

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2023

THE FIGURES HAVE NOT BEEN AUDITED.

I(A). CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Three months to	Three months to
	31/3/2023	31/3/2022	31/3/2023	31/3/2022
	RM'000	RM'000	RM'000	RM'000
1 (a) Revenue	631,776	539,209	631,776	539,209
(b) Cost of sales	(552,428)	(462,582)	(552,428)	(462,582)
(c) Gross profit	79,348	76,627	79,348	76,627
(d) Other income	6,693	7,622	6,693	7,622
(e) Expenses	(60,551)	(65,592)	(60,551)	(65,592)
(f) Finance costs	(5,418)	(4,930)	(5,418)	(4,930)
(g) Share of results of associates	2,361	3,523	2,361	3,523
(h) Share of results of a joint venture	1	-	1	-
(i) Profit before tax	22,434	17,250	22,434	17,250
(j) Income tax	(11,613)	(7,884)	(11,613)	(7,884)
(k) Profit for the period	10,821	9,366	10,821	9,366
Attributable to:				
(l) Owners of the parent	10,901	9,403	10,901	9,403
(m) Non-controlling interests	(80)	(37)	(80)	(37)
Profit for the period	10,821	9,366	10,821	9,366
2 Earnings per share based on 1(I) above (Note 25):				
Basic	1.31 sen	1.13 sen	1.31 sen	1.13 sen

The condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2022.

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I(B). CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year	Preceding year	Three	Three
	quarter	corresponding	months to	months to
	31/3/2023	31/3/2022	31/3/2023	31/3/2022
	RM'000	RM'000	RM'000	RM'000
Profit for the period	10,821	9,366	10,821	9,366
<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	10,266	3,714	10,266	3,714
Total comprehensive income for the period	21,087	13,080	21,087	13,080
Attributable to:				
Owners of the parent	21,167	13,117	21,167	13,117
Non-controlling interests	(80)	(37)	(80)	(37)
	21,087	13,080	21,087	13,080

The condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2022.

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Remarks to Condensed Consolidated Income Statement:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/3/2023 RM'000	Preceding year corresponding quarter 31/3/2022 RM'000	Three months to 31/3/2023 RM'000	Three months to 31/3/2022 RM'000
Profit before tax is arrived at after (crediting)/charging:				
Interest income	(1,080)	(819)	(1,080)	(819)
Accretion of interest on concession receivable	(4,012)	(4,379)	(4,012)	(4,379)
Dividend from short term investment	(18)	(61)	(18)	(61)
Loss/(gain) on disposal of property, plant and equipment	7	(15)	7	(15)
Net foreign exchange unrealised loss	333	148	333	148
Net foreign exchange realised loss	136	25	136	25
(Reversal)/allow ance of ECL on trade receivables	(3)	1,562	(3)	1,562
Interest expense	5,121	4,618	5,121	4,618
Depreciation and amortisation	19,890	22,839	19,890	22,839

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
	31/3/2023	31/12/2022
	RM'000	RM'000
ASSETS		
1 Non-current assets		
Property, plant and equipment	146,944	146,355
Investment properties	13,800	13,800
Right-of-use assets	41,864	44,246
Intangible assets	704,915	700,893
Investment in associates	74,309	72,346
Investment in a joint venture	117	116
Other investments	232	232
Trade and other receivables	108,218	107,366
Contract related assets	42,606	73,656
Deferred tax assets	12,465	12,513
	1,145,470	1,171,523
2 Current assets		
Inventories	17,860	17,178
Trade and other receivables	546,977	491,670
Contract related assets	415,387	359,404
Tax recoverable	34,456	32,184
Short term investments	48,316	97,178
Cash, bank balances and deposits	577,148	609,486
	1,640,144	1,607,100
Asset of disposal group classified as held for sale	88,272	90,048
Total assets	2,873,886	2,868,671

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

	As at end of current quarter 31/3/2023 RM'000	As at preceding financial year end 31/12/2022 RM'000
EQUITY AND LIABILITIES		
3	Equity attributable to Owners of the Parent	
	268,074	268,074
	313,856	313,856
	33,582	23,066
	953,531	975,894
	1,569,043	1,580,890
4	4,822	3,141
	1,573,865	1,584,031
5	Non-current liabilities	
	3,151	1,046
	709	709
	4,471	4,280
	325,969	331,639
	26,087	28,210
	16,233	10,776
	46,933	47,128
	423,553	423,788
6	Current liabilities	
	1,036	1,036
	1,620	1,620
	184,636	127,111
	12,484	12,744
	616,417	665,385
	31,226	30,777
	26,842	19,008
	874,261	857,681
	2,207	3,171
	1,300,021	1,284,640
	2,873,886	2,868,671
7	Net assets per ordinary share attributable to Owners of the Parent (RM)	
	1.89	1.90

The condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2022.

* Cash, bank balances and deposits

Included in the cash, bank balances and deposits of the Group is an amount of RM126,242 (2022: RM125,928) 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

	Three months to 31/3/2023 RM'000	Three months to 31/3/2022 RM'000
Cash flows from operating activities		
Cash receipts from customers	573,613	575,257
Cash payments to suppliers	(346,998)	(293,778)
Cash payments to employees and for expenses	(342,553)	(344,497)
Cash used in operations	(115,938)	(63,018)
Interest paid	(2,173)	(1,903)
Net Income tax (paid)/refund	(5,323)	8,029
Net cash flows used in operating activities	(123,434)	(56,892)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	12	37
Net withdrawal from short term investments	48,983	-
Interest received	1,300	1,096
Dividend received from associates	400	-
Purchase of property, plant and equipment	(10,207)	(3,738)
Net cash flows generated from/(used in) investing activities	40,488	(2,605)
Cash flows from financing activities		
Draw down of borrowings	62,786	62,573
Repayment of borrowings	(11,402)	(8,550)
Repayment of lease liabilities	(1,618)	(2,293)
Capital repayment to non-controlling interests of a subsidiary	(3,600)	-
Net withdrawal/(placement) of pledged fixed deposits	355	(719)
Net cash flows generated from financing activities	46,521	51,011
Net decrease in cash and cash equivalents	(36,425)	(8,486)
Net foreign exchange difference	3,480	1,079
Cash and cash equivalents as at beginning of financial period	593,313	554,760
Cash and cash equivalents as at end of financial period (a)	560,368	547,353
	As at 31/3/2023 RM'000	As at 31/3/2022 RM'000
(a) Cash and Cash Equivalents comprise the following amounts:		
Cash on hand and at banks	465,051	477,421
Fixed deposits with licensed banks	112,097	116,447
Cash, bank balances and deposits	577,148	593,868
Add: Cash and cash equivalents of disposal group	35,201	-
Less: Cash, bank and fixed deposits pledged and on lien	(51,981)	(46,515)
	560,368	547,353

The condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2022.

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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	
Three months to 31 March 2023							
Balance as at 1 January 2023	268,074	313,856	23,066	975,894	1,580,890	3,141	1,584,031
Profit for the period	-	-	-	10,901	10,901	(80)	10,821
Other comprehensive income	-	-	10,266	-	10,266	-	10,266
Total comprehensive income for the period	-	-	10,266	10,901	21,167	(80)	21,087
Acquisition of a subsidiary	-	-	250	-	250	5,361	5,611
Capital repayment to non-controlling interests of a subsidiary	-	-	-	-	-	(3,600)	(3,600)
Dividends payable to shareholders of the Company	-	-	-	(33,264)	(33,264)	-	(33,264)
Balance as at 31 March 2023	<u>268,074</u>	<u>313,856</u>	<u>33,582</u>	<u>953,531</u>	<u>1,569,043</u>	<u>4,822</u>	<u>1,573,865</u>

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

	←——— Attributable to owners of the parent ———→						Total equity RM'000
	←——— Non-distributable ———→		Distributable		Total RM'000	Non-controlling interests RM'000	
	Share capital RM'000	Capital reserve RM'000	Other reserves RM'000	Retained earnings RM'000			
Three months to 31 March 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	-	-	-	9,403	9,403	(37)	9,366
Other comprehensive income	-	-	3,714	-	3,714	-	3,714
Total comprehensive income for the period	-	-	3,714	9,403	13,117	(37)	13,080
Dividends payable to shareholders of the Company	-	-	-	(24,949)	(24,949)	-	(24,949)
Balance as at 31 March 2022	268,074	313,856	3,598	938,476	1,524,004	3,482	1,527,486

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 2022.

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 2022.

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 2022.

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 2022 except for standards effective for financial periods beginning on or after 1 January 2023 below:

	Effective for annual periods beginning on or after
MFRS 17: Insurance Contracts ("MFRS 17") and amendments to MFRS 17	1 January 2023
Amendments to MFRS 108: Accounting policies, Changes in Accounting Estimates and Errors	1 January 2023
Amendments to MFRS 112: Income Taxes	1 January 2023

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 16: Leases	1 January 2024
Amendments to MFRS 101: Presentation of Financial Statements	1 January 2024
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 2022 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2022 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 31 March 2023.

9. Dividend

For the financial year ended 31 December 2022, the Board of Directors has declared single-tier interim dividend of 4.00 sen per ordinary share, on 831,624,030 ordinary shares, amounting to RM33,264,961 paid on 18 May 2023. The entitlement date is 20 April 2023.

No interim dividend is declared for the current financial period of 31 March 2023.

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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 31 March 2023 is as follows:

By operating segment

	Asset Management		Infrastructure Solutions				Group
	Property and		Infrastructure	Asset	Others	Elimination	
	Healthcare Support	Facility Solutions					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External revenue	346,459	44,060	221,565	19,608	84	-	631,776
Inter-segment revenue	315	1,979	-	-	25,377	(27,671)	-
Total Revenue	346,774	46,039	221,565	19,608	25,461	(27,671)	631,776
Results							
EBITDA	20,142	3,213	23,341	(515)	8,956	(11,134)	44,003
Depreciation and amortisation	(7,908)	(211)	(2,776)	(216)	(8,249)	(530)	(19,890)
EBIT	12,234	3,002	20,565	(731)	707	(11,664)	24,113
Interest income	285	118	157	38	482	-	1,080
Interest expense	(998)	(1,017)	-	(97)	(3,814)	805	(5,121)
Share of results of associates	2,275	-	-	86	-	-	2,361
Share of results of a joint venture	-	-	-	1	-	-	1
Profit/(loss) before tax	13,796	2,103	20,722	(703)	(2,625)	(10,859)	22,434
Income tax	(4,038)	(580)	(5,630)	(172)	(2,095)	902	(11,613)
Profit/(loss) for the period	9,758	1,523	15,092	(875)	(4,720)	(9,957)	10,821

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 31 March 2022 is as follows:

By operating segment

	Asset Management		Infrastructure Solutions			Elimination	Group
	Healthcare Support	Property and Facility Solutions	Infrastructure Services	Asset Consultancy	Others		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External revenue	351,551	28,969	133,069	25,538	82	-	539,209
Inter-segment revenue	420	3,876	221	-	21,109	(25,626)	-
Total Revenue	351,971	32,845	133,290	25,538	21,191	(25,626)	539,209
Results							
EBITDA	32,699	2,395	6,797	(1,457)	(8,475)	8,406	40,365
Depreciation and amortisation	(9,737)	(203)	(2,855)	(266)	(9,246)	(532)	(22,839)
EBIT	22,962	2,192	3,942	(1,723)	(17,721)	7,874	17,526
Interest income	173	178	357	31	80	-	819
Interest expense	(362)	(819)	(8)	-	(3,804)	375	(4,618)
Share of results of associates	2,976	237	-	310	-	-	3,523
Profit/(loss) before tax	25,749	1,788	4,291	(1,382)	(21,445)	8,249	17,250
Income tax	(4,584)	(1,029)	(1,662)	(357)	-	(252)	(7,884)
Profit/(loss) for the period	21,165	759	2,629	(1,739)	(21,445)	7,997	9,366

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 31 March 2023 to the date of this announcement which would substantially affect the financial results of the Group for the period ended 31 March 2023 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 29 September 2022, Edgenta Arabia Limited ("EAL"), a wholly-owned subsidiary of the Company, had entered into a Share Purchase Agreement and Shareholders Agreement with Mohammed Ibrahim Al-Subeaei and His Sons Investment Company for the investment in MEEM for Facilities Management Company ("MEEM"). The subscription of 60% equity interest in MEEM by EAL was completed on 21 March 2023 and MEEM became a subsidiary of EAL.

13. Capital commitments

There are no material capital commitments except as disclosed below:

	As at 31/3/2023 RM'000	As at 31/12/2022 RM'000
Approved and contracted for	11,514	23,493
Approved but not contracted for	81,299	92,813

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	Three months to	Three months to
	31/3/2023	31/3/2022	31/3/2023	31/3/2022
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- Malaysian income tax	6,391	3,311	6,391	3,311
- Foreign tax	5,988	4,628	5,988	4,628
Underprovision in prior years				
- Malaysian income tax	13	-	13	-
	<u>12,392</u>	<u>7,939</u>	<u>12,392</u>	<u>7,939</u>
Deferred tax				
- Relating to origination and reversal of temporary difference	(779)	(55)	(779)	(55)
Income tax expense	<u>11,613</u>	<u>7,884</u>	<u>11,613</u>	<u>7,884</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 31 March 2023 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	75,969	250,000	325,969	85,631	52,000	137,631
Foreign						
- Singapore Dollar	-	-	-	-	-	-
- Taiw an Dollar	-	-	-	47,005	-	47,005
TOTAL	<u>75,969</u>	<u>250,000</u>	<u>325,969</u>	<u>132,636</u>	<u>52,000</u>	<u>184,636</u>

Details of Group borrowings and debt securities as at 31 December 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	81,639	250,000	331,639	25,379	52,000	77,379
Foreign						
- Singapore Dollar	-	-	-	-	-	-
- Taiw an Dollar	-	-	-	49,732	-	49,732
TOTAL	<u>81,639</u>	<u>250,000</u>	<u>331,639</u>	<u>75,111</u>	<u>52,000</u>	<u>127,111</u>

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

17. Derivatives

There are no outstanding derivatives as at 31 March 2023 (31 December 2022: 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.

EKICSB appeal to the Court of Appeal was dismissed on 25 April 2022, and further appeals to the Federal Court was dismissed on 12 January 2023.

Concurrently, the arbitrator resumed the arbitration which concluded on 26 May 2023, and ordered parties to file written submissions by 30 August 2023.

RMSB’s solicitors believe 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 (Cont'd)

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) (Cont'd)

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 subsequently filed an appeal to the dismissal of its Judicial Management Application, and EPB had also filed a striking out application on 18 October 2022 to HBT's Judicial Management appeal at Court of Appeal on grounds of late filing out of time.

HBT also filed a stay of winding-up proceeding due to the appeal, which was dismissed by Court on 26 September 2022 with cost RM6,000.00 to be paid to EPB, and subsequently on 20 October 2022 the Court ordered HBT to be wind up. EPB filed proof of debt documents in Court on 17 March 2023 to establish its claim as unsecured creditors before the creditors meeting at a date to be determined.

On 24 March 2023, the Official Receiver ("OR") / Liquidator for HBT sent to EPB's lawyer a draft Notice of Discontinuance to its appeal. During the case management on 30 March 2023, the Court is made aware of the draft Notice of Discontinuance. On 9 May 2023, the Court of Appeal in the Hearing decided to strike off the appeal with cost of RM3,000.00 awarded to EPB.

c) 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.

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

19. Material litigation (Cont'd)

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

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.

On 30 November 2022, AZSB has defaulted on making its 1st installment payment as per Consent Judgment. On 1 December 2022, following UEM Edgenta Berhad's Board decision, a letter of demand has been issued to AZSB demanding AZSB to pay EPB the full sum of RM11,050,362.40 plus interest of 5% per annum from 1 December 2022 until the date of final realization within 5 days from 1 December 2022 ("Letter of Demand"). If AZSB failed to do so, EPB will commence winding-up proceedings against AZSB.

On 6 December 2022, AZSB has failed in making the payment to EPB as per the Letter of Demand. On 7 December 2022, EPB has issued a S466 notice to AZSB which AZSB has stated that they received it on 9 December 2022. On 30 December 2022, no payment has been made by AZSB to EPB. On 3 January 2023, EPB has filed a winding-up petition against AZSB in the High Court of Kuala Lumpur.

On 27 January 2023, EPB's winding-up petition against AZSB was withdrawn with liberty to start afresh. Pursuant to AZSB's request, EPB is willing to grant AZSB indulgence in respect of payment of the full sum. AZSB shall pay the sum of RM11,050,362.40 by way of eleven (11) monthly installments from 31 March 2023 to 31 January 2024, together with interest from the original date of payment stated in the Consent Judgment. In the event AZSB fails, neglects and/or defaults in making any of the installment payments together with interest, EPB shall be entitled to take such steps as may be necessary against AZSB, to enforce or execute the Consent Judgment.

As to date, EPB has collected 2 installments payment from AZSB and the next installment payment is due on 31 May 2023.

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

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

	Current quarter 31/3/2023 RM'000	Immediate preceding quarter 31/12/2022 RM'000	Variance RM'000	Variance %
<u>Revenue:</u>				
Asset Management				
- Healthcare Support	346,459	407,933	(61,474)	(15.1)
- Property and Facility Solutions	44,060	55,412	(11,352)	(20.5)
Infrastructure Solutions				
- Infrastructure Services	221,565	224,343	(2,778)	(1.2)
- Asset Consultancy	19,608	21,598	(1,990)	(9.2)
Others	84	1,246	(1,162)	(93.3)
	631,776	710,532	(78,756)	(11.1)

Profit/(Loss) Before Tax:

Asset Management				
- Healthcare Support	13,796	23,632	(9,836)	(41.6)
- Property and Facility Solutions	2,103	2,310	(207)	(9.0)
Infrastructure Solutions				
- Infrastructure Services	20,722	16,604	4,118	24.8
- Asset Consultancy	(703)	(537)	(166)	(30.9)
Others/Elimination	(13,484)	(3,562)	(9,922)	>100%
	22,434	38,447	(16,013)	(41.6)

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

20. 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 RM631.8 million was RM78.8 million lower than the immediate preceding quarter's revenue of RM710.5 million. This is in-line with the seasonality trend for the business divisions, consistent to prior years. The detailed analysis are as follows:

- Asset Management
Revenue from Asset Management Segment dropped by RM72.8 million mainly due to lower revenue generated from the healthcare support operations in Malaysia and lesser ongoing projects for the Property and Facility Solutions ("PFS") division.
- Infrastructure Solutions
Infrastructure Solutions segment recorded lower revenue by RM4.8 million, which was due to lesser maintenance work performed for expressways by Infrastructure Services ("IS") division. In addition, lower revenue was generated by Asset Consultancy ("AC") due to lesser consultancy works performed in the current quarter as compared to immediate preceding quarter. In-line with the seasonality trend of the Infrastructure solutions business, typically Q1 will be a weaker quarter as compare to Q4, however, this year, seasonality impact was lower. This was due to the flow over of IS' pavement work order from Q4 last year.

The Group's profit before tax ("PBT") for the current quarter of RM22.4 million deteriorated by RM16.0 million compared to the immediate preceding quarter's PBT of RM38.4 million, contributed by the below:

- Asset Management
Asset management's PBT recorded a decrease of RM10.0 million, mainly driven by the reduction in revenue for both Healthcare Support ("HS") and PFS division.
- Infrastructure Solutions
PBT for Infrastructure Solutions improved by RM4.0 million, which is mainly contributed by IS whilst loss for AC is consistent to immediate preceding quarter. The improvement of PBT in IS mainly due to impairment of receivables recognised in the immediate preceding quarter.

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

21. Detailed analysis of the performance for the current quarter

	Current quarter 31/3/2023 RM'000	Preceding year corresponding quarter 31/3/2022 RM'000	Variance RM'000	Variance %
<u>Revenue:</u>				
Asset Management:				
- Healthcare Support	346,459	351,551	(5,092)	(1.4)
- Property and Facility Solutions	44,060	28,969	15,091	52.1
Infrastructure Solutions:				
- Infrastructure Services	221,565	133,069	88,496	66.5
- Asset Consultancy	19,608	25,538	(5,930)	(23.2)
Others	84	82	2	2.4
	631,776	539,209	92,567	17.2
<u>Profit/(Loss) Before Tax:</u>				
Asset Management:				
- Healthcare Support	13,796	25,749	(11,953)	(46.4)
- Property and Facility Solutions	2,103	1,788	315	17.6
Infrastructure Solutions:				
- Infrastructure Services	20,722	4,291	16,431	>100.0
- Asset Consultancy	(703)	(1,382)	679	49.1
Others/Elimination	(13,484)	(13,196)	(288)	(2.2)
	22,434	17,250	5,184	30.1

The Group's revenue for the current quarter of RM631.8 million was higher by RM92.6 million as compared to RM539.2 million in the corresponding quarter last year.

- **Asset Management**
Revenue from Asset Management increased by RM10.0 million mainly contributed by higher revenue generated by PFS due to higher ongoing contracts. The increase for the segment is however mitigated by lower revenue generated by HS due to lower Covid-related contracts in the current quarter.
- **Infrastructure Solutions**
Revenue from Infrastructure Solutions increased by RM82.6 million mainly due to higher pavement works performed for expressways by IS. The improvement in this segment is mitigated by lower revenue generated by AC due to lesser consultancy works performed as compared to corresponding quarter last year.

The Group recorded PBT for the current quarter of RM22.4 million, an increase of RM5.2 million as compared to RM17.3 million profit before tax in the corresponding quarter last year.

- **Asset Management**
The result of Asset Management segment shows a net decrease of RM11.6 million, mainly resulted from lower PBT for HS due to lower revenue generated. On the other hand, PBT for PFS shows a marginal increase despite higher increment rate in revenue, due to margin compression.
- **Infrastructure Solutions**
Infrastructure Solutions posted better results of RM20.0 million, an increase of RM17.1 million comparing to the preceding year corresponding quarter. The increase mainly contributed by higher revenue generated by IS in the current quarter and recognition of impairment loss on trade receivables by AC in the corresponding quarter last year.

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

22. **Economic profit ("EP") statement**

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/3/2023 RM'000	Preceding year corresponding quarter 31/3/2022 RM'000	Three months to 31/3/2023 RM'000	Three months to 31/3/2022 RM'000
<u>Net operating profit after tax computation:</u>				
Earnings before interest and tax ("EBIT")	24,113	17,526	24,113	17,526
Adjusted tax	(5,787)	(4,206)	(5,787)	(4,206)
Net operating profit after tax	18,326	13,320	18,326	13,320
<u>Economic charge computation:</u>				
Average invested capital	1,362,974	1,276,233	1,362,974	1,276,233
Weighted average cost of capital ("WACC")	6.0%	6.0%	6.0%	6.0%
Economic charge	20,445	19,143	20,445	19,143
Economic loss	(2,119)	(5,823)	(2,119)	(5,823)

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.

Economic loss in the current quarter has reduced to RM2.1 million as compared to economic loss for the preceding year corresponding quarter of RM5.8 million mainly contributed by the higher EBIT and economic charge.

23. **Prospects for the financial year**

Overall Prospects

During the first quarter of 2023, the macroeconomic environment continued to be hit by multiple headwinds, including renewed concerns on slowing global economic growth triggered by the escalating geopolitical tensions, prolonged supply chain disruptions and inflationary pressures. Although China's reopening and the resumption of local infrastructure projects are expected to alleviate some of the pressures, these factors present downside risks that warrant careful attention.

Against the backdrop of the challenging macroeconomic environment and cost escalation due to increases in labour and material costs, the Company remains cautiously optimistic on the outlook for 2023 while maintaining the agility in navigating the business hurdles and headwinds. The Company remained committed in executing their Edgenta of the Future 2025 strategy, leveraging tech-enabled solutions and sustainability programs. The Company's diversification strategy aims to support growth in existing and new markets, enhancing product/service offerings with technology and ESG positioning.

To achieve long-term competitive advantage and sustainability, the Company will focus on optimizing delivery models and improving operational efficiency through structural cost transformation and cost synergy initiatives. These efforts will drive growth and ensure the Company's resilience in the long run.

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

23. Prospects for the financial year (cont'd)

Prospects by Segment

i. **Asset Management**

Healthcare Support division will continue to provide essential services, while striving to move up the value chain in existing markets through enhanced capabilities and expansion of integrated healthcare solutions offerings. The Company is leveraging on its experience in the provision of healthcare support services, consultancy and non-clinical services with the deployment of proprietary software solutions to be adapted to the local requirements in the growth markets, namely Saudi Arabia and other Gulf Cooperation Countries ("GCC") countries.

Property and Facility Solutions ("PFS") division continues to integrate technology and sustainability with facilities management, enabled by Internet of Things ("IOT")-driven real-time analytics and energy efficiency solutions such as Energy Performance Contracting and Green Building audit services in Malaysia as well as key growth markets such as Middle East by leveraging on the Company's and partners' capabilities.

ii. **Infrastructure Solutions**

The Infrastructure Services and Asset Consultancy divisions are both set to benefit from the Y2023 budget for Malaysia, where over RM6.7 billion will be allocated to building and maintaining rural and state roads.

The Infrastructure Services division is poised to capitalize on the momentum gained from the reopening of the market post-COVID, as the existing work continues to progress. Additionally, the division is set to reap the benefits of the Y2023 budget allocation. With a focus on construction and infrastructure projects, the division will leverage its expertise to deliver high-quality maintenance services.

Simultaneously, Asset Consultancy division has optimized and strengthened its resources in East Malaysia, to be deployed efficiently in East Malaysia, the key growth region for the Company's Pan Malaysia strategy.

24. Profit forecast

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

25. Earnings per share ("EPS")

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/3/2023 RM'000	Preceding year corresponding quarter 31/3/2022 RM'000	Three months to 31/3/2023 RM'000	Three months to 31/3/2022 RM'000
Profit attributable to Owners of the Parent	10,901	9,403	10,901	9,403
Weighted average number of ordinary shares in issue ('000)	831,624	831,624	831,624	831,624
Basic earnings per share	1.31 sen	1.13 sen	1.31 sen	1.13 sen

Kuala Lumpur
30 May 2023

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