

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2021

THE FIGURES HAVE NOT BEEN AUDITED.

I(A). CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year	Preceding year	Three	Three
	quarter	corresponding	months to	months to
	31/3/2021	31/3/2020	31/3/2021	31/3/2020
	RM'000	RM'000	RM'000	RM'000
1 (a) Revenue	483,552	501,872	483,552	501,872
(b) Cost of sales	(416,975)	(431,804)	(416,975)	(431,804)
(c) Gross profit	66,577	70,068	66,577	70,068
(d) Other income	7,905	9,239	7,905	9,239
(e) Expenses	(58,590)	(56,812)	(58,590)	(56,812)
(f) Finance costs	(5,322)	(6,003)	(5,322)	(6,003)
(g) Share of results of associates	5,344	3,816	5,344	3,816
(h) Profit before tax	15,914	20,308	15,914	20,308
(i) Income tax	(7,804)	(8,172)	(7,804)	(8,172)
(j) Profit for the period	8,110	12,136	8,110	12,136
Attributable to:				
(k) Owners of the parent	6,694	11,156	6,694	11,156
(l) Non-controlling interests	1,416	980	1,416	980
Profit for the period	8,110	12,136	8,110	12,136
2 Earnings per share based on 1(l) above (Note 26):				
Basic	0.80 sen	1.34 sen	0.80 sen	1.34 sen

The condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2020.

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(B). CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year	Preceding year	Three	Three
	quarter	corresponding	months to	months to
	31/3/2021	31/3/2020	31/3/2021	31/3/2020
	RM'000	RM'000	RM'000	RM'000
Profit for the period	8,110	12,136	8,110	12,136
<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	5,285	5,992	5,285	5,992
Total comprehensive income for the period	13,395	18,128	13,395	18,128
Attributable to:				
Owners of the parent	11,958	16,520	11,958	16,520
Non-controlling interests	1,437	1,608	1,437	1,608
	13,395	18,128	13,395	18,128

The condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2020.

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Remarks to Condensed Consolidated Income Statement:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/3/2021	Preceding year corresponding quarter 31/3/2020	Three months to 31/3/2021	Three months to 31/3/2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after (crediting)/charging:				
Interest income	(968)	(1,570)	(968)	(1,570)
Accretion of interest on concession receivable	(4,720)	(4,549)	(4,720)	(4,549)
Dividend from short term investment	(213)	(614)	(213)	(614)
Loss on disposal of property, plant and equipment	7	737	7	737
Net foreign exchange loss/(gain)	446	(261)	446	(261)
Net reversal of impairment on trade receivables	(12)	(6)	(12)	(6)
Interest expense	4,884	5,445	4,884	5,445
Depreciation and amortisation	18,522	16,811	18,522	16,811

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
		31/3/2021	31/12/2020
		RM'000	RM'000
ASSETS			
1	Non-current assets		
	Property, plant and equipment	189,757	193,678
	Right-of-use assets	37,476	40,827
	Land held for property development	477	477
	Intangible assets	716,672	718,349
	Investment in associates	90,424	85,203
	Other investments	232	232
	Trade and other receivables	121,434	119,992
	Contract related assets	52,018	67,751
	Deferred tax assets	8,600	8,960
		1,217,090	1,235,469
2	Current assets		
	Inventories	74,674	77,865
	Trade and other receivables	515,079	460,013
	Contract related assets	303,301	293,351
	Tax recoverable	46,424	50,854
	Short term investments	37,013	11,799
	Cash, bank balances and deposits	577,884	678,002
		1,554,375	1,571,884
	Total assets	2,771,465	2,807,353

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

		As at end of current quarter	As at preceding financial year end
		31/3/2021	31/12/2020
		RM'000	RM'000
EQUITY AND LIABILITIES			
3	Equity attributable to Owners of the Parent		
	Share capital	268,074	268,074
	Capital reserve	313,856	313,856
	Other reserves	(11,076)	(16,340)
	Retained earnings	941,776	935,082
		1,512,630	1,500,672
4	Non-controlling interests	8,928	8,590
	Total equity	1,521,558	1,509,262
5	Non-current liabilities		
	Retirement benefit obligations	2,518	2,518
	Defined benefit pension plan	949	937
	Provisions	3,097	2,891
	Borrowings	315,980	318,704
	Lease liabilities	26,080	27,768
	Trade and other payables	1,440	1,659
	Deferred tax liabilities	45,289	44,126
		395,353	398,603
6	Current liabilities		
	Retirement benefit obligations	877	877
	Provisions	3,039	1,620
	Borrowings	172,379	164,450
	Lease liabilities	9,430	9,807
	Trade and other payables	619,398	668,935
	Contract liabilities	32,333	30,663
	Income tax payable	17,098	23,136
		854,554	899,488
	Total liabilities	1,249,907	1,298,091
	Total equity and liabilities	2,771,465	2,807,353
7	Net assets per ordinary share attributable to Owners of the Parent (RM)	1.82	1.80

The condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2020.

* Cash, bank balances and deposits

Included in the cash, bank balances and deposits of the Group is an amount of RM12,996,678 (2020: RM9,070,741) 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 31/3/2021 RM'000	Three months to 31/3/2020 RM'000
Cash flows from operating activities		
Cash receipts from customers	482,393	531,180
Cash payments to suppliers	(247,858)	(293,721)
Cash payments to employees and for expenses	(289,237)	(284,047)
Cash used in operations	(54,702)	(46,588)
Interest paid	(1,621)	(2,230)
Income tax and zakat paid	(6,774)	(15,463)
Net cash flows used in operating activities	(63,097)	(64,281)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	130	3,557
Net (placement)/withdrawal from short term investments	(24,979)	35,000
Interest received	1,048	1,235
Dividend received from associates	692	1,000
Payment of deferred consideration	(2,912)	-
Purchase of property, plant and equipment	(11,773)	(9,347)
Net cash flows (used in)/generated from investing activities	(37,794)	31,445
Cash flows from financing activities		
Draw down of borrowings	3,332	-
Repayment of borrowings	(2,479)	(17,018)
Repayment of lease liabilities	(2,169)	(1,150)
Dividend paid to non-controlling shareholders of subsidiaries	(1,099)	-
Net (placement)/withdrawal of fixed deposits	(349)	2,797
Net cash flows used in financing activities	(2,764)	(15,371)
Net decrease in cash and cash equivalents	(103,655)	(48,207)
Net foreign exchange difference	2,847	3,455
Cash and cash equivalents as at beginning of financial period	638,806	538,969
Cash and cash equivalents as at end of financial period (a)	537,998	494,217
	As at 31/3/2021 RM'000	As at 31/3/2020 RM'000
(a) Cash and Cash Equivalents comprise the following amounts:		
Cash on hand and at banks	416,770	385,592
Fixed deposits with licensed banks	161,114	128,237
Cash, bank balances and deposits	577,884	513,829
Less: Fixed deposits pledged	(39,886)	(19,612)
	537,998	494,217

The condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2020.

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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 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	-	-	-	6,694	6,694	1,416	8,110
Other comprehensive income	-	-	5,264	-	5,264	21	5,285
Total comprehensive income for the period	-	-	5,264	6,694	11,958	1,437	13,395
Dividends paid to:							
- non controlling interests of a subsidiary	-	-	-	-	-	(1,099)	(1,099)
Balance as at 31 March 2021	<u>268,074</u>	<u>313,856</u>	<u>(11,076)</u>	<u>941,776</u>	<u>1,512,630</u>	<u>8,928</u>	<u>1,521,558</u>

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

	← Attributable to owners of the parent →			Retained earnings	Total	Non-controlling interests	Total equity
	← Non-distributable	→	Distributable				
	Share capital	Capital reserve	Other reserves	RM'000	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Three months to 31 March 2020							
Balance as at 1 January 2020	268,074	313,856	3,415	986,688	1,572,033	12,390	1,584,423
Profit for the period	-	-	-	11,156	11,156	980	12,136
Other comprehensive income	-	-	5,364	-	5,364	628	5,992
Total comprehensive income for the period	-	-	5,364	11,156	16,520	1,608	18,128
Dividends paid to shareholders of the Company	-	-	-	(66,530)	(66,530)	-	(66,530)
Put options granted to non-controlling interests of a subsidiary	-	-	1,157	-	1,157	(1,157)	-
Balance as at 31 March 2020	<u>268,074</u>	<u>313,856</u>	<u>9,936</u>	<u>931,314</u>	<u>1,523,180</u>	<u>12,841</u>	<u>1,536,021</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 2020.

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 2020.

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 2020.

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 2020 except for standards effective for financial periods beginning on or after 1 January 2021 below:

	Effective for annual periods beginning on or after
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest rate benchmark reform - phase 2	1 January 2021

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
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
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 2020 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2020 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 2021.

9. Dividend

The Company did not pay any dividend during the current financial period ended 31 March 2021.

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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 2021 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	309,522	42,647	109,349	19,600	2,434	-	483,552
Inter-segment revenue	935	2,305	78	65	19,857	(23,240)	-
Total Revenue	310,457	44,952	109,427	19,665	22,291	(23,240)	483,552
Results							
EBITDA	23,074	6,494	8,303	(3,720)	8,630	(9,773)	33,008
Depreciation and amortisation	(6,266)	(187)	(2,661)	(335)	(8,187)	(886)	(18,522)
EBIT	16,808	6,307	5,642	(4,055)	443	(10,659)	14,486
Interest income	359	23	446	70	70	-	968
Interest expense	(257)	(816)	(8)	(2)	(3,919)	118	(4,884)
Share of results of associates	2,922	2,264	-	158	-	-	5,344
Profit/(loss) before tax	19,832	7,778	6,080	(3,829)	(3,406)	(10,541)	15,914
Income tax	(3,905)	(909)	(1,912)	(104)	-	(974)	(7,804)
Profit/(loss) for the period	15,927	6,869	4,168	(3,933)	(3,406)	(11,515)	8,110

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 2020 is as follows:

By operating segment

	Asset Management		Infrastructure Solutions				Group
	Healthcare Support	Property and Facility Solutions	Infrastructure Services	Asset Consultancy	Others	Elimination	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External revenue	274,516	33,404	167,428	26,505	19	-	501,872
Inter-segment revenue	1,060	3,360	-	494	19,065	(23,979)	-
Total Revenue	275,576	36,764	167,428	26,999	19,084	(23,979)	501,872
Results							
EBITDA	13,880	7,723	15,098	1,441	24,914	(25,878)	37,178
Depreciation and amortisation	(7,633)	(429)	(1,090)	(410)	(6,974)	(275)	(16,811)
EBIT	6,247	7,294	14,008	1,031	17,940	(26,153)	20,367
Interest income	326	322	200	44	678	-	1,570
Interest expense	(220)	(1,251)	-	(2)	(4,095)	123	(5,445)
Share of results of associates	2,418	1,318	-	80	-	-	3,816
Profit/(loss) before tax	8,771	7,683	14,208	1,153	14,523	(26,030)	20,308
Income tax	(1,055)	(1,157)	(5,389)	(680)	698	(589)	(8,172)
Profit/(loss) for the period	7,716	6,526	8,819	473	15,221	(26,619)	12,136

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 2021 to the date of this announcement which would substantially affect the financial results of the Group for the period ended 31 March 2021 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 5 February 2021, Edgenta PROPEL (Sarawak) Sdn. Bhd. was incorporated as a wholly-owned subsidiary of Edgenta PROPEL Berhad, which in turn is a wholly-owned subsidiary of the Company.
- b) On 14 March 2021, Faber Hotels Holdings Sdn. Bhd., a wholly-owned subsidiary of the Company, which was under Members' Voluntary Liquidation, has dissolved and ceased to be a subsidiary of the Company.

13. Capital commitments

There are no material capital commitments except as disclosed below:

	As at 31/3/2021	As at 31/12/2020
	RM'000	RM'000
Approved and contracted for	5,786	8,348
Approved but not contracted for	80,202	89,413

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

14. Income tax

	Individual Quarter		Cumulative Quarter	
	Current year	Preceding year	Three	Three
	quarter	corresponding	months to	months to
	31/3/2021	31/3/2020	31/3/2021	31/3/2020
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- Malaysian income tax	2,934	8,036	2,934	8,036
- Foreign tax	4,892	3,350	4,892	3,350
	<u>7,826</u>	<u>11,386</u>	<u>7,826</u>	<u>11,386</u>
Deferred tax				
- Relating to origination and reversal of temporary difference	(22)	(3,214)	(22)	(3,214)
Income tax expense	<u>7,804</u>	<u>8,172</u>	<u>7,804</u>	<u>8,172</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 2021 are as follows:

	Long term borrowings			Short term borrowings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Borrowings</u>						
Domestic	66,115	249,865	315,980	10,313	55,215	65,528
Foreign						
- Singapore Dollar	-	-	-	38,611	-	38,611
- Taiwan Dollar	-	-	-	68,240	-	68,240
TOTAL	<u>66,115</u>	<u>249,865</u>	<u>315,980</u>	<u>117,164</u>	<u>55,215</u>	<u>172,379</u>

Details of Group borrowings and debt securities as at 31 December 2020 are as follows:

	Long term borrowings			Short term borrowings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Borrowings</u>						
Domestic	68,746	249,958	318,704	10,203	52,101	62,304
Foreign						
- Singapore Dollar	-	-	-	38,089	-	38,089
- Taiwan Dollar	-	-	-	64,057	-	64,057
TOTAL	<u>68,746</u>	<u>249,958</u>	<u>318,704</u>	<u>112,349</u>	<u>52,101</u>	<u>164,450</u>

17. Derivatives

There are no outstanding derivatives as at 31 March 2021 (31 December 2020: RM Nil).

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

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).

On 26 January 2017, RMSB sued EKICSB alleging breach of EKICSB’s obligation as the main contractor for the Project (“Main Suit”). RMSB claimed that EKICSB breached its obligations by refusing/neglecting/defaulting in carrying out the rectification works and claimed the amount of RM10,954,030.06 (plus costs and interests thereon) which RMSB had incurred as in January 2017.

Given that on 2 December 2016, EKICSB had earlier served a Notice to Arbitrate against RMSB claiming RM4,018,030.02 for the Building Contract, EKICSB filed its application for stay of application on the Main Suit pending conclusion of its arbitration claim for the Building Contract. RMSB replied to the Notice to Arbitrate, requesting for the consolidation of the disputes arising from the Piling Contract and Building Contract to be heard before a single arbitrator.

After several applications by RMSB to consolidate the two contracts and be heard by a single arbitrator failed, the arbitration proceeding for the Piling Contract arbitration continued to take place. Eventually, on 15 March 2019 the arbitrator for the Building Contract allowed EKICSB’s claim in the sum of RM5,104,567.02 together with interest and cost (“Award”).

Given the conclusion of the Building Contract arbitration, RMSB commenced an arbitration proceeding for the Piling Contract on 24 August 2018 and therefore had applied for a stay of execution of the said Award pending disposal of the arbitration proceeding as commenced by them. The Piling Contract arbitration was fixed for hearing on 2, 3, 30 and 31 May 2019 and 25 to 27 June 2019. However, the hearing on 2 and 3 May 2019 were vacated by the arbitrator to allow the parties to file further documents.

On 8 May 2019, EKICSB filed an enforcement application at Kuala Lumpur High Court to enforce the Award, which was contested by RMSB where they filed an application to set aside the Award at Kuala Lumpur High Court on 17 June 2019 on the basis that it is in conflict with the public policy of Malaysia and not in line with the principle of natural justice.

Both enforcement of Award and setting aside applications were fixed for hearing on 1 November 2019. The judge dismissed RMSB’s setting aside application but allowed the EKICSB’s enforcement application. The judge proceeded to request for both parties to reach an agreement regarding the Award. EKICSB proposed for RMSB to 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 payment was made to EKICSB on 31 December 2019.

The parties continue with the Piling Dispute arbitration, fixed for further hearings on 23, 24 and 26 March 2020.

Meanwhile, EKICSB contested that RMSB’s Piling Contract arbitration is time barred and requested to refer the issue to the High Court for its determination with RMSB reserving its rights to oppose. The hearing for the application was rescheduled a few times due to Movement Control Order (MCO). A few attempts were made to resolve the dispute amicably via a settlement route but to no avail.

On 11 September 2020, the Court decided that RMSB’s claim is not time-barred and therefore, EKICSB’s application is dismissed, with cost of RM10,000. Therefore, the Piling Contract Arbitration will continue.

However, on 8 October 2020, EKICSB served RMSB a Notice of Appeal on the time-barred decision as granted by the High Court in favour of RMSB. Due to the appeal, the Piling Contract arbitration is being put on hold, pending the outcome of the appeal. The new hearing dates for arbitration will be fixed once the hearing date for the appeal is fixed by the Court of Appeal.

On 25 January 2021, the Court has rescheduled the case management to be on 8 April 2021 to fix for the hearing of the Appeal.

On 8 April 2021, the Court has fixed for further case management on 6 July 2021 pending release of the grounds of judgment by the High Court and further informed the parties that the hearing date will be fixed upon receiving the grounds of judgment from the High Court.

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)

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.

On 22 November 2017, HBT again filed a set aside 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") but the appeal will only proceed upon receipt of the grounds of judgment from the High Court.

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 7 March 2019, the Setting Aside Appeal was heard, and 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. The Assessed Damages would then be set aside, and a fresh assessment of damages shall be conducted by the High Court. In the event HBT fails to pay the sum of RM10,000,000.00 within 14 days, the Assessed Damages decision will remain valid ("Appeal Order"). At the lapse of the 14 days, HBT failed to deposit the sum of RM10,000,000.00 to the court or a stakeholder's account.

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 has initiated recovery actions in stages, starting with a judgment debtor summon and may be followed by garnishee proceedings and winding up actions against HBT to recover the total amount of RM21,472,961.82 plus cost and interest ("Recovery Amount").

On 29 July 2020, EPB has filed Examination of Judgement Debtor ("Examination of JD") at Kuala Lumpur High Court. The hearing was fixed on 3 September 2020, where the Court has ordered for HBT's director, Sri Ram Sarma to appear in Court on 23 October 2020 at 9.00 am to examine HBT's asset(s) and its inability to pay EPB. However, due to the Movement Control Order ("MCO") enforced by the Government, the Court has rescheduled the hearing of Examination of JD on 30 March 2021.

Earlier on 5 February 2021, EPB has filed a Judgement Debtor Summons against one of HBT's officers as an additional action to recover the Recovery Amount. During the hearing on 20 April 2021, the Court directed our solicitors to issue a letter to the company secretary and HBT, specifying documents to be produced in Court on the said next hearing date, which is now fixed on 15 June 2021.

Meanwhile, on 30 March 2021, EPB has withdrawn its Examination of JD application against the HBT's director, with liberty to file afresh, due to extensive but unsuccessful attempts to physically serve the legal papers to the director, as required by law. Thereafter, EPB, via its solicitors has issued a Notice of Winding Up against HBT on 2 April 2021 which HBT has failed to respond within 21 days. Thereafter, EPB is in the process of initiating a Winding Up Petition against HBT.

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

19. Material litigation (cont'd)

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 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.

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 view is that EMS has a good chance of defending the claim brought by MMSB.

Based on the foregoing, EMS filed the defence to MMSB's claims on 3 May 2021. The judge later has set for the next case management on 3 June 2021.

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. 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 has also filed a counter claim 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.

Per our solicitor's assessment, they are of the view that EPB have a good defence to AZSB claims. Similarly, they are of the view that EPB have good prospects of succeeding in respect of its counter-claim.

EPB filed its defence and counter claim on 25 May 2021 and the next case management is scheduled for 9 June 2021.

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

20. Contingent liabilities

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.

Based on UEM Edgenta tax solicitors' opinion, the Company is of the view that there are good grounds to challenge the basis of assessment. The Company will proceed to file an appeal against the 2021 Notices raised by DGIR with the Special Commissioner of Income Tax.

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

	Current quarter 31/3/2021 RM'000	Immediate preceding quarter 31/12/2020 RM'000	Variance RM'000	Variance %
<u>Revenue:</u>				
Asset Management				
- Healthcare Support	309,522	350,338	(40,816)	(11.7)
- Property and Facility Solutions	42,647	51,201	(8,554)	(16.7)
Infrastructure Solutions				
- Infrastructure Services	109,349	172,643	(63,294)	(36.7)
- Asset Consultancy	19,600	23,777	(4,177)	(17.6)
Others	2,434	9,374	(6,940)	(74.0)
	483,552	607,333	(123,781)	(20.4)
<u>Profit Before Tax:</u>				
Asset Management				
- Healthcare Support	19,834	55,980	(36,146)	(64.6)
- Property and Facility Solutions	7,778	(642)	8,420	>100.0
Infrastructure Solutions				
- Infrastructure Services	6,081	13,301	(7,220)	(54.3)
- Asset Consultancy	(3,829)	2,826	(6,655)	>(100.0)
Others/Elimination	(13,950)	(14,410)	460	(3.2)
	15,914	57,055	(41,141)	(72.1)

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 RM483.5 million was RM123.8 million lower than the immediate preceding quarter's revenue of RM607.3 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 RM49.4 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 RM67.4 million, which is due to lesser maintenance work performed for expressways, in-line with the seasonality trend of the business. Besides that, lesser consultancy works by Asset Consultancy ("AC") division has also contributed to the decrease in revenue for this segment.
- Others
The decrease was due to lower number of properties unit sold in the current quarter.

The Group's profit before tax ("PBT") for the current quarter of RM15.9 million deteriorated by RM41.1 million compared to the immediate preceding quarter's PBT of RM57.1 million, contributed by the below:

- Asset Management
Asset management's PBT recorded a net decrease of RM27.7 million, mainly due to the reduction in revenue. Besides that, the decrease is also contributed by the one-off grant received from Singapore government in the immediate preceding quarter. This decrease is mitigated with the improvement in PBT for Property and Facility Solution ("PFS") resulted from cost containment measure.
- Infrastructure Solutions
PBT for Infrastructure Solutions results deteriorated by RM13.8 million, mainly due to lower contract amounts.

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

22. **Detailed analysis of the performance for the current quarter**

	Current quarter 31/3/2021 RM'000	Preceding year corresponding quarter 31/3/2020 RM'000	Variance RM'000	Variance %
<u>Revenue:</u>				
Asset Management:				
- Healthcare Support	309,522	274,516	35,006	12.8
- Property and Facility Solutions	42,647	33,404	9,243	27.7
Infrastructure Solutions:				
- Infrastructure Services	109,349	167,428	(58,079)	(34.7)
- Asset Consultancy	19,600	26,505	(6,905)	(26.1)
Others	2,434	19	2,415	>100.0
	483,552	501,872	(18,320)	(3.7)

Profit Before Tax:

Asset Management:				
- Healthcare Support	19,834	8,771	11,063	>100.0
- Property and Facility Solutions	7,778	7,683	95	1.2
Infrastructure Solutions:				
- Infrastructure Services	6,081	14,208	(8,127)	(57.2)
- Asset Consultancy	(3,829)	1,153	(4,982)	>(100.0)
Others/Elimination	(13,950)	(11,507)	(2,443)	(21.2)
	15,914	20,308	(4,394)	(21.6)

The Group's revenue for the current quarter of RM483.5 million was lower by RM18.3 million as compared to RM501.8 million in the corresponding quarter last year.

- **Asset Management**
Revenue from Asset Management increased by RM44.2 million mainly resulting from healthcare support contracts secured in Malaysia, Taiwan, and Singapore. The improvement in this segment is also contributed by new facilities maintenance and energy performance contracting projects secured in Malaysia by Property and Facility Solutions ("PFS") division.
- **Infrastructure Solutions**
Revenue from Infrastructure Solutions decreased by RM64.9 million mainly from less maintenance work performed for expressways during the movement control order imposed by the Government. Besides that, lesser consultancy works performed by Asset Consultancy ("AC") division has also contributed to the decrease in revenue for this segment.

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

22. Detailed analysis of the performance for the current quarter (cont'd)

The Group recorded PBT for the current quarter of RM15.9 million, a decrease of RM4.4 million as compared to RM20.3 million profit before tax in the corresponding quarter last year.

- **Asset Management**
The result of Asset Management segment improved by RM11.1 million primarily contributed by the new contracts won by Healthcare Support services division.
- **Infrastructure Solutions**
Infrastructure Solutions posted lower results of RM2.25 million, a decrease of RM13.1 million comparing to the preceding year corresponding quarter. The decrease mainly due to lower contract amounts.

23. Economic profit ("EP") statement

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/3/2021 RM'000	Preceding year corresponding quarter 31/3/2020 RM'000	Three months to 31/3/2021 RM'000	Three months to 31/3/2020 RM'000
<u>Net operating profit after tax computation:</u>				
Earnings before interest and tax	14,486	20,367	14,486	20,367
Adjusted tax	(3,477)	(4,888)	(3,477)	(4,888)
Net operating profit after tax	11,009	15,479	11,009	15,479
<u>Economic charge computation:</u>				
Average invested capital	1,281,417	1,526,935	1,281,417	1,526,935
Weighted average cost of capital ("WACC")	5.7%	6.7%	5.7%	6.7%
Economic charge	18,260	25,576	18,260	25,576
Economic loss	(7,251)	(10,097)	(7,251)	(10,097)

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 narrowed down to RM7.25 million as compared to economic loss for the preceding year corresponding quarter of RM10 million mainly contributed by the lower economic charge.

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

24. Prospects for the financial year

Overall Prospects

In 2021, Malaysia entered the year with the tightening of containment measures in most states following a resurgence in Covid-19 cases since late last year. Nevertheless, Bank Negara Malaysia (“BNM”) projected the Malaysian economy GDP growth to rebound to between 6.0% and 7.5% in 2021, owing to an accelerating immunisation campaign and a more targeted approach to contain the pandemic.

With economic recovery from the pandemic on the horizon, UEM Edgenta Berhad (“Edgenta” or the “Company”) will continue to focus on cost management, we will remain agile and adaptable as we pursue our growth strategy with a focus on new products and solutions, expansion into new geographies and regional partnerships. The Company is confident that its refreshed business strategy is positioned to benefit from post-pandemic recovery and emerge stronger for the remaining FY2021.

Prospects by Segment

i. Asset Management

For the remaining period of FY2021, the Healthcare Support division will continue to drive the Company’s post pandemic recovery efforts by accelerating our regional expansion efforts and introducing new-to-market products and solutions beyond traditional healthcare offerings. The division aims to move up the value chain in existing markets such as Singapore and Taiwan and expand into new high growth markets such as Saudi Arabia and other Gulf Cooperation Countries (“GCC”) countries. Recently, Edgenta entered into a Memorandum of Business Exploration agreement with Asma Advanced Solutions LLC, headquartered in Riyadh, to identify strategies to capture Healthcare Support Services and Integrated Facility Management markets in Saudi Arabia.

As for the Property and Facility Solutions, the division will continue to offer differentiated service offerings via Smart Facilities Management technology applications and platforms as well as pursue Energy Performance Contracts which will drive overall efficiency and cost savings for our clients. Geographically, the Company will leverage on its presence in Dubai to further penetrate new markets in the GCC region to secure more projects in high-value commercial and industrial buildings.

ii. Infrastructure Solutions

For the first quarter of FY2021, the Infrastructure Solutions segment’s revenue was lower year-on-year due to lesser work maintenance performed for expressways and lower consultancy works during the period, amid the reimposition cross-border restrictions.

As the operating environment gradually recovers to a new normal for the remainder of the year, the Infrastructure Services and Asset Consultancy divisions will continue to deliver on their current government-related contracts whilst actively pursuing opportunities in East Malaysia through the company’s Pan Malaysia strategy.

25. Profit forecast

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

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

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Three months to	Three months to
	31/3/2021 RM'000	31/3/2020 RM'000	31/3/2021 RM'000	31/3/2020 RM'000
Profit attributable to Owners of the Parent	6,694	11,156	6,694	11,156
Weighted average number of ordinary shares in issue ('000)	831,624	831,624	831,624	831,624
Basic earnings per share	0.80 sen	1.34 sen	0.80 sen	1.34 sen

Kuala Lumpur
27 May 2021

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