neglected and/or refused to make full payment for Payment Certificates and under certified EPB's claims for work done. AZSB also failed to certify the Progress Claims that were duly submitted to AZSB for works done by EPB in accordance with the Sub-Contract.

On 12 July 2022, both AZSB and EPB has reached a settlement and recorded consent judgment before the judge on 27 July 2022. The terms of the Consent Judgment provide, amongst others, that AZSB will pay EPB the sum of RM10,199,224.52 by way of ten (10) monthly installments from 30 November 2022 to 31 August 2023 and the sum of RM361,476.88 on or by 30 September 2023. All of AZSB's claims against EPB in the Civil Suit are also withdrawn without liberty to file afresh. On 2 August 2022, a sealed copy of the consent judgement has been issued by Court.

20. Contingent liabilities

Other than disclosed in Note 19 (c) and (d), other contingent liabilities are as follows:

(a) UEM Edgenta and Inland Revenue Board of Malaysia

On 30 April 2021, the Director General of Inland Revenue Board of Malaysia ("DGIR") had served UEM Edgenta Berhad ("UEM Edgenta" or "the Company"), with additional tax assessments for the years of assessment ("YAs") 2015,2016,2017 and 2018 for additional income taxes of RM18,697,845.29 ("2021 Notice").

The abovementioned additional income tax was imposed by DGIR mainly pursuant to the dispute on the status of UEM Edgenta as a Management Service Company and shall be taxed as an Investment Holding Company under Section 60FA of the Income Tax Act, 1967.

The Company filed in an appeal to the Special Commissioner of Income Tax (SCIT) on 25 May 2021. The next Mention is postponed pending disposal of the Company's judicial review application in Court.

Concurrently the Company also applied for judicial review to quash the decision of the DGIR to raise the additional tax assessments on 27 May 2021. On 6 July 2021, the High Court allowed UEM Edgenta's application for leave to commence judicial review proceedings against the Inland Revenue Board of Malaysia ("IRB") and granted a Stay against any proceedings or enforcement actions to recover the taxes and penalties purportedly payable under the notices of assessment, and any other proceedings and actions, until the disposal of the judicial review.

On 20 July 2021, the IRB filed a notice of appeal against the High Court's decision (for grant of leave).

Subsequently on 18 August 2021, IRB filed in an application to the High Court for stay of the substantive proceedings, pending the disposal of the IRB's appeal to the Court of Appeal (against the decision of the High Court to grant leave). The High Court denied the application on 20 October 2021. The IRB then applied to the Court of Appeal for a stay. The Court of Appeal allowed IRB's application for stay on 28 January 2022, therefore the judicial review will only commence upon disposal of IRB's appeal.

The next case management for IRB's appeal in Court of Appeal against the High Court's decision for grant of leave is fixed on 6 September 2022.

At the date of this report, the Company is finalising negotiation with IRB. The Company is optimistic that it will be able to reach an amicable settlement on this matter.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

20. Contingent liabilities (Contd.)

(b) Edgenta PROPEL Berhad and Inland Revenue Board of Malaysia

On 29 June 2021, the DGIR had served Edgenta PROPEL Berhad ("EPB"), a wholly-owned subsidiary of UEM Edgenta, with additional tax assessment for the year of assessment 2016 to 2018 amounting to RM9,387,158.88 ("2021 EPB Notices").

The 2021 EPB Notices are consequent to the DGIR's view that EPB ought not to have deducted the adjusted losses surrendered to it by UEM Edgenta, flowing from the DGIR's position that UEM Edgenta is not a management services company as described in Note 20(a).

EPB filed in an appeal against the 2021 EPB Notices raised by DGIR to the Special Commissioner of Income Tax (SCIT) on 26 July 2021. The next case mention date is postponed pending disposal of the Company's judicial review application in Court.

Concurrently, EPB on 23 July 2021 made an application to the High Court for leave to commence judicial review proceedings against the IRB and request for stay against any proceedings or enforcement actions to recover the taxes and penalties purportedly payable under the notices of assessment, and any other proceedings and actions, until the disposal of the judicial review. On 14 February 2022, the High Court allowed EPB's application for leave and granted stay as applied. Next case management is fixed on 6 September 2022.

At the date of this report, EPB is finalising negotiation with IRB. EPB is optimistic that it will be able to reach an amicable settlement on this matter.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

21. Detailed analysis of the performance between the current quarter and the immediate preceding quarter

	Current quarter 30/6/2022 RM'000	Immediate preceding quarter 31/3/2022 RM'000	Variance RM'000	Variance %
<u>Revenue:</u>				
Asset Management				
- Healthcare Support	365,481	351,551	13,930	4.0
- Property and Facility Solutions	35,822	28,969	6,853	23.7
Infrastructure Solutions				
- Infrastructure Services	199,290	133,069	66,221	49.8
- Asset Consultancy	26,181	25,538	643	2.5
Others	903	82	821	>100.0
	627,677	539,209	88,468	16.4

Profit/(Loss) Before Tax:

Asset Management				
- Healthcare Support	26,092	25,749	343	1.3
- Property and Facility Solutions	2,262	1,788	474	26.5
Infrastructure Solutions				
- Infrastructure Services	10,595	4,291	6,304	>100.0
- Asset Consultancy	2,639	(1,382)	4,021	>100.0
Others/Elimination	(18,635)	(13,196)	(5,439)	(41.2)
	22,953	17,250	5,703	33.1

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

21. Detailed analysis of the performance between the current quarter and the immediate preceding quarter (cont'd)

The Group's revenue for the current quarter of RM627.7 million was RM88.5 million higher than the immediate preceding quarter's revenue of RM539.2 million. The detailed analysis are as follows:

- Asset Management
Revenue from Asset Management Segment increased by RM20.8 million mainly contributed by the increase in both HS and PFS divisions, resulting from the contracts secured in Malaysia, Taiwan, and Singapore for HS, and contract secured in Dubai for PFS.
- Infrastructure Solutions
Infrastructure Solutions segment recorded higher revenue by RM66.9 million, contributed by higher maintenance work performed for expressways by Infrastructure Services ("IS") division and higher consultancy works performed by Asset Consultancy ("AC") performed in the current quarter as compared to the immediate preceding quarter.
- Others
The increase in revenue relates to sale of a completed property during the current quarter.

The Group's profit before tax ("PBT") for the current quarter of RM23.0 million increased by RM5.7 million compared to the immediate preceding quarter's PBT of RM17.3 million, contributed by:

- Asset Management
The result of Asset Management segment shows a minimal movement from immediate preceding quarter despite the increase in revenue mainly due to margin compression in the business.
- Infrastructure Solutions
Infrastructure Solutions posted better results, with a PBT of RM13.2 million. An increase of RM10.3 million comparing to the immediate preceding quarter, mainly driven by higher revenue for the quarter.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

22. Detailed analysis of the performance for the current quarter and period

	Current quarter 30/6/2022 RM'000	Preceding year corresponding quarter 30/6/2021 RM'000	Variance RM'000	Variance %	Six months to 30/6/2022 RM'000	Six months to 30/6/2021 RM'000	Variance RM'000	Variance %
Revenue:								
Asset Management:								
- Healthcare Support	365,481	335,467	30,014	8.9	717,032	644,989	72,043	11.2
- Property and Facility Solutions	35,822	35,855	(33)	(0.1)	64,791	78,502	(13,711)	(17.5)
Infrastructure Solutions:								
- Infrastructure Services	199,290	141,418	57,872	40.9	332,359	250,767	81,592	32.5
- Asset Consultancy	26,181	20,337	5,844	28.7	51,720	39,937	11,783	29.5
Others	903	5,523	(4,620)	(83.6)	984	7,957	(6,973)	(87.6)
	627,677	538,600	89,077	16.5	1,166,886	1,022,152	144,734	14.2

Profit/(Loss) Before Tax:

Asset Management:

- Healthcare Support	26,092	17,267	8,825	51.1	51,600	37,099	14,501	39.1
- Property and Facility Solutions	2,262	3,440	(1,178)	(34.2)	4,050	11,218	(7,168)	(63.9)

Infrastructure Solutions:

- Infrastructure Services	10,595	11,639	(1,045)	(9.0)	14,887	17,721	(2,834)	(16.0)
- Asset Consultancy	2,639	(7,911)	10,550	>100.0	1,258	(11,740)	12,998	>100.0

Others/Elimination	(18,635)	(10,767)	(7,868)	(73.1)	(31,592)	(24,716)	(6,876)	(27.8)
	22,953	13,668	9,284	67.9	40,203	29,582	10,621	35.9

The Group's revenue for the current quarter of RM627.7 million was higher by RM89.0 million as compared to RM538.6 million in the corresponding quarter last year. For the six-month period, the Group recorded revenue of RM1.2 billion which is 14.2% higher than RM1.0 billion recorded for the same period last year as detailed below:

- **Asset Management**
The increase of revenue from Asset Management increased by RM58.3 million mainly contributed by the increase in HS division, resulting from the contracts secured in Malaysia, Taiwan, and Singapore. The increase in revenue by HS division is mitigated by lower revenue generated by PFS division, due to lesser ongoing contracts in the current period.
- **Infrastructure Solutions**
Revenue from Infrastructure Solutions increased by RM93.4 million mainly due to higher maintenance work works performed for expressways by IS following the lifting of movement control by the Government in the current period. Last year, the business was largely impacted by various forms of movement control orders.
- **Others**
The decrease in revenue relates to lower number of completed properties sold in the current year.

The Group recorded PBT for the current quarter of RM23.0 million, an increase of RM9.3 million as compared to RM13.7 million profit before tax in the corresponding quarter last year. The Group's PBT for the six-month period of RM40.2 million was RM10.6 million higher than RM29.6 million recorded in the same period last year as detailed below:

- **Asset Management**
The result of Asset Management segment show a net increase of RM7.3 million, contributed by higher PBT generated by HS division by RM14.5 million, resulted from higher revenue generated. This is mitigated with decrease of PBT for PFS by RM7.2 million due to higher operation costs incurred.
- **Infrastructure Solutions**
PBT for Infrastructure Solutions results increased by RM10.2 million, resulted from the increase of PBT for AC division by RM13.0 million, due to higher revenue generated in the current quarter mitigated with the decrease of PBT for IS, due to rationalisation cost incurred during the period.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

23. Economic profit ("EP") statement

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/6/2022 RM'000	Preceding year corresponding quarter 30/6/2021 RM'000	Six months to 30/6/2022 RM'000	Six months to 30/6/2021 RM'000
<u>Net operating profit after tax computation:</u>				
Earnings before interest and tax	22,811	11,881	40,336	26,364
Adjusted tax	(5,475)	(2,851)	(9,681)	(6,327)
Net operating profit after tax	17,336	9,030	30,655	20,037
<u>Economic charge computation:</u>				
Average invested capital	1,316,777	1,296,023	1,316,777	1,296,023
Weighted average cost of capital ("WACC")	6.3%	6.1%	6.3%	6.1%
Economic charge	20,739	19,764	41,478	39,529
Economic loss	(3,403)	(10,734)	(10,823)	(19,492)

The EP statement is as prescribed under the Government Linked Companies transformation program and is disclosed on a voluntary basis. EP measures the value created by a business during a single period reflecting how much return a business makes over its cost of capital.

(a) Performance of the current quarter ended 30 June 2022 against the corresponding quarter last year:

Economic loss ("EL") of RM3.4 million improved by RM7.3 million as compared to the preceding year corresponding quarter's EL of RM10.7 million mainly due to improvement in the earnings before interest and tax recorded.

(b) Performance of the current period ended 30 June 2022 against last year:

EL of RM10.8 million was lower by RM8.7 million as compared to the last year's EL of RM19.5 million mainly due to higher earnings before interest and tax recorded.

24. Prospects for the financial year

Overall Prospects

UEM Edgenta Berhad (the "Company") and its subsidiaries (the "Group") remain agile in adapting to the new phase of "Living with COVID-19". As borders reopened and restrictions lifted, the Group continues to deliver growth on the back of market recovery. We will continue to anchor our growth on the Edgenta of the Future 2025 ("EoTF 2025"), building our vision to be a technology-enabled solutions company focusing on healthcare and embracing Environment, Social and Governance ("ESG") across the Group's solutions, operations and resources deployment.

While the Group's long-term growth trajectory remains intact, despite the prospect of a more robust economic recovery, the management is cautiously optimistic, considering all the uncertainties brought about by global economic slowdown, inflationary pressures, ongoing disruption in supply chain, conflicts in Europe, the recent China-Taiwan tensions and increase in minimum wage in Malaysia. Despite the challenging operating environment, the Group will remain vigilant and prudent in managing operating costs, business growth and business risk through diversification of our business portfolio, differentiated technology and sustainability solutions.

V. **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)**

24. **Prospects for the financial year (cont'd)**

Prospects by Segment

i. **Asset Management**

Healthcare Support division's value proposition in the provision of healthcare support services, consultancy and non-clinical services, is enhanced by the deployment of its proprietary software and the integrated healthcare solution offerings. The division is in a good position to expand market share in the existing markets and penetrate key growth market such as Saudi and other Middle East (GCC) countries.

Embracing the technology and sustainability trends are key for Property and Facility Solutions ("PFS") division to excel in its existing markets as well as key growth markets such as Middle East by leveraging on the Group's and partner's sustainable smart city solutions in the areas of Internet of Things-driven analytics and energy efficiency solutions.

ii. **Infrastructure Solutions**

Infrastructure Services ("IS") division continued to see traffic recovery in Q2 FY22 and recorded higher maintenance work for expressways and state roads, while higher consultancy works were performed by Asset Consultancy ("AC"). The recovery for Infrastructure Solutions is expected to continue with mega infrastructure projects making a gradual comeback and our Pan Malaysia strategy taking shape through strategic partnerships.

25. **Profit forecast**

The Group did not issue any profit forecast in the current period.

26. **Earnings per share ("EPS")**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/6/2022 RM'000	Preceding year corresponding quarter 30/6/2021 RM'000	Six months to 30/6/2022 RM'000	Six months to 30/6/2021 RM'000
Profit attributable to Owners of the Parent	10,864	6,133	20,267	12,827
Weighted average number of ordinary shares in issue ('000)	831,624	831,624	831,624	831,624
Basic earnings per share	1.31 sen	0.74 sen	2.44 sen	1.54 sen

Kuala Lumpur
25 August 2022

By Order of the Board
Chiew Siew Yuen
Company Secretary
(SSM PC No. 201908001259)
(MAICSA 7063781)