

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020.

THE FIGURES HAVE NOT BEEN AUDITED.

I(A). CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
1 (a) Revenue	448,469	595,418	950,341	1,111,294
(b) Cost of sales	(405,210)	(482,394)	(837,014)	(898,350)
(c) Gross profit	43,259	113,024	113,327	212,944
(d) Other income	31,869	6,261	41,108	15,111
(e) Expenses	(89,155)	(71,500)	(145,967)	(131,826)
(f) Finance costs	(6,355)	(6,101)	(12,358)	(13,213)
(g) Share of results of associates	4,059	5,072	7,875	9,776
(h) (Loss)/profit before tax	(16,323)	46,756	3,985	92,792
(i) Income tax	(10,993)	(12,106)	(19,165)	(24,667)
(j) (Loss)/profit for the period	(27,316)	34,650	(15,180)	68,125
Attributable to:				
(k) Owners of the parent	(26,914)	34,356	(15,758)	67,020
(l) Non-controlling interests	(402)	294	578	1,105
(Loss)/profit for the period	(27,316)	34,650	(15,180)	68,125
2 Earnings per share based on 1(k) above (Note 26):				
Basic	(3.24) sen	4.13 sen	(1.89) sen	8.06 sen

The condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2019.

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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
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit for the period	(27,316)	34,650	(15,180)	68,125
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	4,670	8,588	10,662	4,230
Exchange differences reclassified to profit or loss	(19,254)	-	(19,254)	-
Total other comprehensive (loss)/income for the period, net of tax	(14,584)	8,588	(8,592)	4,230
Total comprehensive income for the period	(41,900)	43,238	(23,772)	72,355
Attributable to:				
Owners of the parent	(41,239)	42,866	(24,719)	71,240
Non-controlling interests	(661)	372	947	1,115
	(41,900)	43,238	(23,772)	72,355

The condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2019.

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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
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after (crediting)/charging:				
Interest income	(648)	(1,104)	(2,218)	(3,145)
Accretion of interest on concession receivable	(4,841)	(4,585)	(9,390)	(9,104)
Dividend from short term investment	(197)	(318)	(811)	(752)
(Gain)/loss on disposal of property, plant and equipment	(3)	13	734	8
Net foreign exchange (gain)/loss	(19,248)	957	(19,509)	1,398
Net provision/(reversal) of impairment on trade receivables	14,947	(50)	14,941	(50)
Interest expense	6,093	6,165	11,538	12,507
Depreciation and amortisation	22,149	18,924	38,960	38,487
Impairment on completed property inventories	50,000	-	50,000	-

Other than the above, there were no other impairment/(write back of impairment) of assets, (gain)/loss on investments, write down of inventories and/or reversal of write down, reversal of provision for costs of restructuring or 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
		30/6/2020	31/12/2019
		RM'000	RM'000
ASSETS			
1	Non-current assets		
	Property, plant and equipment	197,645	211,982
	Right-of-use assets	41,247	30,937
	Land held for property development	477	477
	Intangible assets	736,646	734,304
	Investment in associates	80,517	77,005
	Other investments	232	272
	Trade and other receivables	125,623	126,421
	Contract related assets	35,507	35,212
	Deferred tax assets	12,041	13,274
		1,229,935	1,229,884
2	Current assets		
	Inventories	86,240	133,773
	Trade and other receivables	550,322	546,320
	Contract related assets	323,280	344,736
	Tax recoverable	29,942	37,109
	Short term investments	28,260	62,463
	Cash, bank balances and deposits*	495,479	558,531
		1,513,523	1,682,932
	Total assets	2,743,458	2,912,816

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

	As at end of current quarter 30/6/2020 RM'000	As at preceding financial year end 31/12/2019 RM'000
EQUITY AND LIABILITIES		
3	Equity attributable to Owners of the Parent	
	268,074	268,074
	313,856	313,856
	(6,101)	3,415
	906,715	986,688
	1,482,544	1,572,033
4	11,577	12,390
	1,494,121	1,584,423
5	Non-current liabilities	
	3,183	3,183
	836	1,116
	2,655	2,382
	361,130	365,561
	28,534	19,131
	1,429	1,612
	47,996	50,391
	445,763	443,376
6	Current liabilities	
	564	564
	2,447	1,620
	134,872	153,507
	12,089	11,146
	617,574	671,942
	22,775	21,131
	13,253	25,107
	803,574	885,017
	1,249,337	1,328,393
	2,743,458	2,912,816
7	Net assets per ordinary share attributable to Owners of the Parent (RM)	
	1.78	1.89

The condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2019.

* Cash, bank balances and deposits

Included in the cash, bank balances and deposits of the Group is an amount of RM9,396,374 (2019: RM34,128,389) 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.

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III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months to 30/6/2020 RM'000	Six months to 30/6/2019 RM'000
Cash flows from operating activities		
Cash receipts from customers	1,118,177	1,141,130
Cash payments to suppliers	(464,374)	(608,356)
Cash payments to employees and for expenses	(588,505)	(533,246)
Cash generated from/(used in) operations	65,298	(472)
Interest paid	(11,734)	(13,771)
Income tax paid	(27,194)	(21,317)
Net cash flows generated from/(used in) operating activities	26,370	(35,560)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	3,577	183
Net withdrawal from short term investments	35,040	103,285
Interest received	2,461	3,074
Dividend received from associates	3,760	2,400
Acquisition of non-controlling interests in a subsidiary	(28,210)	-
Purchase of property, plant and equipment	(12,977)	(41,352)
Net cash flows generated from investing activities	3,651	67,590
Cash flows from financing activities		
Capital repayment to non-controlling interests of a subsidiary	-	(3,375)
Drawdown of borrowings	50,436	71,929
Repayment of borrowings	(83,245)	(70,887)
Repayment of lease liabilities	(983)	(1,293)
Dividend paid to shareholders of the Company	(66,530)	(66,530)
Net withdrawal/(placement) of fixed deposits	2,795	(1,682)
Net cash flows used in financing activities	(97,527)	(71,838)
Net decrease in cash and cash equivalents	(67,506)	(39,808)
Net foreign exchange difference	4,672	(81)
Cash and cash equivalents as at beginning of financial period	538,969	462,845
Cash and cash equivalents as at end of financial period (a)	476,135	422,956
	As at 30/6/2020 RM'000	As at 30/6/2019 RM'000
(a) Cash and Cash Equivalents comprise the following amounts:		
Cash on hand and at banks	321,640	359,571
Fixed deposits with licensed banks	173,839	97,932
Cash, bank balances and deposits	495,479	457,503
Less: Fixed deposits on lien	-	(11,095)
Less: Fixed deposits pledged	(19,344)	(23,452)
	476,135	422,956

The condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2019.

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IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	Share capital	Capital reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Six months to 30 June 2020							
Balance as at 1 January 2020	268,074	313,856	3,415	986,688	1,572,033	12,390	1,584,423
(Loss)/profit for the period	-	-	-	(15,758)	(15,758)	578	(15,180)
Other comprehensive (loss)/income	-	-	(8,961)	-	(8,961)	369	(8,592)
Total comprehensive (loss)/income for the period	-	-	(8,961)	(15,758)	(24,719)	947	(23,772)
Dividends paid to shareholders of the Company	-	-	-	(66,530)	(66,530)	-	(66,530)
Put options granted to non-controlling interests of a subsidiary	-	-	1,760	-	1,760	(1,760)	-
Settlement of put option granted to non-controlling interests of a subsidiary	-	-	(2,315)	2,315	-	-	-
Balance as at 30 June 2020	<u>268,074</u>	<u>313,856</u>	<u>(6,101)</u>	<u>906,715</u>	<u>1,482,544</u>	<u>11,577</u>	<u>1,494,121</u>

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

	← Attributable to owners of the parent →						
	← Non-distributable →		Distributable				
	Share capital	Capital reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Six months to 30 June 2019							
Balance as at 1 January 2019	268,074	313,856	(1,018)	921,397	1,502,309	14,459	1,516,768
Profit for the period	-	-	-	67,020	67,020	1,105	68,125
Other comprehensive income	-	-	4,220	-	4,220	10	4,230
Total comprehensive income for the period	-	-	4,220	67,020	71,240	1,115	72,355
Dividends paid to shareholders of the Company	-	-	-	(66,530)	(66,530)	-	(66,530)
Put options granted to non-controlling interests of a subsidiary	-	-	1,150	-	1,150	(1,150)	-
Balance as at 30 June 2019	268,074	313,856	4,352	921,887	1,508,169	14,424	1,522,593

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 2019.

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 2019.

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 2019.

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 2019 except for standards effective for financial periods beginning on or after 1 January 2020 below:

	Effective for annual periods beginning on or after
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 101 and 108 - Definition of Material	1 January 2020
Revised Conceptual Framework for Financial Reporting (The Conceptual Framework)	1 January 2020

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
MFRS 17 Insurance Contracts	1 January 2021
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.

4. Audit report in respect of the 2019 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2019 was not qualified.

5. Seasonal or cyclical factors

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

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

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

For the financial period ended 30 June 2020, an impairment of completed property inventories totalling RM50.0 million has been accounted in the financial statements. The impairment does not have any impact to the cash flows of the Group.

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 2020 except as follows:-

In 2017, the Company had established the Islamic Commercial Papers ("ICP") and Islamic Medium Term Notes ("IMTN") under an Islamic Commercial Papers Programme ("ICP Programme") and Islamic Medium Term Notes Programme ("IMTN Programme") respectively, which have a combined aggregate limit of up to RM1,000.0 million in nominal value and a sub-limit of RM300.0 million nominal value for the ICP programme under the Syariah Principle of Murabahah via a Tawarruq Arrangement.

On 24 April 2020, the Company completed the issuance of RM50.0 million in nominal value of ICP with a tenor of 12 months under its ICP Programme.

The proceeds raised was utilised to redeem the outstanding ICPs amounting to RM50.0 million on the said ICP Programme which was issued on 26 April 2019.

9. Dividend

The amount of dividend paid by the Company since 31 December 2019 was as follows:-

RM'000

In respect of the financial year ending 31 December 2019:

Single-tier second interim dividend of 8.00 sen per ordinary share,
on 831,624,030 ordinary shares, paid on 14 May 2020

66,530

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

10. **Operating Segments**

Operating Segment information for the six-month period ended 30 June 2020 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	565,382	68,918	268,239	46,951	851	-	950,341
Inter-segment revenue	1,872	7,961	-	1,003	38,130	(48,966)	-
Total Revenue	567,254	76,879	268,239	47,954	38,981	(48,966)	950,341
Results							
EBITDA	38,846	13,778	38,742	8,462	(50,292)	(5,146)	44,390
Depreciation and amortisation	(15,704)	(826)	(6,390)	(670)	(14,616)	(754)	(38,960)
EBIT	23,142	12,952	32,352	7,792	(64,908)	(5,900)	5,430
Interest income	546	29	526	74	1,043	-	2,218
Interest expense	(484)	(2,724)	-	(10)	(8,667)	347	(11,538)
Share of results of associates	4,400	3,224	-	251	-	-	7,875
Profit/(loss) before tax	27,604	13,481	32,878	8,107	(72,532)	(5,553)	3,985
Income tax	(7,114)	(2,173)	(9,140)	(812)	1,417	(1,343)	(19,165)
Profit/(loss) for the period	20,490	11,308	23,738	7,295	(71,115)	(6,896)	(15,180)

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 six-month period ended 30 June 2019 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	548,331	83,368	389,389	64,550	25,656	-	1,111,294
Inter-segment revenue	2,199	7,073	7,210	1,101	88,046	(105,629)	-
Total Revenue	550,530	90,441	396,599	65,651	113,702	(105,629)	1,111,294
Results							
EBITDA	70,911	12,861	52,612	8,287	52,963	(66,769)	130,865
Depreciation and amortisation	(14,628)	(1,084)	(6,233)	(932)	(14,840)	(770)	(38,487)
EBIT	56,283	11,777	46,379	7,355	38,123	(67,539)	92,378
Interest income	1,466	8	434	267	926	44	3,145
Interest expense	(337)	(3,075)	(67)	(17)	(9,182)	171	(12,507)
Share of results of associates	6,708	2,789	-	279	-	-	9,776
Profit/(loss) before tax	64,120	11,499	46,746	7,884	29,867	(67,324)	92,792
Income tax	(12,372)	(2,279)	(11,343)	(2,328)	1,549	2,106	(24,667)
Profit/(loss) for the period	51,748	9,220	35,403	5,556	31,416	(65,218)	68,125

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 2020 to the date of this announcement which would substantially affect the financial results of the Group for the period ended 30 June 2020 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 16 December 2015, the Company had entered into a put option agreement with the non-controlling shareholder of Edgenta GreenTech Sdn. Bhd. ("EGT") to purchase the remaining 20% equity interest in EGT. On 14 November 2019, the non-controlling shareholder of EGT has issued a notice to exercise the put option granted on the 20% shareholding in EGT for a total cash consideration of RM28,209,686. The acquisition of the 20% equity interest in EGT was completed on 25 June 2020 and EGT became a wholly-owned subsidiary of the Company.

13. Capital commitments

There are no material capital commitments except as disclosed below:

	As at 30/6/2020 RM'000	As at 31/12/2019 RM'000
Approved and contracted for	16,091	20,854
Approved but not contracted for	<u>105,854</u>	<u>161,575</u>

14. Income tax

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
Current income tax				
- Malaysian income tax	5,896	9,294	13,932	19,462
- Foreign tax	3,066	3,173	6,416	5,770
Over provision in prior years				
- Malaysian income tax	<u>-</u>	<u>109</u>	<u>-</u>	<u>109</u>
Deferred tax				
- Relating to origination and reversal of temporary difference	2,513	(470)	(701)	(674)
- Under provision in prior years	<u>(482)</u>	<u>-</u>	<u>(482)</u>	<u>-</u>
	<u>2,031</u>	<u>(470)</u>	<u>(1,183)</u>	<u>(674)</u>
Income tax expense	<u>10,993</u>	<u>12,106</u>	<u>19,165</u>	<u>24,667</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.

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

16. Borrowings and debt securities

Details of Group borrowings and debt securities as at 30 June 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	72,828	249,771	322,599	9,424	58,172	67,596
Foreign						
- Singapore Dollar	38,531	-	38,531	15,988	-	15,988
- Taiwan Dollar	-	-	-	51,288	-	51,288
TOTAL	111,359	249,771	361,130	76,700	58,172	134,872

Details of Group borrowings and debt securities as at 31 December 2019 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	77,702	249,750	327,452	20,459	52,090	72,549
Foreign						
- Singapore Dollar	38,109	-	38,109	31,626	-	31,626
- Taiwan Dollar	-	-	-	49,332	-	49,332
TOTAL	115,811	249,750	365,561	101,417	52,090	153,507

17. Derivatives

There are no outstanding derivatives as at 30 June 2020 (31 December 2019: 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.

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

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")

On 26 January 2017, RMSB, a 55% owned subsidiary of Faber Development Holdings Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, filed a Writ of Summons and Statement of Claims against EKICSB pertaining to the breach of EKICSB's obligation as the main contractor for piling and building works for the development of 191 units of 3 storey houses of Phase 3, Laman Rimbunan, Kepong ("Project"). Upon completion, severe cracks were discovered by RMSB at the Project. RMSB claims that EKICSB had breached its obligations by refusing/neglecting/defaulting in carrying out the required rectification works. RMSB is claiming the amount of RM10,954,030.06 (plus costs and interests thereon) to be paid by EKICSB for the losses and costs incurred by RMSB in carrying out the rectification works itself/ by appointment of third parties.

In the case management fixed on 28 February 2017, EKICSB filed its application to stay this proceeding pending conclusion of its arbitration claim against RMSB (note that on 2 December 2016, EKICSB served a Notice to Arbitrate against RMSB for RM4,018,030.02 being the amount which EKICSB failed to claim in the Construction Industry Payment and Adjudication Act (CIPAA) proceeding initiated by them against RMSB earlier on 2 February 2016. RMSB replied to the Notice to Arbitrate on 20 December 2016 requesting for the consolidation of the disputes arising from the Piling and Building Contract to be heard before a single arbitrator. However, this proposal was rejected by EKICSB vide their letter dated 22 December 2016). After exchanges of written submissions between the parties, EKICSB's application for stay was heard on 21 April 2017 whereby the Court gave its view that it has no discretion to grant an order to direct the dispute under this proceeding to be consolidated under Section 10(2) of the Arbitration Act 2005 with the ongoing arbitration claim initiated by EKICSB. The Court informed RMSB that it may file an application to the Court for a declaration that the disputes to be consolidated and be heard by a single and same arbitrator. On 8 June 2017, RMSB filed an application for a declaration to consolidate and hear the disputes by a single and same arbitrator. The Court fixed the case management of this application on 13 July 2017. On 13 July 2017, EKICSB filed its affidavit in reply. The court directed RMSB to file the affidavit in reply by 25 July 2017.

The matter was fixed for case management on 7 August 2017 and hearing for the application was fixed on 15 August 2017. On 15 August 2017, the court allowed RMSB's application to transfer this application for declaration proceeding from the Shah Alam High Court (where it was filed due to e-filing system migration downtime at KL High Court then) to KL High Court. The case and the relevant files in relation thereto were transferred from the Shah Alam High Court to the Kuala Lumpur High Court on 11 September 2017. The case was then fixed for Case Management on 20 September 2017 at the Kuala Lumpur High Court and later postponed to 9 October 2017 wherein on the said date the Registrar of the High Court informed the parties that the case is pending consent from the Judge to transfer to the Construction Court. Vide a letter dated 12 October 2017, RMSB had been informed that the case has been transferred to the Construction Court and was fixed for Case Management on 20 October 2017. In the Case Management of 20 October 2017, the Court fixed the hearing of this case on 12 December 2017. The parties were directed to file their written submissions by 6 December 2017.

On 12 December 2017 the Court granted an order for RMSB to issue a letter to Pertubuhan Arkitek Malaysia ("PAM") to inform PAM to appoint the same and single arbitrator currently hearing the arbitration claim initiated by EKICSB to also hear the dispute under this proceeding as applied by RMSB and that EKICSB will leave it to PAM to decide on the said appointment. RMSB's solicitor had properly issued the said letter to PAM on 15 December 2017 and a preliminary meeting with PAM was fixed on 11 January 2018 to obtain further directions from the Arbitrator. In the meeting of 11 January 2018, the Arbitrator informed the parties that he has no discretion to consolidate both disputes under the building and piling contract but will hear the matters separately. Further thereto, the Arbitrator issued a letter dated 20 January 2018 confirming his appointment as arbitrator for the piling dispute as well and fixed a preliminary meeting on 25 April 2018 for further directions. On 25 April 2018, the Arbitrator had rescheduled the hearing of this Arbitration to 5, 6, 7, 20, 21 & 22 June and 18, 19 & 20 July 2018. The hearing dates on 5, 6, 7, 20, 21 & 22 June and 18 July 2018 were later vacated and the hearings were resumed on 19 & 20 July 2018 with RMSB's witnesses' testimonies and were concluded accordingly.

The filing of the written submissions was set on 12 November 2018 after several deferment of dates. For RMSB's counterclaim, EKICSB has filed their Statement of Defence on 8 October 2018 and RMSB filed the Reply to the Statement of Defence on 30 October 2018. The parties were also directed to file Bundle of Documents by 12 November 2018 and the same was filed accordingly.

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

19. Material litigation (cont'd)

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

A meeting with the Arbitrator was held on 8 January 2019 with the following directions:

- i) the Arbitrator is in the midst of preparing his decision for the claim by EKICSB;
- ii) for RMSB to confirm further expert witnesses to be called for the matter being the submitting engineer, LTE Engineer or S&M Geotechnics;
- iii) for RMSB to provide soil test results before construction and locations of the bore holes super imposed with site plan;
- iv) for RMSB to provide soil consolidation report;
- v) for RMSB to provide all signed piling records;
- vi) the tentative hearing dates have been fixed on 19,20 and 21 March 2019, 30 and 31 May 2019 and 25, 26 and 27 June 2019.

On 15 March 2019 the arbitrator allowed EKICSB's claim in the arbitration commenced by EKICSB for the alleged outstanding payment under the Building Contract. The solicitors have advised RMSB to apply for a stay of execution of the said award pending disposal of the arbitration commenced by RMSB against EKICSB under the piling contract.

The arbitration between RMSB and EKICSB under the piling contract has been 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 RMSB received an Originating Summons and an Affidavit in Support by EKICSB's solicitor being the enforcement application filed by EKICSB at the Kuala Lumpur High Court wherein EKICSB is seeking for an order from the court for the award of RM5,104,567.02 ("Award") to be paid by RMSB ("Enforcement Application"). Pursuant thereto RMSB has properly filed an application to the Kuala Lumpur High Court on 17 June 2019 to set aside the Award on the basis that the Award has been given in contradiction with the relevant principles of laws of Malaysia, in conflict with the public policy of Malaysia and not in line with the principle of natural justice ("Setting Aside Application").

EKICSB's application to enforce the award for the building dispute and RMSB's application for the Setting Aside of the award to EKICSB have been fixed for hearing on 29 August 2019 but later postponed to 1 November 2019. During the hearing on 1 November 2019, the judge dismissed RMSB's application to set aside the award and allowed EKICSB's application to enforce the award with cost of RM20,000.00. The judge also further asked both parties to reach an agreement regarding the award granted to EKICSB. EKICSB has proposed for RMSB to release 50% of the award to EKICSB and place another 50% in a stakeholder's account pending conclusion of RMSB's arbitration against EKICSB for the Piling Contract. On 21 November 2019, the board of RMSB approved to accept EKICSB's proposal to release 50% of the award sum plus accruing interest and cost to EKICSB and another 50% of the award sum plus accruing interest to be placed in a stakeholder's account pending conclusion of RMSB's arbitration against EKICSB for the Piling Contract.

EKICSB's solicitors wrote to RMSB's solicitors on 9 December 2019 with a specific amount to be paid by 16 December 2019. As of 15 December 2019, the award sum plus interest was determined at RM5,295,988.28 and the cost was at RM20,800.00. However, given the tight deadline, RMSB's solicitors wrote back to EKICSB's solicitors on 12 December 2019 to get a postponement until 31 December 2019 with the accruing interest to stop at 15 December 2019. EKICSB agreed and the payment was finally made to EKICSB on 31 December 2019.

The parties continue with the arbitration by RMSB against EKICSB for the Piling Dispute. The matter was fixed for hearings on 25, 26 and 27 June 2019 but were later postponed. Another preliminary meeting was set on 7 January 2020 to determine the new hearing dates, which hearing dates were set on 23, 24 and 26 March 2020.

In the meantime, EKICSB is contesting that RMSB's claim is time-barred. Pursuant to Section 41(1)(a) of the Arbitration Act, EKICSB requested to refer the issue to the High Court for its determination with RMSB reserving its rights to oppose to the question namely that the question is of fact and not of law to be referred to High Court and further contends that the claim is not time barred in any event. RMSB was then required to file an affidavit by 26 February 2020 and for EKICSB to file its affidavit in reply by 11 March 2020. The application was fixed for hearing on 28 April 2020. Given the COVID-19 health crisis, the Government has issued the Movement Control Order (MCO) which resulted in all hearing dates to be adjourned to other dates, to be fixed by court or arbitrator once the MCO is lifted by the government.

The hearing was later fixed on 30 July 2020. However, during the hearing, EKICSB has requested more time from court for the parties to proceed with a settlement. Due to the said request, the hearing was rescheduled to 26 August 2020, to allow parties to settle the dispute amicably via a settlement route.

On 26 August 2020, as parties could not agree for the settlement, the court has concluded the hearing and further directed the parties to file an executive summary of the application by 4 September 2020. The court has also fixed for the decision to be on 11 September 2020.

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

19. Material litigation (cont'd)

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

Edgenta PROPEL, a wholly-owned subsidiary of the Company, filed a Writ of Summons and Statement of Claims against HBT on 23 March 2012 for the payments of RM16,117,148.72 (unpaid certified amount by HBT) and RM6,409,889.46 (unpaid uncertified amount by HBT) in respect of works done by Edgenta PROPEL 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. On 2 April 2015 the Parties agreed to record a consent judgment, among others, for HBT to pay Edgenta PROPEL the amount of RM4,000,000 ("**Consent Judgment**") for the works done and that the amount of RM17,472,961.82 will be subject to assessment of damages.

The assessment of damages proceedings fixed on 7 and 8 March 2017 were later postponed to 20 April 2017 for case management due to the demise of Edgenta PROPEL's witness pursuant to a traffic accident.

In the Case Management dated 20 April 2017, Edgenta PROPEL's solicitors informed the Court of the demise of its witness and the replacement witness was identified. This case was fixed for decision on 29 August 2017 whereby it was decided that HBT shall pay Edgenta PROPEL RM17,472,961.82 (the "**Assessment of Damages**") with interest of 5% per annum calculated from 2 April 2015 until full realisation and costs of RM15,000.00. A sealed order was obtained on 19 September 2017. On 8 November 2017, Edgenta PROPEL's solicitors had issued a Notice Pursuant to Sections 465(1)(e) and 466(1)(a) of the Companies Act 2016 to demand for the payment of RM23,761,840.41 (amounts from the Consent Judgment and the Assessment of Damages plus cost and interest calculated up to 8 November 2017) for HBT to pay the said amount within twenty-one (21) days from the date of receipt of the said notice failing which Edgenta PROPEL may initiate winding up proceedings against HBT.

On 22 November 2017, HBT filed a Notice of Application together with an Affidavit in Support to set aside the Assessment of Damages judgment. On 19 December 2017, Edgenta PROPEL filed its Affidavit in Reply to the aforesaid Affidavit in Support. The court directed for HBT to file its reply to Edgenta PROPEL's Affidavit in Reply by 28 December 2017. A further case management was fixed on 4 January 2018 wherein the Court directed HBT to file an Affidavit in Reply (by their previous solicitor) within 2 weeks and fixed the hearing on 12 February 2018. On that date, the parties submitted their respective written submissions to the Court and the Court scheduled the matter for Clarification/Decision on 15 March 2018. HBT's solicitors informed the Court that they are in the midst of negotiating a settlement with JKR and hope that JKR will make some payments to them to enable them to settle the matter with Edgenta PROPEL. The Court informed the parties to try and settle this matter before the Clarification/Decision date fixed on 15 March 2018.

On 15 March 2018, the Court delivered its decision wherein HBT's application to set aside the decision of the Assessment of Damages dated 29 August 2017 was dismissed with cost of RM5,000.00 to be made payable to Edgenta PROPEL. HBT later filed a Notice of Appeal to the Court of Appeal on 5 April 2018 and the appeal has been fixed for a case management on 25 June 2018, during which the Court of Appeal scheduled the matter for a further case management on 1 August 2018 pending the grounds of judgment from the High Court. On 1 August 2018, the Court of Appeal fixed a further case management on 19 September 2018 as the grounds of judgment was not ready from the High Court. The Court of Appeal will only proceed to fix a hearing date upon receipt of the grounds of judgment from the High Court.

Meanwhile on 4 July 2018, Edgenta PROPEL via its solicitor has issued a Notice under Section 465 of the Companies Act 2016 demanding for the payment of RM24,339,100.39 (amounts from the Consent Judgment and the Assessment of Damages plus accruing interest) as at 4 July 2018 due and payable from HBT to be made within 21 days from the date of the notice.

HBT's solicitor issued a letter dated 9 July 2018 which was received by Edgenta PROPEL's solicitor on 12 July 2018, requesting for the winding up action to be put in abeyance pending the conclusion of their application in the Court of Appeal. Pursuant to the advice received from Edgenta PROPEL's solicitors on 13 July 2018 and further internal discussions thereafter, Edgenta PROPEL's Management has via its solicitor on 24 July 2018 counter proposed to HBT for payment of all or part of the RM4,000,000.00 undisputed figure pursuant to the Consent Judgment dated 2 April 2015 if HBT wishes for the winding up proceeding to be put in abeyance. 3 August 2018 was the deadline given to HBT to respond but Edgenta PROPEL's solicitor only received a letter from HBT's solicitor on 16 August 2018 proposing for a meeting to be fixed between the parties to discuss a possible settlement.

The parties met together with their respective solicitors on 13 September 2018 to discuss the possible settlement. HBT informed Edgenta PROPEL's representatives and solicitors that they are unable to pay any sum and are relying entirely on their claim against JKR. HBT further suggested Edgenta PROPEL to assist them in their case against JKR in order for them to obtain a decision against JKR to enable them to pay Edgenta PROPEL.

During the Case Management on 19 September 2018, the Court of Appeal rescheduled the matter to 9 October 2018 pending the grounds of judgment from the Senior Assistant Registrar ("SAR") who had conducted the Assessment of Damages. The Court of Appeal will only proceed to schedule a hearing date upon receipt of the grounds of judgment from the SAR. The Case Management on 9 October 2018 was later postponed to 5 December 2018 as the grounds of judgment from the SAR has not been obtained.

On 19 October 2018, Edgenta PROPEL's representatives, HBT's representatives and both parties' solicitors had a further meeting to deliberate on the way forward in the event Edgenta PROPEL proceeds to intervene in HBT's appeal against JKR. Edgenta PROPEL indicated in the meeting that in any event, the proceeds payable to Edgenta PROPEL shall not be less than the amount certified by HBT for the works done and HBT tentatively agreed to this.

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

19. Material litigation (cont'd)

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

A written opinion from Edgenta PROPEL's solicitors was received on 15 November 2018 wherein based on the last meeting with HBT, the solicitors were of the opinion that it is prudent for Edgenta PROPEL to proceed as intervener in HBT's appeal against JKR due to HBT's poor financial status. By intervening in the said proceeding, Edgenta PROPEL could at least secure its claim for the amount intended to be recouped by entering into an agreement with HBT for the proceeds from the decision of the appeal against JKR.

On 14 December 2018, Edgenta PROPEL has filed an intervener application in in the Kuala Lumpur High Court to be made as an intervener in the JKR's assessment proceeding against HBT ("**Intervener Proceeding**"). The Intervener Proceeding was later fixed for a case management on 17 December 2018, during which the High Court had fixed the hearing date for this matter on 15 January 2019. On the hearing date of 15 January 2019, the High Court dismissed Edgenta PROPEL's application to intervene in the assessment of damages proceedings as it takes the view that Edgenta PROPEL does not have a legal interest in the proceedings as it had already secured a judgment from another court. In this regard, the High Court took the view that it is a better approach for Edgenta PROPEL to proceed to wind up HBT instead and for a liquidator to be appointed to manage the assets and liability of HBT including the assessment of damages proceedings between HBT and JKR. The High Court however had allowed Edgenta PROPEL's solicitors to sit in during the assessment proceedings as a "Friend of the Court" in the event it could assist the High Court in any way. HBT's solicitors further agreed to adduce both the Consent Judgment dated 2 April 2015 and the Assessment of Damages dated 29 August 2017 in the assessment of damages proceedings between HBT and JKR.

The High Court further exercised its discretion and ordered for each party to bear its own costs as Edgenta PROPEL had also not been paid pursuant to the Consent Judgment obtained. HBT's assessment of damages against JKR was concluded on 25 April 2019 and the Court had directed for the parties therein to file their respective written submissions by 27 June 2019. The next case management for direction and clarification was also scheduled on 27 June 2019. The High Court then concluded the assessment of damages and delivered its decision on the amount to be approximately RM10,000,000.00. It is anticipated that JKR will pay this amount to HBT.

On 7 March 2019, HBT's appeal to the Court of 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 Assessment of 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 Assessment of Damages will remain valid ("**Court of Appeal's 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 of the Court of Appeal's Order and filed another motion in the Federal Court for leave to appeal to Federal Court against such order. Hearing dates on 1 July 2019, 10 September 2019 and 20 February 2020 to hear HBT's motion for leave to appeal to the Federal Court were deferred to a new hearing date on 21 May 2020.

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 Assessment Damages of RM17,472,961.82 in addition to the earlier sum agreed between the parties through the Consent Judgement dated 2 April 2015 of RM4,000,000.00 shall be payable by HBT to EPB.

On 10 June 2020, Edgenta PROPEL's solicitors wrote to Attorney General's Chambers and solicitors of HBT to inquire if JKR had paid HBT pursuant to JKR's assessment of RM10,000,000.00 pursuant to the order dated 27 September 2019. Attorney General's Chambers responded on 15 June 2020, confirming that JKR has paid the full sum to HBT.

With the positive outcome from the said hearing, Edgenta PROPEL's solicitors have advised Edgenta PROPEL to initiate recovery actions in stage, namely judgment debtor summon, garnishee proceedings and winding up action against HBT to recover the total amount of RM21,472,961.82 plus cost and interest ("**Recovery Amount**").

On 29 July 2020, Edgenta PROPEL has filed Judgement Debtor Summon ("**JDS**") at Kuala Lumpur High Court. The hearing was fixed on 3 September 2020.

20. Contingent liabilities

There are no significant contingent liabilities as at the date of this announcement.

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 30/6/2020 RM'000	Immediate preceding quarter 31/3/2020 RM'000	Variance RM'000	Variance %
<u>Revenue:</u>				
Asset Management				
- Healthcare Support	290,866	274,516	16,350	6.0
- Property and Facility Solutions	35,514	33,404	2,110	6.3
Infrastructure Solutions				
- Infrastructure Services	100,811	167,428	(66,617)	(39.8)
- Asset Consultancy	20,446	26,505	(6,059)	(22.9)
Others	832	19	813	>100.0
	448,469	501,872	(53,403)	(10.6)

Profit Before Tax:

Asset Management				
- Healthcare Support	18,833	8,771	10,062	>100.0
- Property and Facility Solutions	5,798	7,683	(1,885)	(24.5)
Infrastructure Solutions				
- Infrastructure Services	18,670	14,208	4,462	31.4
- Asset Consultancy	6,954	1,153	5,801	>100.0
Others/Elimination	(66,578)	(11,507)	(55,071)	>(100.0)
	(16,323)	20,308	(36,631)	>(100.0)

The Group's revenue for the current quarter of 448.5 million was RM53.4 million or 10.6% lower than the immediate preceding quarter's RM501.9 million, mainly due to the following:

- **Asset Management**
Revenue from Asset Management Segment increased by RM18.4 million mainly from new commercial projects under the Healthcare Support ("HS") division. The Property and Facility Solutions ("PFS") division also recorded higher revenue from energy performance contracting project which commenced in the current quarter, offset by completed projects in Malaysia.
- **Infrastructure Solutions**
Infrastructure Solutions Segment recorded lower revenue by RM72.7 million, mainly due to less pavement works done for expressways by Infrastructure Services ("IS") division during the movement restriction period in response to the COVID-19 pandemic. Asset Consultancy ("AC") division's revenue also decreased as less consultancy work was done in the current quarter.

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 recorded loss before tax ("LBT") for the current quarter of RM16.3 million, a decrease of RM36.6 million compared to the immediate preceding quarter's profit before tax ("PBT") of RM20.3 million, contributed by the below:

- **Asset Management**
Asset Management's PBT increased by RM8.2 million mainly from the HS division in line with the increase in revenue and lower cost incurred for equipment repairs and maintenance in serviced hospitals. The increase was offset by higher operating costs in the PFS division and impairments on receivables across the segment.
- **Infrastructure Solutions**
PBT for Infrastructure Solutions increased by RM10.3 million despite the decrease in revenue. This is mainly due to a one-off gain from realisation of foreign exchange reserve of RM19.3 million recognised in the AC division. This was offset by the lower operational results by the AC division following lower revenue and impairments on receivables. The IS division also showed better results, mainly due to lower operational costs incurred during the period under review.
- **Others**
An impairment of completed property inventories totalling RM50.0 million was recognised in the current quarter by the Property Development ("PD") division.

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

	Current year quarter	Preceding year corresponding quarter	Variance	Variance	Six months to	Six months to	Variance	Variance
	30/6/2020	30/6/2019			30/6/2020	30/6/2019		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue:								
Asset Management:								
- Healthcare Support	290,866	277,421	13,445	4.8	565,382	548,331	17,051	3.1
- Property and Facility Solutions	35,514	45,689	(10,175)	(22.3)	68,918	83,368	(14,450)	(17.3)
Infrastructure Solutions:								
- Infrastructure Services	100,811	217,128	(116,317)	(53.6)	268,239	389,389	(121,150)	(31.1)
- Asset Consultancy	20,446	29,553	(9,107)	(30.8)	46,951	64,550	(17,599)	(27.3)
Others	832	25,627	(24,795)	(96.8)	851	25,656	(24,805)	(96.7)
	448,469	595,418	(146,949)	(24.7)	950,341	1,111,294	(160,953)	(14.5)
Profit Before Tax:								
Asset Management:								
- Healthcare Support	18,833	29,646	(10,813)	(36.5)	27,604	64,120	(36,516)	(56.9)
- Property and Facility Solutions	5,798	4,184	1,614	38.6	13,481	11,499	1,982	17.2
Infrastructure Solutions:								
- Infrastructure Services	18,670	26,771	(8,101)	(30.3)	32,878	46,746	(13,868)	(29.7)
- Asset Consultancy	6,954	6,621	333	5.0	8,107	7,884	223	2.8
Others/Elimination	(66,578)	(20,466)	(46,112)	>(100.0)	(78,085)	(37,457)	(40,628)	>(100.0)
	(16,323)	46,756	(63,079)	>(100.0)	3,985	92,792	(88,807)	(95.7)

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

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

The Group's revenue for the current quarter of RM448.5 million was lower by RM146.9 million as compared to RM595.4 million in the corresponding quarter last year. For the six-month period, the Group recorded revenue of RM950.3 million which is 14.5% lower than RM1,111.3 million recorded for the same period last year as detailed below:

- **Asset Management**
Revenue from Asset Management increased by RM2.6 million mainly contributed from commercial contracts secured in Singapore and Taiwan by the HS division. This was offset by lower contribution from its Malaysian operations due to non-continuing projects. This was further offset by the cessation of township management projects late last year by the PFS division and projects completed during the period in Malaysia and Dubai.
- **Infrastructure Solutions**
Revenue from Infrastructure Solutions decreased by RM138.7 million mainly from less pavement work done for expressways during the movement restriction period in response to the COVID-19 pandemic. The AC division also recorded lower revenue from lower consultancy work done during the period.

The Group's recorded LBT for the current quarter of RM16.3 million, a RM63.1 million decrease compared to RM46.8 million PBT in the corresponding quarter last year. The Group's PBT for the six-month period of RM4.0 million was RM88.8 million lower than RM92.8 million recorded in the same period last year as detailed below:

- **Asset Management**
Asset Management results declined by RM34.5 million due to margin contractions experienced by the HS division in Singapore and Taiwan, coupled with the lower revenue and increasing operating costs in its Malaysian operations as well as impairments on receivables. The decrease was mitigated slightly by better results from PFS division despite lower revenue, due to better margins for on-going projects.
- **Infrastructure Solutions**
Infrastructure Solutions posted lower results by RM13.6 million in line with lower revenue and impairments on receivables. This was mitigated by a one-off gain from realisation of foreign exchange reserve of RM19.3 million in the AC division.
- **Others**
An impairment of completed property inventories totalling RM50.0 million was recognised in the current period by the PD division.

23. Economic profit ("EP") statement

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
<u>Net operating profit after tax computation:</u>				
Earnings before interest and tax	(14,937)	46,745	5,430	92,378
Adjusted tax	3,585	(11,219)	(1,303)	(22,171)
Net operating (loss)/profit after tax	(11,352)	35,526	4,127	70,207
<u>Economic charge computation:</u>				
Average invested capital	1,494,179	1,502,168	1,494,179	1,502,168
Weighted average cost of capital ("WACC")	5.9%	7.4%	5.9%	7.4%
Economic charge	22,039	27,790	44,078	55,580
Economic (loss)/profit	(33,391)	7,736	(39,951)	14,627

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

23. Economic profit ("EP") statement (cont'd)

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 2020 against the corresponding quarter last year:

Economic loss ("EL") of RM33.4 million was lower by RM41.1 million as compared to the preceding year corresponding quarter's EP of RM7.7 million mainly due to lower earnings before interest and tax recorded.

(b) Performance of the current period ended 30 June 2020 against last year:

EL of RM40.0 million was lower by RM54.6 million as compared to the last year's EP of RM14.6 million mainly due to lower earnings before interest and tax recorded.

24. Prospects for the financial year

Overall Prospects

The first half of 2020 proved to be one the most challenging periods for economies globally as the COVID-19 pandemic forced a halt to all but the most essential economic activities. The unprecedented pandemic continues to drive the global economy into a recession with the International Monetary Fund ("IMF") revising its global growth forecasts for 2020 to -4.9% in its June 2020 World Economic Outlook report, a further 1.9% downgrade from its April 2020 forecast.

Domestically, while containment measures through phases of the Movement Control Order ("MCO") was necessary to curb the spread of COVID-19, the adverse impact of the lockdown was fully felt by the economy and corporates in 2Q2020. The government estimated a daily economic loss of RM2.4 billion throughout the MCO, which peaked from mid-March to mid-May, resulting in an estimated RM150 billion loss to the Malaysian economy over the period.

With the gradual easing of containment measures, Malaysia's economic activity has begun to gradually improve in 2H2020. The combination of a large supportive middle class (77% of households), accommodative monetary policy and government fiscal stimulus measures amounting to RM260 billion is expected to propel the economy out a recession in 2021. The World Bank expects the Malaysian economy to contract by 3.1% this year before rebounding to 6.9% in 2021 in line with a global recovery.

For the remaining period of 2020, UEM Edgenta Berhad's ("Edgenta" or the "Company") will continue to operate in a challenging environment. As Corporate Malaysia adapts to a new normal, the Company will remain vigilant and focus on delivering projects that have been secured whilst protecting its cash position to ensure the Company remains resilient during these unprecedented times.

Prospects by Segment

i. Asset Management

The Asset Management segment led by the Healthcare Support division will continue to drive the Company's long-term growth on the back of rising healthcare demand, regionalisation of healthcare service offerings and provision of care models beyond the traditional hospital offerings.

For the first half of 2020, the Healthcare Support division reported stable year on year revenue growth supported by key contracts wins from Replacement Through Maintenance ("RTM") contracts with the Ministry of Health ("MOH") and Sarawak General Hospital extension contracts. However, margins and profits softened on higher direct costs incurred by the Healthcare Concession business owing to the ongoing pandemic, in addition to the expiry of higher margin commercial contracts in 2019. Moving forward, the division will focus on managing cost escalations of its Healthcare Concession Business through operational excellence initiatives to derive cost efficiencies to protect its margins. On the regional front, the Healthcare Commercial division will focus on protecting existing contracts and securing renewals while pursuing new opportunities in Singapore and Taiwan.

As for the Property and Facility Solutions division, the pandemic provided an ancillary revenue stream in the form of sanitisation and disinfection services for existing clients. Although revenue accretive, sanitisation service is highly commoditised sub-sector with low margins. Moving forward, the division will look to secure more projects in high-value commercial as well as industrial-based buildings in its portfolio of assets under management.

ii. Infrastructure Solutions

The first half of 2020 was a challenging period for both Infrastructure Services and Asset Consultancy divisions. With MCO in full effect from mid-March to mid-May, daily traffic fell by 70%, from 1.7 million to 500,000 vehicles. Consequently, the lower traffic and budgetary constraints of asset owners and operators led to the deferment of higher value infrastructure projects and work done for expressways over the period.

For the remainder of the year, as the operating environment recovers to a new normal, the Infrastructure Services and Asset Consultancy division will continue to deliver on existing work in hand, as well as undertake operational excellence initiatives to protect the divisions' profit margins.

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

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

iii. Property Development

During the H1 FY2020, Edgenta has decided to take a prudent measure of impairing its unsold property assets under its portfolio amounting to RM50 million. This measure is part of the Company's ongoing restructuring efforts to shed off non-core businesses while prioritizing resources on growing key businesses such as healthcare and infrastructure.

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	Preceding year corresponding quarter	Six months to	Six months to
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
Profit attributable to Owners of the Parent	(26,914)	34,356	(15,758)	67,020
Weighted average number of ordinary shares in issue ('000)	831,624	831,624	831,624	831,624
Basic earnings per share	(3.24) sen	4.13 sen	(1.89) sen	8.06 sen

Kuala Lumpur
26 August 2020

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