



GFM SERVICES BERHAD

(Company No: 1033141-H)

(Incorporated in Malaysia)

Year 2019

Quarterly Announcement

For the First Quarter Ended 31 March 2019

The Board of Directors of GFM Services Berhad (“GFMSB” or the “Company”) (“Board”) is pleased to announce the following unaudited consolidated results for the quarter and financial period ended (“FPE”) 31 March 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019

	Note	Individual quarter		Cumulative period	
		Current year	Preceding year	Current year	Preceding year
		quarter	quarter	to-date	to-date
		31/03/2019 ⁽¹⁾	31/03/2018	31/03/2019 ⁽¹⁾	31/03/2018
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	42,438	31,919	42,438	31,919
Cost of sales		(25,261)	(22,831)	(25,261)	(22,831)
Gross profit		17,177	9,088	17,177	9,088
Other income		777	491	777	491
Administrative expenses		(3,645)	(5,228)	(3,645)	(5,228)
Other operating expenses		(71)	-	(71)	-
Profits from operations		14,238	4,351	14,238	4,351
Finance costs		(6,757)	(271)	(6,757)	(271)
Share of results of an associate, net of tax		-	-	-	-
Profit before tax	B12	7,481	4,080	7,481	4,080
Tax expense	B5	(1,952)	(1,251)	(1,952)	(1,251)
Profit for the period		<u>5,529</u>	<u>2,829</u>	<u>5,529</u>	<u>2,829</u>
Other comprehensive income					
Fair value adjustment of available-for-sale financial assets		-	-	-	-
Realisation of revaluation		-	7	-	7
Total comprehensive income for the period		<u>5,529</u>	<u>2,836</u>	<u>5,529</u>	<u>2,836</u>
Profit for the period attributable to:					
Equity holders of the parent		5,529	2,829	5,529	2,829
Non-controlling interests		-	-	-	-
		<u>5,529</u>	<u>2,829</u>	<u>5,529</u>	<u>2,829</u>
Total comprehensive income for the period attributable to:					
Equity holders of the parent		5,529	2,836	5,529	2,836
Non-controlling interests		-	-	-	-
		<u>5,529</u>	<u>2,836</u>	<u>5,529</u>	<u>2,836</u>
Earnings per share (sen)					
- Basic ⁽²⁾		1.17	0.66	1.17	0.66
- Diluted ⁽³⁾		0.78	0.65	0.78	0.65
Dividends per share (sen)		N/A	N/A	N/A	N/A

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss And Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.
- (2) Basic earnings per share is calculated based on the Company's weighted average share capital of 470,913,442 ordinary shares as at 31 March 2019.
- (3) Diluted earnings per share of the Company for the individual quarter and financial period ended 31 March 2019 are based on the profit for the financial year attributable to owners of the Company and its subsidiaries (“GFM Group” or “Group”) and the number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

N/A Not applicable

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Unaudited as at 31/03/2019 ⁽¹⁾	Audited as at 31/12/2018
Note	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,560	19,423
Intangible assets	42,149	42,685
Investment in an associate	358	358
Operating financial assets	274,138	274,138
Other investments	521	521
Total non-current assets	337,726	337,125
Current assets		
Tax assets	3,143	2,980
Trade receivables	24,159	13,168
Operating financial assets	58,455	60,445
Other receivables, deposits & prepayments	13,933	9,315
Cash and cash equivalents	87,942	99,781
Total current assets	187,632	185,689
Total assets	525,358	522,814
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	66,923	66,923
Retained earnings	71,231	65,702
Share option reserve and share grant reserve	931	532
Fair value reserve	21	21
Reorganisation deficit	(45,265)	(45,265)
Total equity	93,841	87,913
Non-current liabilities		
Borrowings	B8 345,344	351,788
Deferred tax liabilities	36,688	36,556
Total non-current liabilities	382,032	388,344
Current liabilities		
Borrowings	B8 26,557	25,739
Tax payable	759	86
Trade payables	9,391	7,358
Other payables and accruals	12,778	13,374
Total current liabilities	49,485	46,557
Total liabilities	431,517	434,901
Total equity and liabilities	525,358	522,814
Net assets per ordinary share attributable to ordinary equity holders of the Company (RM)	0.20	0.20

(1) The Unaudited Condensed Statement Of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL PERIOD ENDED 31 MARCH 2019

	----- Attributable to owners of the Company -----						
	Share capital RM'000	Fair value reserve of financial assets at FVOCI RM'000	Share option reserve RM'000	Share grant reserve RM'000	Reorganisation deficit RM'000	Retained earnings RM'000	Total equity RM'000
Balance as of 1 January 2019	66,923	21	161	371	(45,265)	65,702	87,913
Comprehensive income							
Profit for the financial period	-	-	-	-	-	5,529	5,529
Transactions with owners							
Proceeds from issuance of shares	*	-	-	-	-	-	*
Dividends paid on shares	-	-	-	-	-	-	-
Share option issued	-	-	121	-	-	-	121
Share grant issued	-	-	-	278	-	-	278
Balance as of 31 March 2019	<u>66,923</u>	<u>21</u>	<u>282</u>	<u>649</u>	<u>(45,265)</u>	<u>71,231</u>	<u>93,841</u>
Balance as of 1 January 2018	48,038	21	-	-	(45,265)	62,116	64,910
Comprehensive income							
Profit for the financial period	-	-	-	-	-	2,830	2,830
Balance as of 31 March 2018	<u>48,038</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>(45,265)</u>	<u>64,946</u>	<u>67,740</u>

Notes:

(1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

* Denotes < RM1,000

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOWS STATEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Year-to-date ended	
	31/03/2019 RM'000	31/03/2018 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before tax	7,481	4,081
Adjustment for:		
Amortisation of intangible assets	536	304
Impairment loss on trade receivables	71	-
Depreciation of property, plant and equipment	224	120
Interest expense	6,757	271
Interest income	(268)	(115)
Reversal of impairment of trade receivables	-	(16)
	<u>14,801</u>	<u>4,645</u>
Movements in working capital:		
Increase in:		
Trade and other receivables	(15,681)	(8,952)
Increase in:		
Trade and other payables	1,438	2,708
Decrease in:		
Operating financial assets	1,991	-
Share based payment	399	-
Cash Generated From/(Used in) Operations	<u>2,948</u>	<u>(1,599)</u>
Income tax paid	(1,310)	(874)
Interest paid	(6,757)	(271)
Interest received	268	115
Net Cash Used In Operating Activities	<u>(4,851)</u>	<u>(2,629)</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Withdrawal/(Placement) of fixed deposits	8,488	(8,494)
Purchase of property, plant and equipment	(1,362)	(608)
Net Cash From/(Used in) Investing Activities	<u>7,126</u>	<u>(9,102)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from issuance of shares	*	-
Drawdown term loan	-	528
Repayment of finance lease payables	(396)	(28)
Repayment of term loans	(5,230)	(564)
Net Cash Used In Financing Activities	<u>(5,626)</u>	<u>(64)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(3,351)</u>	<u>(11,795)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>67,655</u>	<u>20,638</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>64,304</u>	<u>8,843</u>
Cash and cash equivalents comprise:		
Cash and bank balances	64,304	8,193
Fixed deposits with a licensed bank	23,638	16,808
	<u>87,942</u>	<u>25,001</u>
Less: Bank overdraft	-	-
Deposits pledged as securities	(23,638)	(14,058)
Fixed deposits with licensed banks not pledged but with maturities more than three (3) months	-	(2,100)
	<u>64,304</u>	<u>8,843</u>

Notes:

(1) The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

N/A Not applicable

* Denotes < RM1,000

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2019**A COMPLIANCE WITH MALAYSIA FINANCIAL REPORTING STANDARD (MFRS) 134: INTERIM FINANCIAL REPORTING AND THE LISTING REQUIREMENTS OF BURSA SECURITIES****A1 Basis of preparation**

This condensed consolidated interim financial report is unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), IAS 34 Interim Financial Reporting and Rule 9.22 and Appendix 9B of the Listing Requirements.

This is the interim financial report on the condensed consolidated results for the quarter ended 31 March 2019 announced by the Company in compliance with the Listing Requirements of Bursa Securities.

The accounting policies and methods of computation adopted by the Group in this unaudited condensed consolidated interim financial report are consistent with those adopted in the annual financial statements of the Group. This unaudited condensed consolidated interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

The accompanying explanatory notes attached to this unaudited condensed consolidated interim financial report provide an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of GFM Group since the financial year ended ("FYE") 31 December 2018.

A2 Changes in Accounting Policies

The significant accounting policies adopted in this unaudited condensed consolidated interim financial report are consistent with those adopted as disclosed in the audited financial statements for the financial year ended 31 December 2018, except for adoption of the following with effective from 1 January 2019:

MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)
MFRS 11	Joint Arrangements
MFRS 16	Leases
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
IC INT 23	Uncertainty over Income Tax Treatments

The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.

A3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the preceding audited financial statements of the Group for the FYE 31 December 2018 were not subject to any qualification.

A4 Seasonal or Cyclical Factors

The Group's business operations are not materially affected by seasonal or cyclical factors during the current financial quarter and financial period under review.

A5 Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current financial quarter and current financial period under review.

A6 Changes in Estimates

There were no changes in estimates that have had a material effect during the current financial quarter and current financial period under review.

A7 Changes in Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the financial quarter and current financial period under review.

A8 Dividends Paid

There was no dividend paid during the current financial quarter and current financial period under review.

A9 Segmental Information

Current year quarter 31/3/2019

	Facilities management RM'000	Concession arrangements RM'000	Others RM'000	Adjustments and eliminations RM'000	Total RM'000
Revenue					
External revenue	30,488	11,950	-	-	42,438
Inter-segment revenue	1,507	-	2,442	(3,949)	-
	<u>31,996</u>	<u>11,950</u>	<u>2,442</u>	<u>(3,949)</u>	<u>42,438</u>
Profits from operations					
External profit	5,226	10,309	-	(1,298)	14,238
Inter-segment profit	344	-	412	(755)	-
	<u>5,570</u>	<u>10,309</u>	<u>412</u>	<u>(2,053)</u>	<u>14,238</u>

A10 Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current financial quarter and current financial period under review.

A11 Material Events Subsequent to the end of the current quarter

There were no material events subsequent to the current quarter ended.

A12 Changes in the Composition of the Group

There were no material events subsequent to the current quarter ended.

A13 Contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets as at the date of this interim financial report.

A14 Capital Commitments

There were no capital commitments during the current financial quarter and current financial period under review.

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B COMPLIANCE WITH APPENDIX 9B OF THE LISTING REQUIREMENTS
B1 Review of Performance

The Group's revenue are mainly derived from its facilities management services.

The Group recorded revenue of RM 42,438,300 and profit before tax of RM 7,480,859 for the financial period ended 31 March 2019 and revenue of RM 31,919,316 and profit before tax of RM 4,080,537 for the financial period ended 31 March 2018.

The major contributor to the Group's revenue during the current quarter and current financial period under review was from the facilities management services operations segment. Our Group recorded revenue from this segment of RM 30,488,423 which accounted for 72% of the total revenue recorded for the current financial period under review.

B2 Comparison with preceding quarter's results

	Current year quarter 31/03/2019 RM'000	Preceding quarter 31/12/2018 RM'000	Variance RM'000	%
Revenue	42,438	33,802	8,636	26%
Profit before tax	7,481	2,301	5,180	225%

The Group reported revenue of RM42.4 million and profit before tax of RM7.5 million for the current quarter ended 31 March 2019 ("1Q"), representing an improvement of RM8.6 million or 26% as compared to revenue of RM33.8 million in the preceding quarter ended 31 December 2018 ("4Q") was mainly due to the acquisition of KP Mukah Development Sdn Bhd ("KPMD") has been completed on 27 November 2018.

An improvement of RM5.2 million or 225% as compared to profit before tax of RM2.3 million in the preceding quarter ended 31 December 2018. This was mainly due to the acquisition of KPMD has been completed on 27 November 2018.

B3 Prospects

For the first quarter ended 31 March 2019, the Group recorded growth of 33% in its revenue to RM42.4 million as compared to the same period in 2018.

The Group has completed the acquisition of KPMD on 27 November 2018. The Group is looking forward for the full consolidation of KPMD's earnings from 2019 onwards, which will provide the Group with stable consistent income until 2035 and significantly improve the Group's long-term prospects.

Moving forward, the Group expects to continue the growth momentum with the focus on expanding the portfolio and bidding for more contracts. Internally, the Group will keep on exploring more innovative technology-based solutions to address the evolving needs of clients and focus on efficient business process with the on-going vendor rationalisation programme.

The Group's outstanding order book stood at RM 1.38 billion as at 31 March 2019. GFMSB expects these contracts to continuing to contribute positively to our prospects.

B4 Variance between Actual Profit and Forecast Profit

The Group has not provided any revenue or profit forecast in any public documents and announcements.

B5 Taxation

	Individual quarter		Cumulative period	
	Current year quarter 31/03/2019 RM'000	Preceding year quarter 31/03/2018 RM'000	Current year to-date 31/03/2019 RM'000	Preceding year to-date 31/03/2018 RM'000
Income tax				
Current period	1,821	1,324	1,821	1,324
Prior period	-	-	-	-
	<u>1,821</u>	<u>1,324</u>	<u>1,821</u>	<u>1,324</u>
Deferred tax				
Current period	131	(73)	131	(73)
Prior period	-	-	-	-
	<u>1,952</u>	<u>1,251</u>	<u>1,952</u>	<u>1,251</u>

The effective tax rate for the current quarter and 3-month financial period ended 31 March 2019 of 32% which was higher than the statutory tax rate was mainly due to expenses disallowed for tax purposes.

B6 Unquoted investments and properties

There were no purchases or sales of unquoted investment or properties for the current financial quarter and current financial period under review.

B7 Quoted securities

There were no acquisitions or disposals of quoted securities for the current financial quarter and the financial period to date.

B8 Borrowings and Debt Securities

The Group's total debts as at 31 March 2019 which are denominated in Ringgit Malaysia are as follows:

	Unaudited as at 31/03/2019 RM'000	Audited as at 31/12/2018 RM'000
Short-term indebtedness:		
<u>Secured and guaranteed</u>		
Borrowings	26,557	25,739
Long-term indebtedness:		
<u>Secured and guaranteed</u>		
Borrowings	345,344	351,788
Total indebtedness	<u>371,901</u>	<u>377,527</u>

B9 Material Litigation

Global Facilities Management Sdn Bhd ("the Plaintiff"), a wholly owned subsidiary of GFM Services Bhd had on 23 July 2018 commenced a suit against TRW Boulevard Square Sdn Bhd (in receivership) ("the Defendant") for the sum of RM1.02 million being the sum allegedly owing from the Defendant to the Plaintiff for facility management services rendered by the Plaintiff to the Defendant.

The Plaintiff had on 12 September 2018 filed an application for summary judgement against the Defendant and the Defendant had on 16 October 2018 filed an application to strike out the Plaintiff's claim.

During the case management held on 16 November 2018, the court has given the following directives:-

- Plaintiff to reply to the Defendant's Affidavit in Reply dated 15 November 2018 (relating to Defendant's striking out application) by 30 November 2018 ("Plaintiff's Further Affidavit").
- Defendant to reply to the Plaintiff's Further Affidavit by 14 December 2018.
- Parties to file their respective written submissions (relating to Plaintiff's summary judgment application) by 30 November 2018.
- A further case management is to be held on 17 December 2018.

On 17 December 2018, the Company was informed by its Solicitors that the Court had, on 17 December 2018, given the following directives:-

- Parties to file their respective written submission (relating to the Defendant's striking out application) on or before 31 December 2018; and
- The Plaintiff's summary judgment application and Defendant's striking out application have been fixed for hearing on 14 January 2019.

On 14 January 2019, the Company was informed by its Solicitors that, on 14 January 2019:-

- The Plaintiff's application for summary judgment and the Defendant's application to strike out the Plaintiff's claim have been heard; and
- Both applications are now fixed for Decision on 29 January 2019.

On 29 January 2019, the Company was informed by its solicitors that during the decision fixed by the Court on even date:-

- The Plaintiff's application for summary judgment was dismissed with cost of RM3,000 awarded to the Defendant; and
- The Defendant's application to strike out the Plaintiff's claim was allowed with cost of RM3,000 awarded to the Defendant.

The suit against the Defendant have no material financial impact on GFM.

B10 Dividend

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

B11 Earnings Per Share ("EPS")

	Individual quarter		Cumulative period	
	Current year quarter 31/03/2019 RM'000	Preceding year quarter 31/03/2018 RM'000	Current year to-date 31/03/2019 RM'000	Preceding year to-date 31/03/2018 RM'000
BASIC EPS				
Profit for the period (RM'000)	5,529	2,829	5,529	2,829
Number of ordinary shares in issue ('000)	470,913	428,103	470,913	428,103
Basic EPS (Sen)	1.17	0.66	1.17	0.66
DILUTED EPS				
Profit for the period (RM'000)	5,529	2,829	5,529	2,829
Number of ordinary shares in issue ('000)	470,913	428,103	470,913	428,103
Effect of dilution from:				
- Share options	2,199	2,199	2,199	2,199
- Share grants	2,199	2,199	2,199	2,199
- Bonus warrants	235,457	-	235,457	-
Weighted average number of ordinary shares for basic earning per share (unit)	<u>710,768</u>	<u>432,501</u>	<u>710,768</u>	<u>432,501</u>
Diluted EPS (Sen)	0.78	0.65	0.78	0.65

B12 Notes to the Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

Profit before tax has been arrived at after crediting/(charging):

	Individual quarter		Cumulative quarter	
	Current year	Preceding year	Current year	Preceding year
	quarter	quarter	to-date	to-date
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
Interest income	268	115	268	115
Other income:				
Reversal of impairment on trade receivables	-	16	-	16
Miscellaneous	509	-	509	-
Interest expense	(6,757)	(271)	(6,757)	(271)
Depreciation of property, plant and equipment	(224)	(120)	(224)	(120)
Amortisation of intangible assets	(536)	(304)	(536)	(304)
Impairment loss on:				
- Trade receivables	(71)	-	(71)	-
Employee benefits expense	(8,905)	(7,783)	(8,905)	(7,783)
Rental of premises	(92)	(34)	(92)	(34)
Rental of office equipment	(35)	(26)	(35)	(26)

B13 Status of corporate proposals

Save as disclosed below, there are no other corporate proposal announced but not completed as at the date of this interim report.

On 5 July 2017, KAF Investment Bank Berhad, on behalf of the Board of Directors of GFM Services, announced that the Company had proposed transfer of the listing of and quotation for the entire issued share capital of GFM from the ACE Market of Bursa Malaysia Securities Berhad to the Main Market of Bursa Malaysia Securities Berhad ("Proposed Transfer of Listing").

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