



**GFM SERVICES BERHAD**

[Registration No. 201301003302 (1033141-H)]  
(Incorporated in Malaysia)

Year 2020

Quarterly Announcement

For the Fourth Quarter Ended 31 December 2020

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 year ended ("FYE") 31 December 2020.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	Individual quarter		Cumulative period	
		Current year	Preceding year	Current year	Preceding year
		quarter	quarter	to-date	to-date
		31/12/2020 <sup>(1)</sup>	31/12/2019	31/12/2020 <sup>(1)</sup>	31/12/2019
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	A9	32,307	24,289	116,869	130,590
Cost of sales		(19,468)	(18,671)	(69,584)	(85,524)
Gross profit		12,839	5,618	47,285	45,066
Other income		299	2,829	2,614	4,197
Administrative expenses		(1,096)	(811)	(8,446)	(10,344)
Other operating expenses		(996)	(995)	(440)	(197)
<b>Profits from operations</b>		11,046	6,641	41,013	38,722
Finance costs		(6,349)	(6,198)	(23,466)	(25,380)
Share of results of an associate, net of tax		4	20	4	75
Profit before tax	B12	4,701	463	17,551	13,417
Tax expense	B5	(1,549)	(3,644)	(9,150)	(7,472)
<b>Profit/(Loss) for the period</b>		<u>3,152</u>	<u>(3,181)</u>	<u>8,401</u>	<u>5,945</u>
<b>Other comprehensive income</b>					
Fair value adjustment of available-for-sale financial assets		-	(21)	-	(21)
Realisation of revaluation		-	-	-	-
<b>Total comprehensive income for the period</b>		<u>3,152</u>	<u>(3,202)</u>	<u>8,401</u>	<u>5,924</u>
<b>Profit/(Loss) for the period attributable to:</b>					
Equity holders of the parent		3,152	(3,181)	8,401	5,945
Non-controlling interests		-	-	-	-
		<u>3,152</u>	<u>(3,181)</u>	<u>8,401</u>	<u>5,945</u>
<b>Total comprehensive income for the period attributable to:</b>					
Equity holders of the parent		3,152	(3,202)	8,401	5,924
Non-controlling interests		-	-	-	-
		<u>3,152</u>	<u>(3,202)</u>	<u>8,401</u>	<u>5,924</u>
<b>Earnings per share (sen)</b>					
- Basic <sup>(2)</sup>		<u>0.63</u>	<u>(0.68)</u>	<u>1.69</u>	<u>1.26</u>
- Diluted <sup>(3)</sup>		<u>0.63</u>	<u>- ^</u>	<u>1.69</u>	<u>1.22</u>
Dividends per share (sen)		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**Notes:**

- (1) The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended ("FYE") 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) Basic earnings per share for the individual quarter and financial year are calculated based on the Company's weighted average share capital during the financial quarter/year.
- (3) Diluted earnings per share of the Company for the individual quarter and financial year are calculated based on the profit for the financial quarter/year attributable to owners of the Company and its subsidiaries ("GFM Group" or "Group") and the weighted average number of ordinary shares outstanding during the financial quarter/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.

^ Diluted EPS is not presented as the conversion of potential ordinary shares is anti-dilutive.

N/A Not applicable

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**

	Unaudited as at 31/12/2020 <sup>(1)</sup>	Restated Audited as at 31/12/2019	Restated Audited as at 01/01/2019
Note	RM'000	RM'000	RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	20,054	21,537	19,423
Intangible assets	24,663	25,634	26,850
Investment in associate	437	433	358
Operating financial assets <sup>(2)</sup>	312,523	322,033	329,399
Other investments	15,000	1,000	521
<b>Total non-current assets</b>	<u>372,677</u>	<u>370,637</u>	<u>376,551</u>
<b>Current assets</b>			
Tax assets	3,999	4,841	2,980
Trade receivables	14,091	15,536	13,168
Operating financial assets <sup>(2)</sup>	33,423	34,434	35,351
Other receivables, deposits & prepayments <sup>(2)</sup>	18,713	13,887	13,964
Cash and cash equivalents	73,030	80,151	99,781
<b>Total current assets</b>	<u>143,256</u>	<u>148,849</u>	<u>165,244</u>
<b>Total assets</b>	<u>515,933</u>	<u>519,486</u>	<u>541,795</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	76,024	67,617	66,923
Retained earnings <sup>(2)</sup>	82,715	75,190	74,445
Share option reserve and share grant reserve	1,073	1,681	532
Reorganisation deficit	(45,265)	(45,265)	(45,265)
<b>Total equity</b>	<u>114,547</u>	<u>99,223</u>	<u>96,656</u>
<b>Non-current liabilities</b>			
Borrowings	B8 303,246	327,086	351,786
Deferred tax liabilities <sup>(2)</sup>	43,086	42,080	39,855
<b>Total non-current liabilities</b>	<u>346,332</u>	<u>369,166</u>	<u>391,641</u>
<b>Current liabilities</b>			
Borrowings	B8 27,172	26,864	25,739
Tax payable	870	1,319	86
Trade payables	8,265	5,884	7,358
Other payables and accruals <sup>(2)</sup>	18,747	17,030	20,315
<b>Total current liabilities</b>	<u>55,054</u>	<u>51,097</u>	<u>53,498</u>
<b>Total liabilities</b>	<u>401,386</u>	<u>420,263</u>	<u>445,139</u>
<b>Total equity and liabilities</b>	<u>515,933</u>	<u>519,486</u>	<u>541,795</u>
Net assets per share attributable to equity holders of the Company (RM)	0.23	0.21	0.22

(1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the FYE 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.

(2) Retrospective adjustment to reflect the review of IC Interpretation 12 ("IC 12"): Service Concession Arrangements accounting treatment and review of Purchase Price Allocation ("PPA") in accordance to MFRS 3 Business Combinations in relation to acquisition of KP Mukah. Please refer Note A15 for more details.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	----- Attributable to owners of the Company -----						
	Share capital RM'000	Fair value reserve of financial assets at FVOCI <sup>(2)</sup> RM'000	Share option reserve RM'000	Share grant reserve RM'000	Reorganisation deficit RM'000	Retained earnings <sup>(3)</sup> RM'000	Total equity RM'000
<b>Balance as of 1 January 2020</b>	67,617	-	710	971	(45,265)	75,190	99,223
<b>Comprehensive income</b>							
Profit for the financial year	-	-	-	-	-	8,401	8,401
<b>Transactions with owners</b>							
Issue of ordinary shares							
-Pursuant to private placement	7,793						7,793
-Pursuant to vesting of share grants	614			(614)			-
Dividends paid on shares	-	-	-	-	-	(920)	(920)
Share option issued	-	-	161	-	-		161
Share grant issued	-	-	-	395	-		395
Forfeiture of shares							
-During vesting period	-	-	(153)	(353)	-	-	(506)
-After vesting period	-	-	(13)	(31)	-	44	-
<b>Balance as of 31 December 2020</b>	<u>76,024</u>	<u>-</u>	<u>705</u>	<u>368</u>	<u>(45,265)</u>	<u>82,715</u>	<u>114,547</u>
<b>Balance as of 1 January 2019</b>	66,923	21	161	371	(45,265)	80,465	102,676
Prior year adjustments	-	-	-	-	-	(6,020)	(6,020)
As restated <sup>(3)</sup>	<u>66,923</u>	<u>21</u>	<u>161</u>	<u>371</u>	<u>(45,265)</u>	<u>74,445</u>	<u>96,656</u>
<b>Comprehensive income</b>							
Profit for the financial year	-	-	-	-	-	5,945	5,945
<b>Other Comprehensive Income</b>							
Drawdown of investment	-	(21)	-	-	-	-	(21)
<b>Transactions with owners</b>							
Issue of ordinary shares	*	-	-	-	-	-	*
Dividends paid on shares	-	-	-	-	-	(5,200)	(5,200)
Share option issued	-	-	549	-	-	-	549
Share grant issued	694	-	-	600	-	-	1,294
<b>Balance as of 31 December 2019</b>	<u>67,617</u>	<u>-</u>	<u>710</u>	<u>971</u>	<u>(45,265)</u>	<u>75,190</u>	<u>99,223</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 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) Fair value through other comprehensive income ("FVOCI").
- (3) Retrospective adjustment to reflect the review of IC Interpretation 12 ("IC 12"): Service Concession Arrangements accounting treatment and review of Purchase Price Allocation ("PPA") in accordance to MFRS 3 Business Combinations in relation to acquisition of KP Mukah. Please refer Note A15 for more details.

\* Denotes < RM1,000

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOWS STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Year-to-date ended	
	31/12/2020	Restated 31/12/2019
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	17,551	13,417
Adjustment for:		
Amortisation of intangible assets	1,216	1,216
(Reversal)/Impairment loss on trade receivables	268	(805)
Depreciation of property, plant and equipment	1,642	1,172
Gain on disposal of property, plant and equipment	(81)	(24)
Interest expense	23,466	25,380
Interest income	(1,275)	(1,215)
Interest income on operating financial asset	(34,434)	(35,351)
Share of results of an associate	(4)	(75)
Share based payment	50	1,843
	8,399	5,558
Movements in working capital:		
Increase in:		
Trade and other receivables	(3,647)	(1,485)
Increase/(Decrease) in:		
Trade and other payables <sup>(2)</sup>	4,097	(4,758)
Decrease in:		
Operating financial assets <sup>(2)</sup>	44,955	43,633
Cash Generated From Operations	53,804	42,948
Income tax paid	(7,996)	(7,269)
Income tax refund	-	1,394
Interest paid	(23,466)	(25,380)
Interest received	1,275	1,215
Net Cash From Operating Activities	23,617	12,908
<b>CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES</b>		
Investment in Redeemable Convertible Preference Shares (RCPS)	(14,000)	(1,000)
Change of escrow account, finance service reserve account, liquidity reserve account, revenue account and disbursement account	4,086	12,151
Change in pledge deposits	2,129	(1,627)
Drawdown other investments	-	500
Purchase of property, plant and equipment	(302)	(3,153)
Proceeds from disposal of property, plant and equipment	434	47
Net Cash (Used in)/From Investing Activities	(7,653)	6,918
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	7,793	-
Repayment of finance lease payables	(1,073)	(1,074)
Drawdown term loan	-	184
Repayment of term loans	(23,796)	(24,430)
Dividend paid	(920)	(5,200)
Net Cash Used In Financing Activities	(17,996)	(30,520)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(2,032)	(10,694)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	28,550	39,244
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	26,518	28,550
Cash and cash equivalents comprise:		
Cash and bank balances	26,778	28,780
Fixed deposits with a licensed bank	46,252	51,371
	73,030	80,151
Less: Bank overdraft	(2,713)	(1,587)
Deposits pledged as securities	(6,424)	(8,553)
Escrow account, finance service reserve account, liquidity reserve account, revenue account and disbursement account	(37,375)	(41,461)
	26,518	28,550

**Notes:**

- (1) The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the FYE 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) Retrospective adjustment to reflect the review of IC Interpretation 12 ("IC 12"): Service Concession Arrangements accounting treatment and review of Purchase Price Allocation ("PPA") in accordance to MFRS 3 Business Combinations in relation to acquisition of KP Mukah. Please refer Note A15 for more details.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020**
**A COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134: INTERIM FINANCIAL REPORTING AND THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES")("LISTING REQUIREMENTS")**
**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") 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 December 2020 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 FYE 31 December 2019 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 FYE 31 December 2019.

**A2 Changes in Accounting Policies**

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The Company has also considered the new accounting pronouncements in the preparation of the financial statements.

**(i) Accounting pronouncements that are effective and adopted during the financial year**

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to References to the Conceptual Framework in MFRSs	

The adoption of the above accounting pronouncements did not have any significant effect on the financial statements of the Company.

**(ii) Accounting pronouncements that are issued but not yet effective and have not been early adopted**

The Company has not adopted the following new accounting pronouncements that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Company:-

**Effective for financial periods beginning on or after 1 June 2020**

Amendments to MFRS 16	Covid-19 - Related Rent Concessions
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**Effective for financial periods beginning on or after 1 January 2021**

Amendments to MFRS 9, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2
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**Effective for financial periods beginning on or after 1 January 2022**

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRSs 2018 - 2020 Cycle	

**Effective for financial periods beginning on or after 1 January 2023**

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current

**Effective date to be announced**

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The Company will adopt the above accounting pronouncements when they become effective in the respective financial periods. These accounting pronouncements are not expected to have any effect to the financial statements of the Company upon their initial applications.

**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 2019 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**

Save for allotments and issuance of 47,228,400 new ordinary shares in the Company at the issue price of RM0.165 per share pursuant to the private placement announced on 29 June 2020 and allotments and issuance of 1,367,500 new ordinary shares in the Company at the issue price of RM0.4490 per share pursuant to the Employees' Share Grant Scheme (ESGS) announced on 2 October 2020, there were no other issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the financial quarter and current financial period under review.

**A8 Dividends Paid**

First and Final Single Tier Dividend of 0.1771 sen per ordinary share in respect of the financial year ended 31 December 2019 amounting RM 920,032 which was paid on 28 August 2020 to shareholders whose names appear on the Record of Depositors on 14 August 2020. Under current rules, single tier dividends are not taxable in the hand of shareholders.

**A9 Segmental Information**
**Current year to date 31 December 2020**

	Facilities Management Services RM'000	Concession arrangements RM'000	Others RM'000	Adjustments and eliminations RM'000	Total RM'000
<b>Revenue</b>					
External revenue	82,435	36,273	-	(1,839)	116,869
Inter-segment revenue	7,295	-	11,658	(18,953)	-
	<u>89,730</u>	<u>36,273</u>	<u>11,658</u>	<u>(20,792)</u>	<u>116,869</u>
<b>Profits from operations</b>					
External profit	7,908	39,214	-	(6,110)	41,012
Inter-segment profit	1,687	-	10,269	(11,956)	-
	<u>9,595</u>	<u>39,214</u>	<u>10,269</u>	<u>(18,067)</u>	<u>41,012</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.

**A15 Prior year adjustments ("PYA")**

During the period under review, the Group carried out a review of IC Interpretation 12 ("IC 12"): Service Concession Arrangements accounting treatment and a review of Purchase Price Allocation ("PPA") in accordance to MFRS 3 Business Combinations, in respect to the acquisition of the Group's university asset concessionaire, KP Mukah Development Sdn. Bhd. in November 2018. The impact of the reviews is reflected in the restatement of prior year's comparative financial statements for the FYE 31 December 2019 as follows:

	As per previously stated RM'000	Adjustments RM'000	As per restated RM'000
<b>31.12.2019</b>			
<b>Assets</b>			
Operating financial assets	361,864	(5,397)	356,467
Other receivables, deposits & prepayments	9,024	4,863	13,887
	<u>370,888</u>	<u>(5,397)</u>	<u>365,491</u>
<b>Capital and reserves</b>			
Retained earnings	81,210	(6,020)	75,190
	<u>81,210</u>	<u>(6,020)</u>	<u>75,190</u>
<b>Liabilities</b>			
Deferred tax liabilities	43,637	(1,557)	42,080
Other payables and accruals	10,200	6,830	17,030
	<u>53,837</u>	<u>(1,557)</u>	<u>52,280</u>
<b>1.1.2019</b>			
<b>Assets</b>			
Operating financial assets	370,035	(5,285)	364,750
Other receivables, deposits & prepayments	9,315	4,649	13,964
	<u>379,350</u>	<u>(5,285)</u>	<u>374,065</u>
<b>Capital and reserves</b>			
Retained earnings	80,465	(6,020)	74,445
	<u>80,465</u>	<u>(6,020)</u>	<u>74,445</u>
<b>Liabilities</b>			
Deferred tax liabilities	41,412	(1,557)	39,855
Other payables and accruals	13,374	6,941	20,315
	<u>54,786</u>	<u>(1,557)</u>	<u>53,229</u>

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

For the financial year ended ("FYE") 31 December 2020 ("FY 2020"), Group revenue decreased by 11% year-on-year ("YoY") to RM116.9 million, as compared to a revenue of RM130.5 million in the previous corresponding year ("FY 2019"). This was primarily attributable to lower revenue recognition following the completion of several facilities management ("FM") projects during the year, partially offset by contribution from KP Mukah Development Sdn. Bhd. ("KP Mukah") and new contracts secured for provision of FM services for EduCity Iskandar Malaysia ("EduCity Iskandar") as well as operations and maintenance ("O&M") services at the Pengerang Integrated Complex ("PIC") in Pengerang, Johor.

The Group's Facilities Management Services segment remained as the major revenue contributor with RM82.4 million in FY 2020, making up 71% of the Group's revenue, while the Concession Arrangements business accounted for the remaining 29% worth RM34.4 million after consolidation adjustment.

Nonetheless, the Group's gross profit margin expanded to 40% in FY 2020 from 35% in FY 2019, on the back of contribution from new contracts secured and lower project as well as operating costs. Administrative costs also fell 18% to RM8.4 million in FY 2020 mainly attributable to the Group's cost rationalisation initiatives.

The Group's profit before tax ("PBT") stood at RM17.5 million in FY 2020, as compared to a restated RM13.4 million in FY 2019.

This has contributed to a 30% YoY increase in the Group's profit before tax ("PBT") to RM17.6 million, as compared to a restated RM13.4 million in FY 2019.

As a result, net profit attributable to equity holders of the parent ("net profit") also grew 41% to RM8.4 million for FY 2020.

**B2 Comparison with preceding quarter's results**

	Current year quarter 31/12/2020 RM'000	Preceding quarter 30/09/2020 RM'000	Variance RM'000	%
Revenue	32,307	26,909	5,398	20%
Profit before tax	4,701	4,332	369	9%

For the current quarter ended 31 December 2020 ("4Q 2020"), Group revenue grew 20% to RM32.3 million, against RM26.9 million in the immediate preceding quarter ended 30 September 2020 ("3Q 2020"). The growth is primarily due to the new project secured for the provision of operations and maintenance ("O&M") services at the Pengerang Integrated Complex ("PIC") in Pengerang, Johor during the quarter.

Gross profit margin recorded in 4Q 2020 recorded at 40% as compared with 3Q 2020 at 41%.

In tandem with higher revenue, GFM recorded a higher pre-tax profit of RM4.7 million in 4Q 2020, as compared to RM4.3 million in 3Q 2020.

GFM's net profit increased 65% to RM3.1 million in 4Q 2020 from RM1.9 million in 3Q 2020.

**B3 Prospects**

For FY 2020, GFM has remained resilient amid the challenging operating landscape due to the Covid-19 pandemic. During the year, we focused on building a solid foundation while implementing cost optimisation efforts.

Despite subdued market sentiment, GFM successfully clinched new contracts during the year to manage facilities within the education hub EduCity Iskandar Malaysia, as well as the provision of operations and maintenance ("O&M") services at the Pengerang Integrated Complex ("PIC"). We strive to strengthen our core business of facilities management while executing the Group's outstanding orderbook of RM1.2 billion as at 31 December 2020. The gradual revenue recognition of our orderbook, of which a majority is made up of KP Mukah, provides long-term earnings visibility with stable consistent income for the remaining 15 years of the concession tenure until 2035.

As for our Concession Arrangements business, we continue to serve our mandate and perform FM service at the UiTM Mukah campus until 2035. To enhance our growth, the Group is also open to explore strategic opportunities which complement our business. At the moment, we are in the midst of acquiring up to 70%-stake in Amzass (M) Sdn Bhd, a company that is authorized to upgrade existing facilities of the Bemban lay-bys located along the PLUS North-South Expressway. This would widen GFM's scope of services and recurring income stream.

At the same time, the Group is undertaking efforts to enhance on its service delivery with the development and adoption of more innovative technology-based solutions in order to remain competitive in this facilities management industry and address the evolving needs of clients. Internally, GFM is working on improving its business processes with the on-going vendor rationalisation programme.

Beyond organic growth, we aim to team up with strategic parties that have the relevant capabilities and resources which are synergistic to us. This will enable GFM to scale up our operations and strengthen our core business by expanding the project pipeline and asset categories we manage.

Looking ahead, the Group remains steadfast in implementing our ongoing initiatives as we focus on enhancing our capabilities while executing and solidifying our portfolio.

**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 31/12/2020 RM'000	Preceding year quarter 31/12/2019 RM'000	Current year to-date 31/12/2020 RM'000	Preceding year to-date 31/12/2019 RM'000
Income tax				
Current period	3,223	973	8,131	5,020
Prior period	258	227	258	227
	<u>3,481</u>	<u>1,200</u>	<u>8,389</u>	<u>5,247</u>
Deferred tax				
Current period	(1,898)	1,952	795	1,733
Prior period	(34)	492	(34)	492
	<u>1,549</u>	<u>3,644</u>	<u>9,150</u>	<u>7,472</u>



**B5 Taxation (Continued)**

	Individual Current year quarter 31/12/2020 RM'000	Cumulative Current year to-date 31/12/2020 RM'000
Profit before tax	4,701	17,551
Adjusted profit before tax <sup>1</sup>	8,069	28,636
Taxation	1,549	9,150
Adjusted effective tax rate ("ETR")	19%	32%

<sup>1</sup> In the computation of Group ETR, it is excluded the exempted company taxation effects of Dynasty Harmony Sdn Bhd ("DHSB"), a wholly-owned special purpose vehicle of GFM Group, to undertake the initial issuance of Sukuk Wakalah amounting to RM165 million in nominal value, being established solely for the issuance of Islamic Securities that adopt the principles of Syariah and approved by Securities Commission.

The Group's ETR for the financial year-to-date is higher than the statutory tax rate of 24% mainly due to certain expenses disallowed for tax purposes.

**B6 Unquoted investments and properties**

There were no purchases or sales of unquoted investment or properties, except as of to date, the Company had subscribed RM15.0 million HSSB RCPS by which the details are disclosed in below Note B13.

**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 December 2020 which are denominated in Ringgit Malaysia are as follows:

	Unaudited as at 31/12/2020 RM'000	Audited as at 31/12/2019 RM'000	Audited as at 01/01/2019 RM'000
<b>Short-term indebtedness:</b>			
Secured and guaranteed Borrowings	27,172	26,864	25,739
<b>Long-term indebtedness:</b>			
Secured and guaranteed Borrowings	<u>303,246</u>	<u>327,086</u>	<u>351,786</u>
<b>Total indebtedness</b>	<u>330,418</u>	<u>353,950</u>	<u>377,525</u>

**B9 Material Litigation**

There were no material litigations pending as at 25 February 2021.

**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 31/12/2020	Preceding year quarter 31/12/2019	Current year to-date 31/12/2020	Preceding year to-date 31/12/2019
<b>BASIC EPS</b>				
Profit for the period (RM'000)	3,152	(3,181)	8,401	5,945
Weighted average number of ordinary shares in issue ('000)	496,486	471,259	496,486	471,259
Basic EPS (Sen)	0.63	(0.68)	1.69	1.26
<b>DILUTED EPS</b>				
Profit for the period (RM'000)	3,152	(3,181)	8,401	5,945
Weighted average number of ordinary shares in issue ('000)	496,486	471,259	496,486	471,259
Effect of dilution from:				
- Share options	- *	1,230	- *	- *
- Share grants	800	2,272	800	2,272
- Bonus warrants	- *	12,331	- *	12,331
Weighted average number of ordinary shares for basic earning per share (unit)	<u>497,286</u>	<u>487,092</u>	<u>497,286</u>	<u>485,862</u>
Diluted EPS (Sen)	0.63	- ^	1.69	1.22

\* Share options and bonus warrants have no dilutive effect as the average market price of the ordinary shares was lower than the exercise price of the share options and bonus warrants. Therefore, they are excluded from the calculation.

^ Diluted EPS is not presented as the conversion of potential ordinary shares is anti-dilutive.

**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 quarter 31/12/2020 RM'000	Preceding year quarter 31/12/2019	Current year to-date 31/12/2020 RM'000	Preceding year to-date 31/12/2019
		-		-
Interest income	425	306	1,275	1,215
Other income:				
Bad debts recovered	-	-	37	-
Miscellaneous	1,117	22	1,339	559
Interest expense	(11,749)	(5,907)	(23,466)	(25,380)
Depreciation of property, plant and equipment	(748)	(272)	(1,642)	(1,172)
Amortisation of intangible assets	(305)	(536)	(1,216)	(1,216)
Reversal/(Impairment) loss on:				
- Trade receivables	487	(138)	(268)	805
Employee benefits expense	(6,796)	(6,656)	(19,734)	(23,054)
Rental of premises	(82)	(45)	(143)	(187)
Rental of office equipment	(28)	(25)	(86)	(69)

**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.

**Proposed Transfer of Listing**

On 5 July 2017, KAF Investment Bank Berhad, on behalf of the Board of Directors of GFM Services Berhad, 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").

**(I) Proposed Subscription of HSSB Shares; and  
(II) Proposed Subscription of HSSB RCPS; and  
(III) Proposed Call Option Subscription.**

KAF Investment Bank Berhad, on 17 December 2019, on behalf of the board of Directors of GFM Services Berhad, announced that the Company had entered into the Definitive Agreements with Highbase Strategic Sdn Bhd ("HSSB") and/or the vendors of HSSB pursuant to the Proposals as defined below:

(I) Proposed Subscription of HSSB Shares; and

(II) Proposed Subscription of HSSB RCPS; and

(III) Proposed Call Option Subscription.

(the Proposed Subscription of HSSB Shares, the Proposed Subscription of HSSB RCPS and the Proposed Call Option Subscription are to be collectively referred to as "Proposals")

On 30 December 2019, KAF Investment Bank Berhad, on behalf of the Board of Directors of GFM Services Berhad, announced that the Company had, on 27 December 2019, entered into the supplemental agreements to amend the clauses of the Definitive Agreements.

On 31 December 2019, KAF Investment Bank Berhad, on behalf of the Board of Directors of GFM Services Berhad, announced for additional information in relation to the Proposals on 17 December 2019 and 30 December 2019.

KAF Investment Bank Berhad, on 10 January 2020, on behalf of the Company, had announced that the parties to the Definitive Agreements dated 17 December 2019, the Supplemental Memorandum of Agreement dated 27 December 2019 and the Supplemental HSSB RCPS Subscription Agreement dated 27 December 2019 ("Agreements") had agreed on a supplemental letter to amend the clauses of the Agreements ("Supplemental Letter").

On behalf of the Company, KAF IB had announced that the parties to the Memorandum of Agreement dated 17 December 2019 had, on 4 April 2020, agreed on a supplemental letter to further extend the last day to fulfil the conditions subsequent of the Memorandum of Agreement commencing from 5 April 2020 and ending on the 45th day after the Movement Control Order under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 is lifted by the Government of Malaysia ("Supplemental Letter 3").

On behalf of the Company, KAF IB had announced on 4 November 2020, that as of 2 November 2020, the Company had subscribed RM15.00 million HSSB RCPS, which is the minimum subscription amount of HSSB RCPS pursuant to the terms and conditions of the HSSB RCPS Subscription Agreement dated 17 December 2019. The Company has no intention to subscribe additional HSSB RCPS. As such, the Proposed Subscription of HSSB RCPS is deemed completed on 2 November 2020.

**Proposed Acquisition by GFM of up to 70% Equity Interest in Amzass (M) Sdn Bhd**

On 7 September 2020, Board of Directors of GFM had announced that GFM had entered into a Heads of Agreement with Hamzah bin Omar, Mohd Ismail bin Norbat and Mazlan bin Ali relating to the proposed acquisition by GFM of up to 70% equity interest in Amzass (M) Sdn Bhd.

On 31 December 2020, Board of Directors of GFM had announced that GFM had entered into a Supplemental Heads of Agreement ("Supplemental HOA") with the Sellers to extend the Stop Date (i.e. 31 December 2020 as set out in the HOA) to 31 March 2021 for GFM and the Sellers to enter into the Definitive Agreement in relation to the Proposed Acquisition.

**B14 Derivatives**

The Group did not enter into any derivatives during the current quarter under review.

**B15 Disclosure of gain/losses from fair value changes of financial liabilities**

The Group did not have any financial liabilities measured at fair value through profit and loss for the current quarter under review.

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