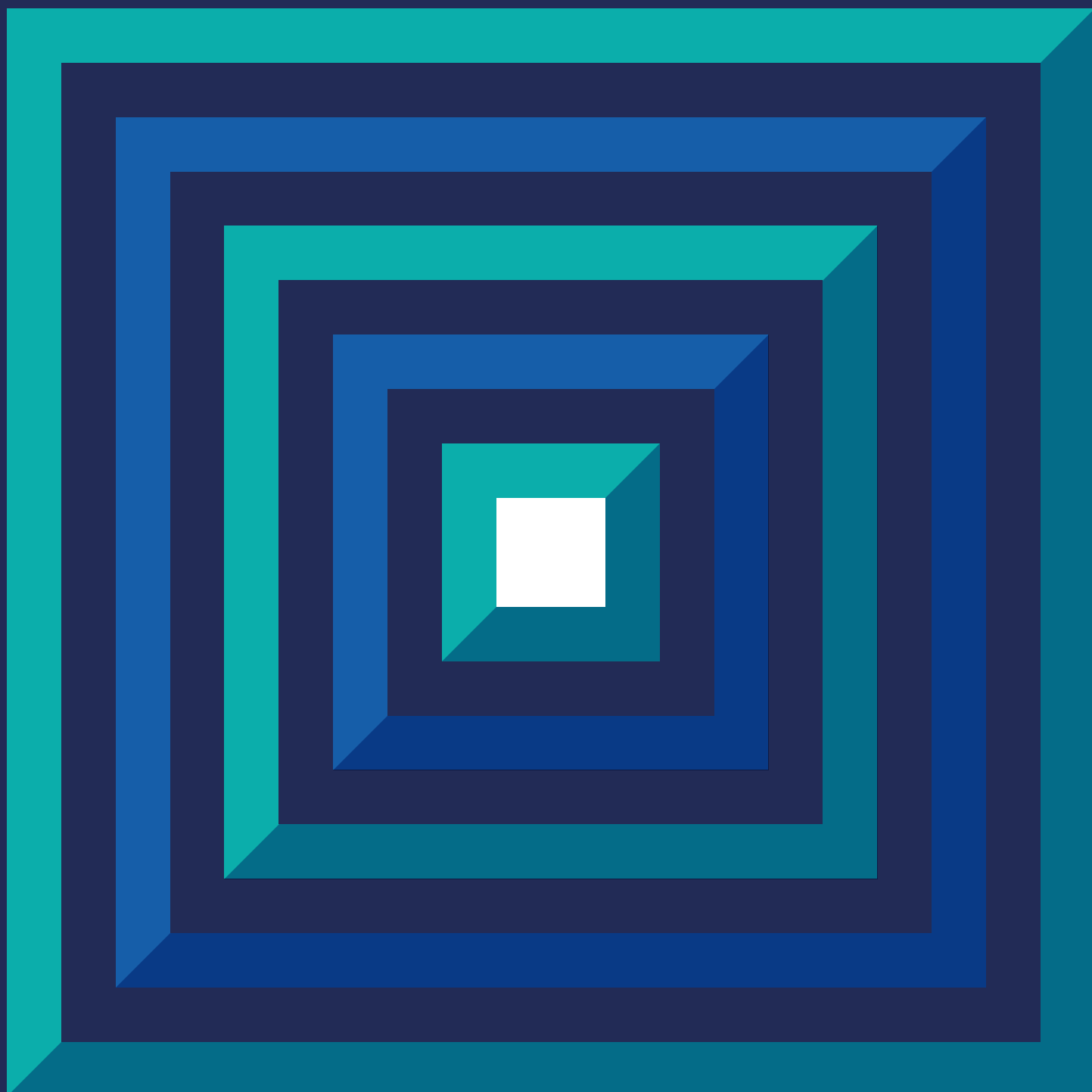


Innovative. Reliable.
Strategic Partnering.



CORPORATE MISSION

To be the premier provider of Asset and Facilities Management Solution which consistently **EXCEEDS** customers' requirements.

CORPORATE CREED

We shall treat our **CUSTOMERS, EMPLOYEES, SHAREHOLDERS, SUPPLIERS & the COMMUNITY** with **DIGNITY, FAIRNESS & RESPECT**. We shall conduct our business with **INTEGRITY** and **HIGH ETHICAL** standards.

CORPORATE BRAND

Freedom to focus on the future.

GFM is a preferred FM solutions provider providing customised and innovative support services enabling companies to focus on their core business, thereby realising their vision for their organisation.

The GFM brand essence is the strategic core of the brand. It is the foundation upon which all internal and external brand experiences are built. Ultimately, our brand goal is for our brand essence to be top of mind.

GFM's brand is essentially made up of three brand virtues that we refer to as the GFM Brand Essence. They are being Innovative, Reliable and Strategic Partnering. From a GFM brand perspective, the definition of the three brand essence are as follows:

Innovative

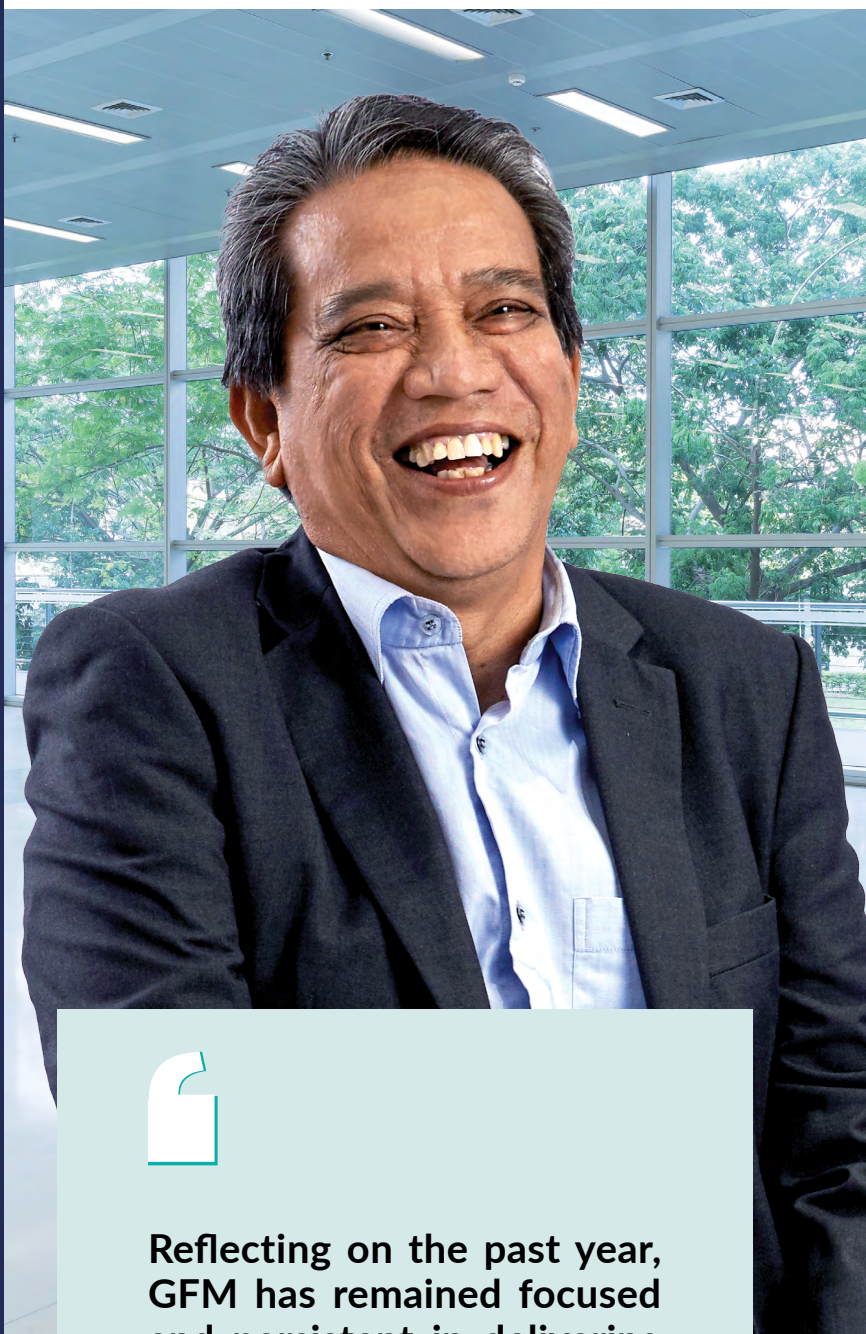
The application or inception of an idea or invention as an improvement or elevation into a process or service that positively impacts or creates value (efficiency, efficacy, economic) along our service delivery line. At GFM, we are conscious about being innovative in what we do on a daily basis. The outcome of being innovative is continuous improvement.

Reliable

Being reliable is at the core of the GFM experience. With us, our partners and stakeholders are assured of getting what they sign up for. At GFM, we walk the talk and consistently do everything within our control to deliver on our promises.

Strategic Partnering

At GFM, we are focused on the provision and delivery of services to support the customer in focusing on their core business on a sustainable and successful basis. This is borne by the desire and ability to work together towards a mutually beneficial outcome. The work we do for the customer supports them in realising their vision.



Reflecting on the past year, GFM has remained focused and persistent in delivering value to their customers and shareholders amid a challenging operating landscape.



Abdul Rahim Bin Abdul Hamid
Board Chairman



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Abdul Rahim Bin Abdul Hamid
Independent Non-Executive Director
Chairman

Zainal Arifin Bin Khalid
Independent Non-Executive Director

Yong Hee Kong
Independent Non-Executive Director

Ashok Virendra Shah
Independent Non-Executive Director

Zainal Bin Amir
Non-Independent Non-Executive Director
(Redesignated on 31 October 2019)

Ruslan Bin Nordin
Non-Independent Non-Executive Director
(Redesignated on 1 January 2020)

Mohammad Shahrizal Bin Mohammad Idris
Non-Independent Non-Executive Director
(Redesignated on 7 January 2020)

AUDIT AND RISK MANAGEMENT COMMITTEE

Ashok Virendra Shah
Chairman

Abdul Rahim Bin Abdul Hamid
Member

Yong Hee Kong
Member

Ruslan Bin Nordin
Member
(Appointed on 1 February 2020)

Zainal Bin Amir
Member
(Appointed on 1 February 2020)

NOMINATION AND REMUNERATION COMMITTEE

Zainal Arifin Bin Khalid
Chairman

Ashok Virendra Shah
Member

Yong Hee Kong
Member

Ruslan Bin Nordin
Member
(Appointed on 1 February 2020)

Mohammad Shahrizal Bin Mohammad Idris
Member
(Appointed on 1 February 2020)

COMPANY SECRETARY

Wong Youn Kim
(MAICSA 7018778)

GROUP CHIEF EXECUTIVE OFFICER

Jeffery Bin Mohamad Akhir
(Redesignated on 1 January 2020)

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia
Tel : (603) 2241 5800
Fax : (603) 2282 5022

CORPORATE OFFICE

A-3A-1, Melawati Corporate Centre
Jalan Bandar Melawati
Taman Melawati
53100 Kuala Lumpur, Malaysia
Tel : (603) 4101 0555
Fax : (603) 4162 5250
Web : www.gfmservices.com.my

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : (603) 2783 9299
Fax : (603) 2783 9222

AUDITORS

Messrs. Baker Tilly Monteiro Heng PLT (LLP0019411-LCA & AF 0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia
Tel : (603) 2297 1000
Fax : (603) 2282 9980

SPONSOR

TA Securities Holdings Berhad (14948-M)
29th Floor, Menara TA One
No. 22, Jalan P. Ramlee
50250 Kuala Lumpur, Malaysia
Tel : (603) 2072 1277
Fax : (603) 2161 2693
Web : www.tasecurities.com.my
(Appointed on 21 January 2020)

KAF Investment Bank Berhad (20657-W)
Level 14, Chulan Tower
No.3, Jalan Conlay
50450 Kuala Lumpur, Malaysia
Tel : (603) 2171 0228
Fax : (603) 2171 0204
Web : www.kaf.com.my
(Sponsorship ended on 31 December 2019)

PRINCIPAL BANKERS

Bank Pembangunan Malaysia Berhad
CIMB Bank Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Bhd

STOCK EXCHANGE LISTING

The ACE Market of Bursa Malaysia Securities Berhad
Stock Name : GFM
Stock Code : 0039
Warrant Code : 0039WC

GROUP CORPORATE STRUCTURE



GFM

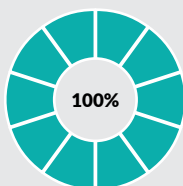
GFM Services Berhad

[201301003302(1033141-H)]

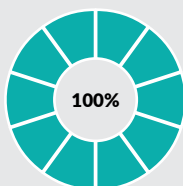
**GLOBAL
FACILITIES
MANAGEMENT
SDN BHD**



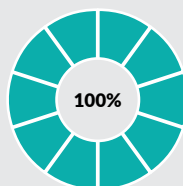
**GFM SOLUTIONS
SDN BHD**



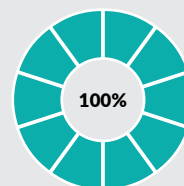
**DYNASTY
HARMONY
SDN BHD**



**KP MUKAH
DEVELOPMENT
SDN BHD**



**GFM SHARED
SERVICES
SDN BHD**



EVERFINE FMS SDN BHD



MEDIA HIGHLIGHTS

GFM takes up 49% stake in O&G downstream player

Arjuna Chandran Shankar / theedgemarkets.com
December 17, 2019 21:42 pm +08



KUALA LUMPUR (Dec 17): GFM Services Bhd plans to widen its oil and gas services scope by acquiring a 49% stake in downstream O&G company Highbase Strategic Sdn Bhd (HSSB) for RM1, and acquiring up to RM20 million worth of the company's redeemable convertible preference shares (RCPS) — subject to a minimum cash subscription of RM15 million.

GFM bags facility management service contracts from Bank Negara

BY SYAHIRAH SYED JAAFAR

KUALA LUMPUR: GFM Services Bhd has won two contracts from Bank Negara Malaysia to provide comprehensive facility management services at selected premises of the bank for a combined value of RM69 million.

The contracts, awarded to GFM's wholly-owned subsidiary Global Facilities Management Sdn Bhd, are for a three-year period, expiring on Dec 31, 2022, said the group.

"GFM has successfully maintained a 100% contract renewal and extension rate in 2018. This is expected to contribute positively to the group's bottom line and boost GFM's current outstanding order book to RM1.4 billion," GFM managing director Ruslan Nordin said in a statement. GFM's share price closed down three sen or 5.26% at 45 sen yesterday, with a market capitalisation of RM211.91 million.

GFM on stronger footing after KPMD acquisition

By DALJIT DHESI
daljit@thestar.com.my

WITH the recent acquisition of KP Mukah Development Sdn Bhd (KPMD), GFM Services Bhd is now on a stronger financial footing as the purchase of the university concessionaire is set to catalyse and ramp up the group's future earnings.

Billed as the group's game changer, the acquisition will provide GFM with a positive recurring income to at least until 2035 and boost its outstanding orderbook to RM1.4bil.

Group managing director Ruslan Nordin (pic) tells StarBizWeek the acquisition of the university concession will strengthen the group's bottomline with recurring income for GFM over the next 17 years.

"Our entry into the concession business enables us to move up the value chain and widen our service lines. It also provides a platform for us to bid for more projects that are able to churn out long-term recurring income," he adds.

He notes that KPMD is a good buy as its earnings are attractive and as a university concession, the revenue streams are long-term and stable even in a volatile economic condition. KPMD's net profit for the fiscal year ended Dec 31, 2017 stood at RM18.3mil, almost doubling GFM's RM9.9mil for the period.

"With the consolidation of KPMD's earnings starting from December 2018, among others, we expect commendable financial performance for 2018. Besides this, new contract wins, renewal of contracts with higher rates as well as enhanced operational efficiencies is set to drive earnings," he adds. GFM bought the entire equity stake in



KPMD for RM122.5mil in November last year. KPMD holds a 23-year concession awarded by the government of Malaysia and Universiti Teknologi Mara (UTM) which entails three years of the design and construction of UTM Mukah campus in Sarawak and 20 years for the provision of facilities management services ending 2035.

With the purchase of KPMD, GFM's gearing is expected to increase to around 4.0 times from 0.3 times currently. Does this mean that it will create a dent on the group's earnings? Ruslan says the gearing level is manageable as the concession provides recurring cash flows that are stable and predictable. "We are confident that we can meet our debt obligations," he says.

Fresh from clinching RM69mil worth of contracts from Bank Negara, GFM is now strategising for further expansion.

After raising RM19mil from private placement and establishing a RM300mil sukuk programme, Ruslan says the group now has a war chest to acquire strategic targets. For the third quarter ended September 30, 2018, GFM's cash and bank balances stood at close to RM23mil.

The integrated facilities management service provider is undertaking what it describes as vertical integration in the mergers and acquisitions (M&A) sphere.

Ruslan says besides tenders, the group will expand via vertical integration by buying assets and owning it as well as buying over service providers that complements GFM group's business.

"We have some potential clients which we are closely looking at to render our facilities management services. They are not just in the Klang Valley but nationwide. GFM will continue to actively bid for new contracts from both public and private sectors to expand our portfolio. We currently have an outstanding orderbook of RM1.4bil with an average tenure of three to five years."

"In terms of tenders, the group currently has a tenderbook worth RM700mil, with a success rate of about 14% as at Dec 31, 2018."

"GFM aims to maintain a 100% contract renewal and extension rate by delivering quality and timely service to existing clients," he adds. Last year, the ACE-listed company successfully renewed nine out of nine contracts that were up for renewal.

GFM is currently involved in the pre-construction phase of the Bukit Bintang City Centre (BBCC) for the provision of prelimi-

nary facilities management consultancy services.

"We are well positioned to gain competitive advantage in securing the subsequent full-scale contract for the such services for BBCC once construction is completed," Ruslan says.

BBCC is joint-venture development by the Employees Provident Fund, Eco World Development Group Bhd and UDA Holdings Bhd. The mixed residential and commercial development is situated on a 19.4-acre former Pudu Prison site in KL, with a total gross build-up area of 6.7 million sq ft and a gross development value of RM8.7bil.

On GFM's competitive strength, he says the group has proven track record of 19 years providing financial management services for reputable clients in various major sectors. Some of the notable buildings GFM manages are Toyo Engineering Workers Camp in RAPID Pengerang, Johor, Sabah State Administration Centre, Lembaga Kemajuan Ikan Malaysia (LKIM) Deep Sea Fishery Port, Sarawak, the Customs, Immigration and Quarantine (CIO) Complex, Johor.

Besides this, he adds that GFM is also focusing on the development of new technologies, such as the Internet of Things (IoT), to accelerate growth.

GFM has embarked on pilot projects for the IoT technology at some of our servicing sites and will progressively roll-out IoT initiatives at its other main sites, Ruslan notes.

The use of IoT solutions enables facility managers and building owners to monitor and manage building performance data more effectively. This will lead to potential cost savings and enhanced building performance efficiency, he says.

Home - 010-27088888

> introduce road

GFM diversifies into the oil and gas maintenance business



From left to right: GFM Services Bhd managing director Ruslan Nordin, Highbase Strategic Sdn Bhd managing director Noor Jazs Zakaria and GFM Services chairman Abdul Rahim Abdul Hamid posed for a photograph, after signing a deal that will see GFM Group diversifying into the maintenance business in the oil and gas sector.

By NST Business - December 17, 2019 @ 10:01pm

Close • DOCUMENTATION

2/8/2019

GFM wins Bank Negara facilities management job - Business News | The Star Online

Star ONLINE

GFM wins Bank Negara facilities management job

CORPORATE NEWS

Thursday, 7 Feb 2019 6:28 PM MYT



KUALA LUMPUR: GFM Services Bhd has secured two contracts from Bank Negara for the provision of comprehensive facilities management services at selected premises operated by the central bank.

Both contracts, worth a combined RM69mil, are for a period of four years from January 2019 to December 2022.

CHAIRMAN'S STATEMENT



Despite the prevailing demanding business environment, we remain steadfast in executing our strategic measures, internally and externally, to meet our goal of becoming a premier niche facilities management services provider and a leader in the long-term concession business.



Abdul Rahim Bin Abdul Hamid
Board Chairman



GFM has remained focused and persistent in delivering value to our customers and shareholders amid a challenging operating landscape.

Malaysian-owned
preferred
FM solutions
provider

GFM



In FYE 2019.....

the Group achieved

Highest
Revenue

RM130.6
million

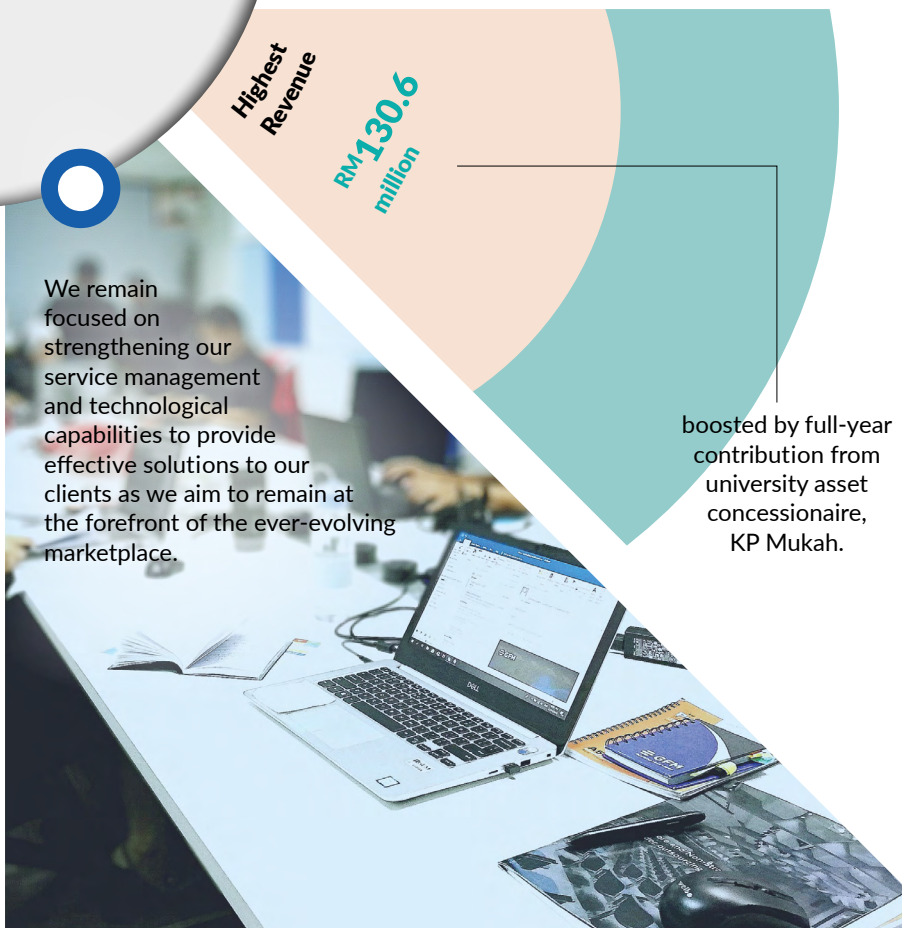
We remain focused on strengthening our service management and technological capabilities to provide effective solutions to our clients as we aim to remain at the forefront of the ever-evolving marketplace.

boosted by full-year contribution from university asset concessionaire, KP Mukah.

▲ In 2019, GFM continued to invest in technology with the roll-out of our GFM Enterprise Management System ("GEMS").

▲ As of 31 December 2019, GFM outstanding order book stood at a healthy

RM1.29
billion



CHAIRMAN'S STATEMENT



Dear Valued Shareholders,

On behalf of the Board of Directors ("Board") of GFM Services Berhad ("GFM" or "the Group"), I am pleased to present to you the Annual Report and Audited Financial Statements of GFM for the financial year ended 31 December 2019 ("FYE 2019"). In FYE 2019, we continued to implement the Group's strategic initiatives while remaining resilient in navigating through growing uncertainties.

FYE 2019 in Review

Reflecting on the past year, we believe that GFM has remained focused and persistent in delivering value to our customers and shareholders amid a challenging operating landscape. Market sentiment remained subdued with businesses more cautious with their spending due to prolonged geopolitical tensions and domestic political uncertainties. Malaysia's economy expanded by 4.3% in 2019, registering the slowest pace in a decade.

Nonetheless, against this backdrop, GFM reported yet another all-time high revenue of RM130.6 million in FYE 2019, boosted by the full-year contribution from KP Mukah Development Sdn Bhd ("KP Mukah").

FYE 2019 marked the first full year of GFM being the owner of a university asset concessionaire, KP Mukah, after completing the acquisition in November 2018. We look forward to receiving KP Mukah's recurring cash flows, providing us long-term earnings visibility for the remaining 16 years until the end of the concession period in 2035.

For our facilities management ("FM") operations, we remained focused on growing our portfolio by bidding for new contracts. At the same time, we also sought to expand GFM's scope and client base through strategic partnerships as well as mergers and acquisitions ("M&A").

Digitalisation at GFM

We aim to adapt to the rapidly evolving FM landscape by enhancing the Group's service delivery and technological capabilities. In 2019, we continued to invest in technology with the roll-out of our GFM Enterprise Management System ("GEMS"). GEMS serves as a platform to deploy Internet of Things ("IoT") solutions at our project sites.

The use of IoT solutions enables real-time monitoring of building performance, such as energy consumption and temperature, allowing facility managers to process data and respond at a faster rate. As a result, we aim to minimise building performance downtime, resulting in improved workplace productivity and experience for our clients.

The Way Forward

Moving forward, we foresee the uncertainties in the domestic and global economy to persist in 2020, with the outbreak of the novel coronavirus ("Covid-19") expected to further impact consumer and business sentiment, leading to weakened global expansion this year. On the domestic front, the Malaysian government has enforced a Movement Control Order ("MCO") to curb the rapid spread of the virus, resulting in the temporary closure of many government and private premises, which are deemed non-essential. For 2020, Bank Negara Malaysia ("BNM") foresees the Malaysian economy

CHAIRMAN'S STATEMENT

to register negative growth, dampened by the necessary strict containment measures, amid a highly challenging operating environment.

Despite the prevailing demanding business environment, we remain steadfast in executing our strategic measures, internally and externally, to meet our goal of becoming a premier niche facilities management services provider and a leader in the long-term concession business.

For our core business of facilities management, we will continue to execute the projects on hand while pursuing opportunities in both the public and private sectors. As of 31 December 2019, our outstanding order book stood at a healthy RM1.29 billion.

Internally, we remain focused on strengthening our service management and technological capabilities to provide effective solutions to our clients as we aim to remain at the forefront of the ever-evolving marketplace.

To accelerate the Group's growth, we are also exploring M&A opportunities that are earnings-accretive and complementary to our business. Our recent foray into the O&G maintenance space widens our scope of services while providing a platform for us to bid for similar types of projects moving forward.

Looking ahead to 2020, we will continue to implement the Group's ongoing initiatives to weather the current headwinds. While we do not expect the road ahead to be easy for us, we remain grounded in the pursuit of our goals with the right mindset, resources and strategy. We are confident that we are well-positioned for growth and are committed to delivering long-term value for our clients and shareholders.

Key Personnel Changes

On 1 January 2020, Mr. Ruslan Bin Nordin, who has served GFM as Group Managing Director ("GMD") since 2016, was redesignated as a Non-Independent Non-Executive Director. At the same time, we also saw the redesignation of Mr. Zainal Bin Amir and Mr. Mohammad Shahrizal Bin Mohammad Idris from Executive Directors to Non-Independent Non-Executive Directors with effect from 31 October 2019 and 7 January 2020 respectively. We would like to thank them for their invaluable contributions to GFM and look forward to receiving their counsel in their new capacities.

Last but not least, we would like to warmly welcome the appointment of Mr. Jeffery Bin Mohamad Akhir as GFM's Group Chief Executive Officer on 1 January 2020. Previously, Mr. Jeffery served as Group Chief Operating Officer of GFM and we believe that his accumulated experience and knowledge will keep GFM on course for success.

Corporate Governance

In pursuit of creating sustainable value to our shareholders, we are committed to upholding high standards of corporate governance and ethical behaviour across the Group. As a public listed entity, we are resolute in ensuring that our business conduct continue to align with the Malaysian Code on Corporate Governance ("MCCG"). At the same time, we are also guided by the policies and procedures enforced at GFM in adherence to the principles of integrity, transparency and accountability as embedded in the Group's Code of Ethics and Code of Conduct.

Our efforts are outlined in the Corporate Governance Overview Statement on pages 41 to 54 of this 2019 Annual Report.

Sustainability Matters

At GFM, we are committed to adhering to the best sustainability practices as we strive to achieve our strategic goals with minimal impact to our surroundings. To this end, GFM has a Sustainability Policy which enlists GFM's objectives in regard to environmental, social and governance aspects. Our undertakings are elaborated in our Sustainability Report from pages 20 to 31 of this 2019 Annual Report.

Appreciation

On behalf of the Board, I would like to extend my appreciation to our employees for their dedication and loyalty towards the Group. I would also like to thank our Board of Directors for their invaluable advice in steering the Group. My heartfelt appreciation also goes out to our shareholders, customers, vendors, financiers, regulatory bodies and other stakeholders for their continued support and faith in GFM. Together, we can build a stronger foundation that will propel GFM forward in delivering value to our shareholders.

ABDUL RAHIM BIN ABDUL HAMID
Board Chairman

MANAGEMENT DISCUSSION & ANALYSIS



RUSLAN BIN NORDIN

Group Managing Director

(Redesignated to Non-Independent Non-Executive Director on 1 January 2020)

Operational Highlights 2019

GFM remained steadfast in pursuing new leads and we successfully secured RM69.0 million worth of new projects during the year for the provision of FM services to selected premises of Bank Negara Malaysia ("BNM").

Dear Valued Shareholders,

It is my privilege to present the review of GFM Services Berhad ("GFM" or "the Group") business operations and financial performance for the financial year ended 31 December 2019 ("FYE 2019").

MANAGEMENT DISCUSSION & ANALYSIS

Company Overview

Founded in 2000, GFM is an investment holding company with subsidiaries principally involved in the provision of integrated facilities management and consultancy services, as well as being a university asset concession owner.

As a facilities management ("FM") service provider with over two decades of experience in the industry, we have managed and consulted on diverse types of built environments that were in various stages of asset life cycles, for a wide array of customers from both the public and private sectors. Our FM solutions are tailored to meet the requirements of each client, covering end-to-end FM processes.

Integrated facilities management ("IFM") remains as our core business. Under IFM, we execute Operations & Maintenance ("O&M") activities comprising of hard and soft services, as well as deliver Management services to clients. We remain committed to delivering service excellence to our customers while adhering to international quality management standards.

INTEGRATED FACILITIES MANAGEMENT

Operations & Maintenance

Hard FM Services

- Mechanical Systems
- Electrical Systems
- Civil, Structural & Architecture
- IT System
- Space Planning

Soft FM Services

- Cleaning & Housekeeping
- Landscaping
- Pest Control
- Waste Disposal Management
- Security

Management Services

- Facility Strategy & Policy
- Contract Management
- Performance Management
- Energy Management
- Contractors Management

GFM also offers facility consultancy and advisory ("FCA") services, from planning and pre-construction stages, as well as to upgrading and refurbishments. Our key services include business case analysis, facility condition audit, facility planning & design review, life cycle cost analysis, facility optimisation, transition management, energy audit & accreditation and asset refurbishment programmes, as well as the development of service level agreements, key performance indicators and integrated management system-compliant work processes.

FACILITY MANAGEMENT ADVISORY AND CONSULTANCY

Advisory & Consultancy Services

- Facility Management Process Planning and Advisory
- Review of Facility Design
- Facility Condition Audit
- Facility Management Solutions for O&M
- Management and Administration of Asset Disposal and Registration

GFM is also the owner of a university asset concessionaire, KP Mukah Development Sdn Bhd ("KP Mukah"), which holds a 23-year concession from Universiti Teknologi MARA ("UiTM"), ending in 2035. Until then, GFM is entitled to future cash flows from KP Mukah, thus improving our long-term earnings visibility.

UNIVERSITY ASSET CONCESSION OWNER

KP Mukah Development Sdn Bhd

- Holds a 23-year concession for UiTM Mukah campus in Sarawak entailing 3 years of design and construction of campus and 20 years for provision of FM services.

MANAGEMENT DISCUSSION & ANALYSIS



Operational Highlights

2019 was a year of consolidation for GFM as we worked on streamlining our operations and strengthening our capabilities amid a challenging operating landscape. The uncertainties surrounding the macroeconomic environment placed undue pressure on GFM's operations during the year, with heightened competition as companies became more conscious of their spending.

In 2019, GFM completed two major FM projects — the Sultan Iskandar Building in Johor Bahru and the Toyo Engineering Workers Camp in RAPID Pengerang, Johor. Nonetheless, GFM remained steadfast in pursuing new leads and we successfully secured RM69.0 million worth of new projects during the year for the provision of FM services to selected premises of Bank Negara Malaysia ("BNM"). The contracts will run for a period of four years, from January 2019 to December 2022. This is a continuation of our long-term relationship with BNM and stands as a testament to the high-quality level of work we deliver to our clients.

At the same time, we continue to serve our existing clientele with a total of 19 ongoing projects as at end-2019. Our order book stood at a solid RM1.29 billion as at 31 December 2019, which will keep us occupied over the medium to long-term.

For our concession business, our goal is to ensure the optimisation of operations and returns by applying service management best practices and enhancing our project management capabilities. The addition of KP Mukah enables us to move up the value chain, enlarging our scope from being an FM services provider to a build, lease, maintain and transfer concession holder.

Internally, we remained focused on strengthening the Group's supply chain through our procurement rationalisation measures. With the current volatile operating landscape, it is even more imperative for us to optimise our business processes to drive costs down while enhancing operational efficiencies.

Service Innovation

During the year, we enhanced our competitive position by continuing to adapt to the constantly shifting facility management landscape. At GFM, customer experience and satisfaction remain as top priorities. As such, we are constantly exploring ways to enhance efficiencies while delivering cost benefits to our customers.

In this regard, we have adopted Internet of Things ("IoT") solutions at our project sites with our very own GFM Enterprise Management System ("GEMS"). With IoT-based FM systems, facility managers are now able to collect data, control and automate a variety of equipment such as air conditioners and the lighting of the building, among others. Information collected from these devices can be further analysed to optimise the operations and performance of the building, as well as to present a more desirable working environment.

Currently, we have deployed IoT sensor technology at one of our clients' sites to provide increased visibility of property usage and habits. For example, the installation of light motion sensors and automated temperature controls provides facility managers with real-time insights into energy management. This allows them to match energy usage to occupancy patterns, potentially leading to improved energy efficiency and occupant satisfaction. We expect to deploy the GEMS across all our operating projects this year.

MANAGEMENT DISCUSSION & ANALYSIS

GFM established a footprint in the oil & gas ("O&G") maintenance space with the proposed acquisition of an approximately

49%

stake in Highbase Strategic Sdn Bhd ("HSSB").

We are constantly exploring ways to enhance efficiencies while delivering cost benefits to our customers.

We have adopted Internet of Things ("IoT") solutions at our project sites with our very own GFM Enterprise Management System ("GEMS").

Our order book stood at a solid

RM1.29

billion

as at 31 December 2019, which will keep us occupied over the medium to long-term.

Notable Corporate Exercises

In December 2019, GFM established a footprint in the oil & gas ("O&G") maintenance space with the proposed acquisition of an approximately 49% stake in Highbase Strategic Sdn Bhd ("HSSB"). HSSB is involved in the provision of engineering services for the O&G industry, including cleaning, repair and maintenance services of storage tanks, pressure vessels and heat exchangers in Malaysia, among others.

HSSB is one of the five players who have secured Petroliaam Nasional Berhad's ("PETRONAS") integrated turnaround main mechanical and maintenance mechanical static ("TA4MS") contract to provide plant turnaround services for the Pengerang Integrated Complex ("PIC") in Johor, with an estimated project value of RM247.5 million. The contract is for a period of five years, with an option to extend by PETRONAS.

Under this proposed acquisition, GFM will subscribe to 2.9 million new HSSB shares, representing an approximately 49% stake in HSSB. GFM also proposes to subscribe to a minimum of 15 million, and up to 20 million, redeemable convertible preference shares ("RCPS") in HSSB for RM15 million, and up to RM20 million, based on the issue price of RM1.00 per RCPS. The proposed subscription is expected to be funded by a mix of internally generated funds, equity and debt financing. Proceeds from this exercise will be utilised for working capital and capital expenditure for the PIC project, as well as to partially pare down HSSB's debts.

In addition, GFM has entered into a call option agreement, which grants GFM the right to exercise the call option to acquire up to 117,648 HSSB shares, representing approximately 2% in HSSB, at an exercise price of RM0.51 per HSSB share. Upon conversion, HSSB will become a 51%-owned subsidiary of GFM. The call option is only effective for six months from the date of the agreement up to and including 31 July 2024.

Review of FYE 2019 Financial Performance

During the year under review, GFM completed a purchase price allocation ("PPA") exercise to determine the fair value of the net assets of KP Mukah, following its acquisition in November 2018. This was in accordance with MFRS 3, *Business Combinations*, which required GFM to retrospectively adjust the provisional amounts recognised at the acquisition date to reflect the revised fair value of the asset. This exercise resulted in a restatement of the Group's financial statements for the financial year ended 31 December 2018 ("FYE 2018").

Notwithstanding this, GFM delivered a resilient financial performance in FYE 2019 as we posted a record-high turnover of RM130.6 million, an increase of 6.7% from RM122.4 million in FYE 2018. The growth was on the back of KP Mukah's maiden full-year contribution of RM44.1 million, with the concession segment accounting for 34% of the Group's total revenue. Nonetheless, the Group's FM division remained the major contributor with a turnover of RM86.5 million or 66% of Group revenue in FYE 2019.

In tandem with the higher revenue base, gross profit ("GP") also grew by 28.7% to RM45.1 million, as compared to RM35.0 million in FYE 2018. This translated to an expansion of GP margin to 34.5% from 28.6% a year ago.

During the year, the Group incurred a six-fold increase in finance cost amounting to RM25.4 million, mainly due to KP Mukah's existing term loan from Bank Pembangunan Malaysia Berhad ("BPMB") as well as the Sukuk programme to partly fund KP Mukah's acquisition. As a result, the Group's profit before tax ("PBT") stood at RM13.4 million in FYE 2019, against RM31.9 million in the previous year.

MANAGEMENT DISCUSSION & ANALYSIS

Our earnings were further impacted by the higher effective tax rate arising from higher non-deductible expenses during the year. The Group's net profit stood at RM5.9 million for FYE 2019, as compared to the restated RM22.4 million in FYE 2018. The absence of a one-off non-cash gain on bargain purchase of KP Mukah of RM20.2 million recorded in FYE 2018, arising from the PPA exercise, further contributed to the difference.

Healthy Financial Position

Our liquidity position strengthened as at 31 December 2019, with total borrowings shrinking by 6.2% to RM354.0 million from RM377.5 million as at end-2018, due to the repayment of long-term borrowings. On the back of RM28.5 million in cash and bank balances, the Group's net gearing stood at 3.1 times as at end-2019. We are on a solid footing to meet our debt payment obligations, supported by the fixed recurring cash flows of KP Mukah. At the same time, we continue to monitor our borrowings and cash position with the view of strengthening our capital structure.

Meanwhile, the Group continued to generate a positive net cash inflow of RM12.9 million from operating activities in FYE 2019.

Shareholders' equity increased to RM105.2 million in FYE 2019, mainly due to the increase in share capital base to 472.3 million shares, arising from the exercise of options under the Employee Share Option Scheme ("ESOS") and Employee Share Grant Scheme ("ESGS").

Trade receivables for the year increased marginally to RM15.5 million from RM13.2 million as at end-2018, while trade receivables turnover stood at 43 days, as compared to 39 days in FYE 2018. We will continue to closely monitor our collection process as part of the Group's effective credit control measures.

In conclusion, our financial position continues to be solid with sufficient working capital to execute our order book. We adopt an asset-light business model, being an FM services provider with minimal capital expenditure.

Dividend

GFM has been consistently paying out dividends since its listing in line with our dividend policy to distribute a minimum of 40% of the Group's core net profit. This demonstrates our commitment to rewarding our shareholders with fair returns. However, our ability to pay dividends is subject to the Group's financial performance and position, as well as operational requirements.

For FYE 2019, the Board is pleased to announce that a Final Single-Tier Tax Exempt Dividend of 0.1771 sen per ordinary share will be recommended to the shareholders for approval at the forthcoming 7th Annual General Meeting ("AGM"). This represents a dividend payout ratio of 40% of GFM's core net profit for FYE 2019, adjusted to exclude non-operational items and other income, and in line with our dividend policy.

As GFM is still in an expansionary mode, we strive to strike a balance between rewarding our shareholders and conserving cash to strengthen the business.

Looking Ahead

The domestic operating landscape is expected to remain challenging in 2020 on the back of heightened geopolitical uncertainties and the outbreak of the Novel Coronavirus ("Covid-19"). We foresee these factors to continue impacting consumer and business sentiments in 2020.

Nonetheless, the Group is determined to weather these challenges while delivering sustainable value to all our stakeholders through the various strategies that we have in place.

Moving forward, we will continue to strengthen our core business as well as pursuing new contracts in FM. In the long-term, the facilities management market in Malaysia still holds huge potential with more companies accepting outsourcing as a viable option for non-core activities. Leveraging on our core expertise in FM, we believe we are well-positioned to benefit from this growing market. As such, we are now providing consultancy services to the Bukit Bintang City Centre ("BBCC") for the pre-construction phase of the building. This gives us a competitive advantage in securing the subsequent full-scale contract for FM services for BBCC upon completion of construction.

One of our strategic goals is to become a leader in the long-term concession business. For KP Mukah, we will continue to serve our mandate with the provision of FM services at the UiTM Mukah campus until the end of the concession period in 2035, while enhancing our project management competencies. We intend to grow our recurring income base as we bid for similar earnings-accretive projects moving forward.

Beyond organic growth, we are also looking at strategic opportunities to enhance our portfolio and scope of services. Our entry into the O&G maintenance space through HSSB enables us to scale up our operations and gives access to a new customer segment. At the same time, we aim to establish partnerships with strategic parties with relevant capabilities and resources that are synergistic to us, allowing us to expand our project pipeline and the asset categories we manage.

MANAGEMENT DISCUSSION & ANALYSIS

Anticipated Risks

We are aware that GFM operates in a highly competitive industry. With more players entering the market, there is an increasing need to differentiate ourselves from our peers. To remain competitive, we are continuously reviewing our strategies to enhance our scope of services and service quality to offer a significant value proposition to our clients.

We rely on third-party contractors to perform certain specialised functions where we do not have self-delivery capabilities. Hence, the work quality and compliance of these contractors may compromise the performance and reputation of the Group. To mitigate this risk, we have a dedicated and reliable panel of contractors, who we monitor closely in a systemic manner through performance metrics.

As a service organisation, our people are the core enablers of the Group's agenda. GFM's success depends upon our ability to attract, develop and retain talents. A shortage of skilled manpower may hamper the Group's service delivery and operations. To this end, we continue to invest in human resource initiatives such as our leadership and talent development programme to attract, develop and empower our employees at all levels to ensure we deliver on our vision.

Sustainability at GFM

As a leading facilities management company, sustainability has always been a cornerstone of the Group's growth. Towards this end, we have established a Sustainability Policy as we seek to enhance our longevity taking into account environmental, social and governance factors.

Our approach revolves around creating a safe and conducive working environment for our people while developing a performance-driven and collaborative culture within the Group. We have put in place human capital initiatives focusing on attracting, developing and retaining top talents.

We support the continuing professional development of our people. As such, we conduct various training sessions, including on leadership and people development, to ensure a robust succession pipeline. As part of our efforts, we also carry out performance appraisals semi-annually and reward our employees based on merit with attractive remuneration packages and career advancing opportunities. We also encourage diversity and inclusion within the workplace as we believe it promotes enhanced employee engagement, in addition to being one of the driving factors of innovation and growth.

Moving ahead, we will continue to refine our sustainability goals and practices as we develop more comprehensive policies to ensure we maximise value to our shareholders while protecting our surroundings for future generations.

Acknowledgements

On behalf of the Management of GFM, I would like to record my gratitude to the Board of Directors for their unceasing counsel and the confidence placed in us. I would also like to welcome and congratulate Mr. Jeffery Mohamad Akhir on his appointment as Group Chief Executive Officer on 1 January 2020. I am confident his leadership and vast experience will ensure GFM's continued success in years to come.

My heartfelt gratitude also goes out to our team for their dedication and hard work as we commit to a high-performing culture of excellence in serving our customers. Last but not least, I would like to extend my gratitude to all our stakeholders, particularly to our shareholders, customers and business partners, for being with us during both the good and the challenging times.

RUSLAN BIN NORDIN

Group Managing Director

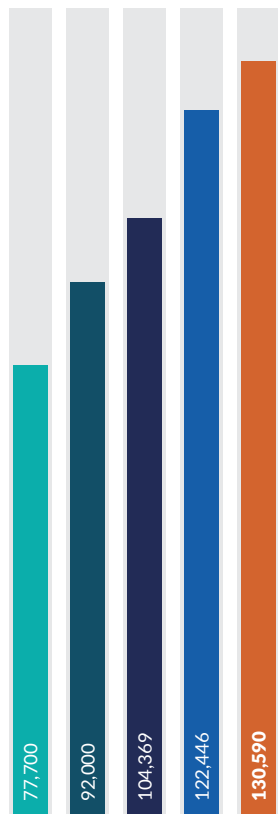
(Redesignated to Non-Independent Non-Executive Director on 1 January 2020)

FINANCIAL HIGHLIGHTS

	FY 2019 (RM'000)	FY 2018 (RM'000)	FY 2017 (RM'000)	FY 2016 (RM'000)	FY 2015 (RM'000)	FY 2014 (RM'000)
PROFITABILITY						
Revenue	130,590	122,446	104,369	92,000	77,700	57,500
Cost of sales	(85,524)	(87,437)	(75,987)	(65,900)	(59,500)	(33,900)
Gross profit	45,066	35,009	28,382	26,100	18,200	23,600
Profit from operation	38,722	35,196	15,653	18,600	14,300	10,400
Finance cost	(25,380)	(3,266)	(1,032)	(900)	(1,500)	(200)
Profit before tax	13,417	31,889	14,621	17,700	12,800	10,200
Net profit attributable to equity holders	5,945	22,399	9,943	13,000	11,100	6,500
GP margin	35%	29%	27%	28%	23%	41%
PBT margin	10%	26%	14%	19%	16%	18%
PAT margin	5%	18%	9%	14%	14%	11%

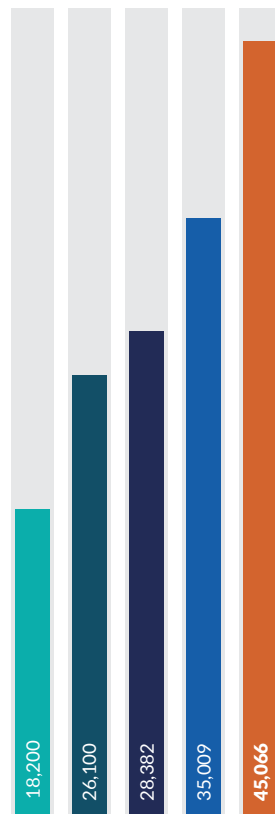
FINANCIAL HIGHLIGHTS

Revenue



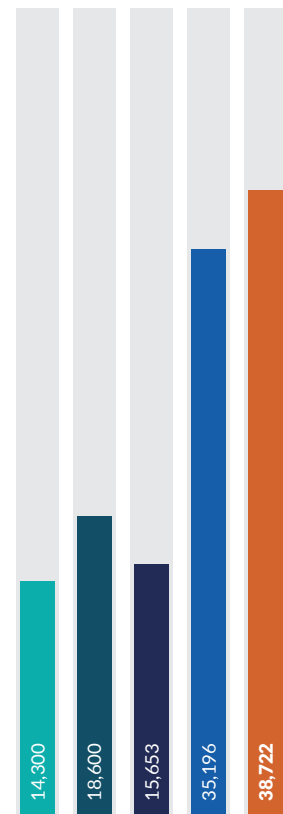
2015 2016 2017 2018 2019

Gross Profit



2015 2016 2017 2018 2019

Profit from Operation



2015 2016 2017 2018 2019

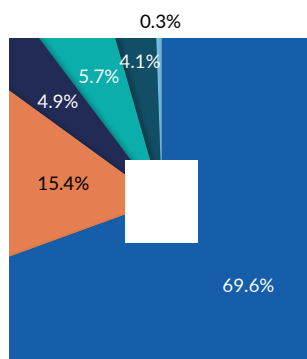
FINANCIAL HIGHLIGHTS

	FY 2019 (RM'000)	FY 2018 (RM'000)
KEY BALANCE SHEET DATA		
Current Assets	170,210	185,689
Non-Current Assets	350,022	356,743
Total Assets	520,232	542,432
Current Liabilities	44,451	46,556
Non-current Liabilities	370,539	393,200
Total Liabilities	414,990	439,756
Total Equity	105,242	102,676
Liabilities & Equity	520,232	542,432
Trade Receivables	15,536	13,168
Trade Payables	5,884	7,357
Deposits, Cash & Cash Balances	80,151	99,781
Total Borrowings	353,950	377,527

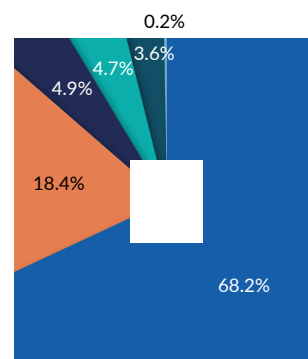
	FY 2019 (RM'000)	FY 2018 (RM'000)
FINANCIAL RATIOS		
Net Tangible Assets (NTA) (RM'000)	105,242	102,676
NTA per share	22 cents	22 cents
Return on Equity (ROE)	6%	27%
Free Cash Flow (FCF) (RM'000)	28,550	39,244

Assets

- Operating financial assets
- Deposits, cash and bank balances
- Intangible assets
- Trade and other receivables
- Property, plant and equipment
- Investments in an associate and others



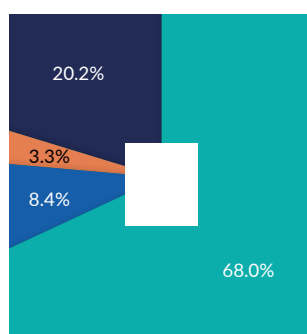
2019



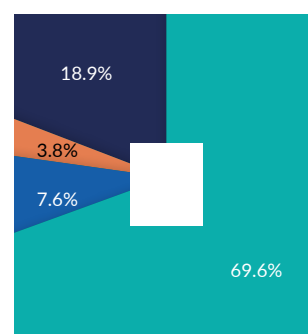
2018

Liabilities & Equity

- Loans and borrowings
- Deferred tax liabilities
- Trade and other payables
- Total equity



2019



2018

FINANCIAL CALENDAR

MAY 2019

M	T	W	T	F	S	S
		01	02	03	04	05
06	07	08	09	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

▲ Unaudited results for 1st Quarter ended 31 March 2019

AUG 2019

M	T	W	T	F	S	S
			01	02	03	04
05	06	07	08	09	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

▲ Unaudited results for 2nd Quarter and half-year ended 30 June 2019

NOV 2019

M	T	W	T	F	S	S
				01	02	03
04	05	06	07	08	09	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

▲ Unaudited results for 3rd Quarter ended 30 September 2019

FEB 2020

M	T	W	T	F	S	S
					01	02
03	04	05	06	07	08	09
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	

▲ Unaudited results for 4th Quarter and Financial Year Ended 31 December 2019

INVESTOR RELATIONS



We are aware of the importance of communicating and sharing information to our shareholders in a timely and transparent manner. This helps shareholders form an accurate and holistic understanding on GFM's financial and operational performance, as well as the growth strategies moving forward. Hence, we are committed to ensure that material information is shared with the investing community effectively.

During the year, we continued to engage with institutional and retail investors, analysts and fund managers as well as members of the media through various platforms such as investor briefings, retail talks, group and one-on-one meetings, among others.

We also communicate through the Group's Annual Report, AGM, press statements and announcements via Bursa Malaysia Securities Berhad to enable comprehensive and accurate disclosures to our stakeholders.

Our dedicated Investor Relations website at <http://www.gfmservices.com.my/> is an essential online repository for disseminating up-to-date IR-related information to aid investors to make sound investment decisions. This includes announcements on the Group's quarterly results performance and media releases, to name a few.

On the back of our ongoing efforts to maintain communication with shareholders, we are proud to state that GFM was nominated for 6 categories for Small Cap companies, at the IR Awards 2019 hosted by the Malaysian Investor Relations Association ("MIRA"):



BEST COMPANY FOR IR

MOST IMPROVED SERVICE FROM IR TEAM

BEST CEO FOR IR
Ruslan Bin Nordin

BEST CFO FOR IR
Jeffery Bin Mohamad Akhir

QUALITY OF ONE-ON-ONE MEETINGS

BEST IR WEBSITE

SUSTAINABILITY REPORT

SUSTAINABILITY POLICY



Sustainability is the integration of environmental, social and governance factors in decision making to maximise short and long-term shareholder value, seek competitive advantage and contribute to the safety and health of employees, communities and ecosystems.

This Policy sets out the requirements for sustainability across GFM Services Berhad and its subsidiaries ("GFM" or "GFM Group") and should be read in conjunction with:

- GFM's Code of Ethics and Code of Conduct
- Our Procurement/Purchasing Policy Statement
- Our Safety, Health and Environmental Policy
- The Ace Market Listing Requirements of Bursa Malaysia

This Policy applies to all employees of GFM and third parties engaged by GFM, including business partners and joint ventures. Any employee of GFM found to have breached this Policy may be subject to disciplinary action.

The objectives of our Sustainability Policy are to:

- Focus GFM's efforts on managing sustainability risks and opportunities, enhancing our business performance and supporting the long-term interests of GFM;
- Promote a culture of accountability for sustainability outcomes and improve the sustainability knowledge and skills of employees;
- Integrate environmentally and socially responsible sourcing and governance factors into GFM's operating and procurement processes and seek opportunities to collaborate with our supply chain to drive innovation and create mutual value;
- Drive the efficient use of resources and continual innovation in the delivery of projects;

SUSTAINABILITY REPORT

SUSTAINABILITY POLICY



- Support the adoption and delivery of appropriate industry rating schemes and standards that drive sustainability outcomes for clients;
- Encourage initiatives and successfully deliver projects that meet client expectations, provide value for money and leave net positive legacies for GFM, our clients, users, the environment and communities; and
- Enhance GFM's business resilience in a changing business environment.

Governance

The GFM Group will abide by the principles of the Bursa Malaysia Sustainability Reporting Guide as well as Global Reporting Initiative ("GRI") Guidelines.

GFM will coordinate and support its subsidiaries and operating projects to customise sustainability strategies and implement initiatives that help GFM meet its commitments and objectives. GFM will facilitate sustainability knowledge sharing across its businesses to encourage innovation, mitigate risks, drive competitive advantage and create shareholder value.

GFM's subsidiaries and operating projects are responsible for meeting their contractual and compliance obligations on the operational aspects of sustainability such as project delivery,

health, safety, people development, the environment, community relations, procurement, risks, governance and ethical behaviour, within GFM's governance framework.

Reporting

GFM will participate in recognised sustainability surveys, which include the ACCA's Malaysia Sustainability Awards ("MASRA") and FTSE4Good Bursa Malaysia Index, to promote its reputation as an industry leader in the sustainable delivery of facilities management projects and services.

GFM and its operating projects are responsible for:

- The internal reporting of operational health, safety, environment and community related initiatives and performance to GFM's management;
- The provision of sustainability data and information to GFM's management to inform corporate sustainability reporting requirements and support the submission of sustainability surveys as required by GFM;
- Direct external reporting to meet legislative obligations where appropriate; and
- Regularly review business strategies, reporting and performance to ensure compliance with all legislative requirements, support continuous improvements and business performance.

SUSTAINABILITY REPORT

SUSTAINABILITY STATEMENT



SUSTAINABILITY REPORT

SUSTAINABILITY STATEMENT



GFM Services Berhad and its subsidiaries (“GFM” or “GFM Group”) is a leading facilities management company with diversified and extensive facilities management capabilities. We are involved in various stages of facilities management and sustainability is a key priority for our business.

We aim to lead the industry by promoting best sustainable practices and exceeding the guidelines set out by the government and regulatory bodies. This Policy reflects our commitment to ensure that sustainability is paramount in all our business activities. It will be delivered through our 2020 Sustainability Strategy, other supporting policies and five positive outcomes as follows.

Provide safe, supportive and positive workplaces for employees

Act with integrity, honestly and respectfully, in all relationships with stakeholders

Develop a performance and collaborative culture where engaged employees are aligned to achieve superior performance and integrate governance, economic, environmental and social considerations into day-to-day roles

Seek competitive advantage by innovating service delivery

Use resources efficiently, minimise waste and promote the delivery of energy efficient, environmentally and socially responsible projects

Figure 1: Focus Sustainability Agenda

GFM's commitments are derived from and based on the principles found in our Code of Ethics and Code of Conduct. The principles uphold our mission, which is to maximise long-term value for shareholders by sustainably delivering projects to clients while providing safe, rewarding and fulfilling careers.

SUSTAINABILITY REPORT

SUSTAINABILITY REPORTING

Reporting Approach

GFM's reporting approach demonstrates its commitment to operating its businesses sustainably and reporting its economic, environmental and social ("EES") performance and progress in a way that is aligned with Bursa Listing Requirement and Global Reporting Initiative ("GRI") standards. Our Sustainability Report is integrated into our Annual Report and will replace the Corporate Social Responsibility ("CSR") section. It demonstrates how we embed sustainability in our business.

It is aimed at generating reliable, relevant and standardised information with which stakeholders can assess EES opportunities and risks and enable more informed decision-making relating to our business, internally and externally.

Reporting scope

Our sustainability report covers a 12-month period ending 31 December 2019. Its scope encompasses GFM Services Berhad and its controlling entities which include:

- Global Facilities Management Sdn Bhd
- GFM Shared Services Sdn Bhd
- GFM Solutions Sdn Bhd
- Everfine FMS Sdn Bhd
- KP Mukah Development Sdn Bhd
- Dynasty Harmony Sdn Bhd

Availability of Information

Based on GRI Sustainability Reporting Standards, the GFM Group ensures that the information presented is measurable and comparable, balanced and meaningful.

External Assurance

The report is prepared using GRI Sustainability Reporting Standards. Our intention is to improve our disclosure and engagement continuously to achieve fully-compliant GRI reporting standards by the year 2020.

MATERIAL SUSTAINABILITY DRIVERS

Material Matters

IDENTIFY & ASSESS

- GFM conducted a materiality assessment to identify and confirm the important potential economic, environmental and social ("ESS") issues that could affect the business, both positively and negatively.
- The process involved a series of interviews with senior management across the GFM Group, assessment of media reports about the GFM Group, reviews of clients and peers' sustainability reports, and referenced to recent sustainability reporting submissions.

PRIORITISE & RANK

- We shortlisted 30 potential material issues which formed the basis of our survey. The survey was sent to a selection of stakeholders identified. These included:
 - Senior managers from across GFM and employees with operational responsibility for sustainability-related functions;
 - Managers representing major GFM clients
 - Managers representing GFM's major equity investors and financiers.

INTEGRATE & RESPOND

- Respondents were asked to prioritise the 30 identified potential material issues which were structured using GRI Guidelines to rank, on a percentile scale, their:
 - Importance in their assessment of, and decisions regarding, the GFM Group; and
 - Current or potential impact in terms of revenue, costs, investments or risks, on the medium and long-term success of the GFM Group.

Figure 2: Sustainability Material Matters

SUSTAINABILITY REPORT

SUSTAINABILITY REPORTING

MATERIAL MATRIX

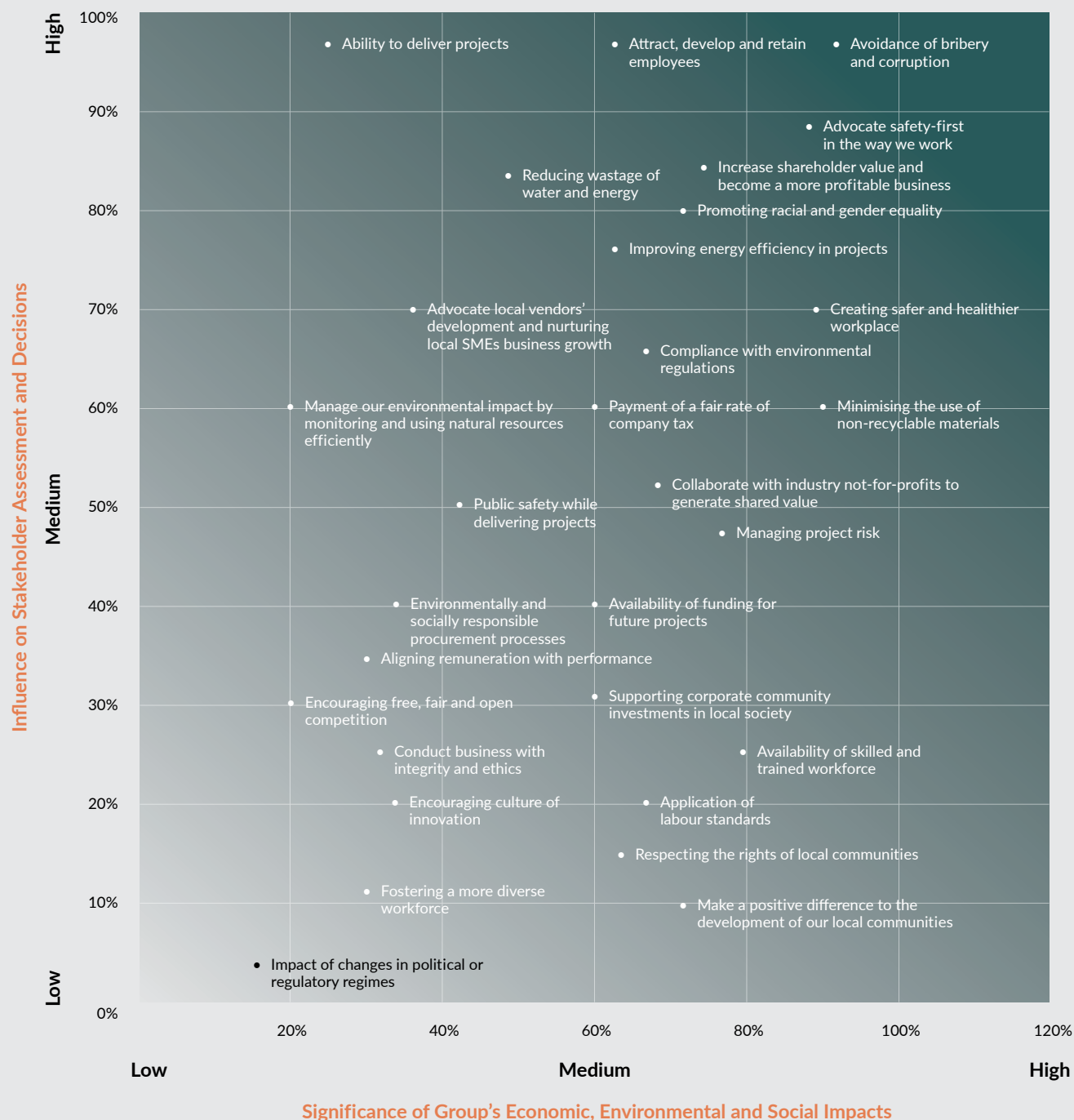


Figure 3: Stakeholder Prioritisation Matrix

SUSTAINABILITY REPORT

SUSTAINABILITY REPORTING

Agenda 1 – Provide safe, supportive and positive workplace for employees

Safety underpins everything we do. A business that depends on its people must provide a safe and healthy workplace where work can be carried out safely, where workers are encouraged to identify and fix workplace hazards and which promote the mental and physical health of our workers.

AGENDA 1: HIGHLIGHTS OF 2019

- Continuation of Safety, Health and Environment (“SHE”) awareness by publishing SHE flashes whenever any incidents or material SHE matters occur.
- Conducted in-house training on Safe Chemical Handling, Scheduled Waste Management and Occupational Safety and Health (Noise Exposure) regulation 2019 awareness across all sites.
- Conducted SHE quarterly inspections with SHE committee at all operating project sites aligning with SHE requirement and expectations.
- Robust enforcement of SHE objectives in compliance with the standard of OHSAS 18001:2007 as enforced by DOSH.

PERFORMANCE

SAFETY

2
Total Recordable
Injuries

2
Medically
Treated Injuries

2
Loss Time
Injuries

0.69
Loss Time & Total
Recordable Injury
Frequency Rates



SUSTAINABILITY REPORT

SUSTAINABILITY REPORTING

Agenda 2 – Act with integrity, honesty & respectfully towards various stakeholders

GFM is committed to promote a highly ethical culture of integrity and accountability. This includes having a robust Code of Conduct & Ethics that serves as a guide to proper business etiquette for all employees and ensures that we observe the highest standards of integrity.

AGENDA 2: HIGHLIGHTS OF 2019

Avoiding bribery and corruption, monitoring, whistle-blowing and compliance

- Our refreshed GFM Code of Ethics, Code of Conduct and Whistle-blowers' policy have been distributed to all employee for their comprehensive understanding and adoption.
- All employee must not participate in any arrangement which gives any person an improper benefit or an unfair advantage to any party, directly or through an intermediary.
- GFM provides a 'Whistle-blower Hotline' as confidential way for employees, vendors, sub-contractors and partners to voice their concerns should they come across potentially unethical practices.

Investor Relations

- Investor Relations and Communications Policy developed aligned with Bursa Listing Requirement for continuous disclosure reporting.
- GFM was nominated for the Best Small-Cap Company for Investor Relations by Malaysian Investor Relations Association ("MIRA"), Best CEO for Investor Relations (Small-Cap Company category) and Best CFO for Investor Relations (Small-Cap Category). Apart from that, GFM was also nominated with Investor Relations Website, Most Improved Service from Investor Relations team and Quality of One-on-One Meetings.

Procurement supply chain, local suppliers and community engagement

- The major elements of GFM's supply-chain are OEM specialized subcontractors and general sub-contractors (such as electrical, mechanical, civil, HVAC, cleaning and other trade) and priority are given to the local suppliers or vendors within the close project area.
- GFM provides employment opportunities to locals as an initiative to strengthen community involvement.

PERFORMANCE

INTEGRITY

1
Whistle-blower
reported

3
Industrial
Relations and
Labour Cases
reported

678

Local Vendors out of a total
of 720 vendors

367
Operational
Employment

Operational
Employment
refers to on-site
employment of
GFM Operating
Companies

174
Local
Employment

Local Employment
refers to
employment of
people within
25km radius of
work sites



SUSTAINABILITY REPORT

SUSTAINABILITY REPORTING

Agenda 3 – Develop a performance and collaborative culture

To maintain our position as a leader in the industry in which we operate, we must ensure that the knowledge and expertise of our people grows. To do this, we identify skill gaps, train and develop our people, and share knowledge across the GFM Group.

AGENDA 3: HIGHLIGHTS OF 2019

Attracting, developing and retaining employees

- Conducted training in Leading Effective Teams (“LET”) and Helping Clients Succeed (“HCS”) with a focus on the essential skills of leadership, people development and motivational leadership for employees with high leadership potential.
- Implementation of GFM Training Calendar with the aim to improve group and individual performance, skills, knowledge, learning and development
- Conducted Facility Manager Knowledge Sharing (“FMKS”) Programme for high-potential employees to promote good communication and prepare for leadership succession in the GFM Group.

People engagement

- Group wide townhall sessions were conducted every quarter to engage all employee.
- Organised several small events such as the GFM Aidilfitri Open House, get-together events (“Jom Lepak”), futsal matches and ping-pong sessions, intended to bridge the gap between different employee groups.

Performance management and aligning remuneration

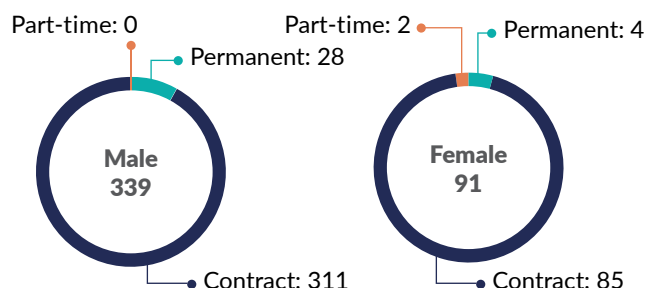
- Continually executing the GFM Employee Share Scheme (“ESS”) to promote a sense of ownership and high-performance culture among employees.
- Performance appraisal carried out semi-annually with advice concerning career development, including prospect for promotions.

Fostering a diverse workforce

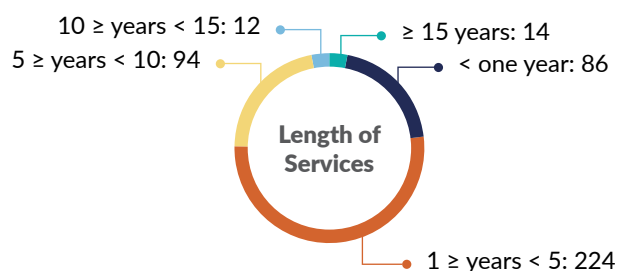
- GFM embraces the diverse thinking that originates from the differences in our personalities, communication styles, career paths, educational backgrounds, gender, age, abilities, ethnicities and religions.
- Gender equality: we ensure balance not only in our gender employment but also gender deployment.
- Workplace culture: we cultivate an inclusive workplace of fairness and equity which fosters the unique skills and talents of our people.

PERFORMANCE

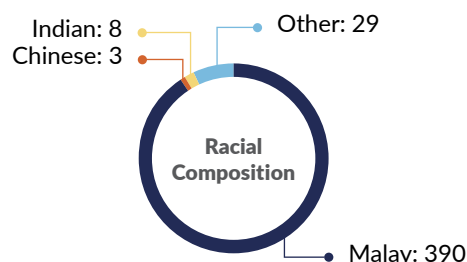
- 430 total employees across the GFM Group. We are focused on the diversity of our business in two areas: gender and age diversity. The diagram data below reflected as at 31 December 2019.



Our primary aim is to increase and leverage the diversity that exists across the organisation. This includes increasing and retaining the number of women employed at all levels by seeking to overcome the challenges associated with a relatively small number of women entering the technical profession. The number of women in our workforce has increased by 2% (91 out of 430 staff) compared to 2018.



While the average tenure of our people is 3.3 years, GFM has many long-serving employees. GFM's management, which includes key operational executives, generally have substantially longer tenures. We recognise and reward the hard work and loyalty of our employees and understand that this is an important and effective retention factor.

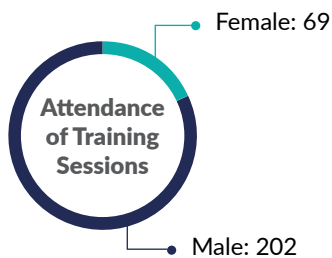


SUSTAINABILITY REPORT

SUSTAINABILITY REPORTING

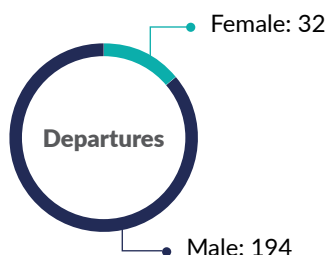
Our aim is to employ a workforce that reflects the population of the country and to be an employer of choice by the year 2020. Reflecting our pursuit of workforce diversity, the number of Chinese in our employment decreased 0.15%, the number of Indian employees increased by 0.14% and the number of employees from other ethnicities increased 0.11% in 2019.

- 123 training sessions were conducted, attended by 271 staffs.



Each GFM subsidiary and operating project conducts regular skill-based training programmes, such as technical and vocational training and health and safety programmes, to support our business requirements.

- 226 voluntary and involuntary staff departures throughout the years of 2019.



In order to improve employee attraction, diversity and retention, GFM continues to hold regular employee engagement sessions at the regional level to share business updates and receive input and feedback from the grassroots.

Agenda 4 – Seek competitive advantage by innovating service delivery

For GFM, innovation means challenging conventional practices and adopting new technologies, proactively investing in the future, sharing knowledge and learning from mistakes. Today, our clients depend on our use of innovative technologies and business systems to deliver operational excellence and pioneer new and better ways of doing things and solving problems.

AGENDA 4: HIGHLIGHTS OF 2019

- Implementation of an in-house Computerised Maintenance Management System ("CMMS") called GFM Enterprise Management Systems ("GEMS") at 11 operating projects for Work Order Management, Preventive Planned Maintenance (PPM) Management, Technical Audits and Management Dashboard.
- Participation in the International Construction Week ("ICW") 2019 on IoT Smart Building technology. A GEMS demonstration was successfully arranged during the event for the Minister of Works, CIDB Malaysia, other high officials and potential clients.
- Invited as a panellist for the Building Maintenance Conference on Technology Implementation in FM Industries.
- Merging of IoT team with IT Department on performance monitoring and consolidation of data through a single platform via GEMS in data synchronisation through FMKS to support operational efficiency.
- Establishment of GFM Infrastructure Hyperconverged Virtual Server Data Centre.
- Revival of System Application and Product ("SAP") and retirement of legacy systems by implementing SAP S4 Hana for Procurement and Finance.
- Implementation of IoT Smart Office, Phase 2 rollout of PERKESO IoT Smart Building pilot project and prototype testing of Agrilaser Bird Solution.

SUSTAINABILITY REPORT

SUSTAINABILITY REPORTING

Agenda 4 – Seek competitive advantage by innovating service delivery (cont'd.)

PERFORMANCE

PEOPLE DEVELOPMENT & DEPARTMENT ORGANISATION

- ITSOM training
- ISMS Lead Auditor
- IT Project Management training

OPERATIONAL EXCELLENCE

- Way Forward SAP S4 Hana
- GFM ICT Mobile Application
- Equipment Refreshed Programme
- VPN HQ-Site
- Mobile customer satisfaction survey

ADDRESSING BUSINESS GROWTH & USER EXPERIENCE

- Data centre & office renovation
- Optimisation of GFM DC & server/system migration
- Capacity planning on GFM system
- DRC planning
- GEMS 2.0 development & migration

COMPANY POLICY & REGULATION COMPLIANCE

- Infographic BPM
- ICT audits and awareness
- Software compliance audits

SUSTAINABILITY REPORT

SUSTAINABILITY REPORTING

Agenda 5 – Use resources efficiently, minimise waste & promote delivery of energy efficient, environmentally and socially responsible projects

GFM is committed to using resources efficiently, minimising waste and promoting the delivery of energy efficient, environmentally and socially responsible projects. By constantly innovating, we seek to improve efficiency and reduce waste, thereby lowering costs, improving our value proposition and promoting client loyalty.

AGENDA 5: HIGHLIGHTS OF 2019

- Maintained rigorous approach to environmental management by complying 100% with Operating Company Management Systems certified MS ISO 14001.
- Continued to promote waste management minimisation in all projects.
- Ongoing group-wide implementation and awareness campaign on achieving GFM's sustainability goals.
- Implementation of GFM IoT Smart Building System at GFM Headquarters ("HQ") and pilot project at PERKESO Rehabilitation Centre, Ayer Keroh, Melaka to improve system controllability, ambient monitoring and energy conservation through GFM's partnership with Tanand Technology Sdn Bhd.

IMPROVING ENERGY EFFICIENCY PERFORMANCE



Smart
Lighting



Smart AC
Controller



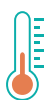
Indoor
Position
Tracker



Motion
Detection
Sensor



Wireless
Energy
Meter



Wireless
Temperature
& Humidity
Sensor



Virtual Office
Assistant powered
by Alexa



Smart Door
Access

BOARD OF DIRECTORS' PROFILE



Abdul Rahim Bin Abdul Hamid

CHAIRMAN
INDEPENDENT NON-EXECUTIVE DIRECTOR



Nationality: Malaysian

Date of Appointment: 18 October 2016

Length of Service: 44 months

Date of Last Re-election: 26 June 2018

Membership of Board Committees:

Chairman of Board of Directors

Member of Audit and Risk Management Committee

Academic/Professional Qualifications:

Fellow of Association of Chartered Certified Accountants (FCCA)

Member of the Malaysian Institute of Certified Public Accountants (MICPA)

Working Experience:

He started his career in Coopers & Lybrand (Previously known as Cooper Brothers & Co) as Audit Assistant in 1971. He rose in the firm to eventually become its Managing Partner in 1993. Upon the firm merging with Price Waterhouse in 1998, he assumed the position of Deputy Executive Chairman of PricewaterhouseCoopers until he retired in June 2004.

Present Directorship(s) in other Listed Companies:

Petra Energy Berhad

Encorp Berhad

Aeon Co. (M) Berhad

Mr. Abdul Rahim does not have any family relationship with any Director and/or major shareholder of GFM Services Berhad, or any conflict of interest with the Company. He has not been convicted of any offence over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year. Mr. Abdul Rahim does not directly hold any ordinary share and warrant in the Company.

Mr. Abdul Rahim attended all the six (6) Board of Directors' Meetings held during the financial year ended 31 December 2019.

BOARD OF DIRECTORS' PROFILE



Zainal Arifin Bin Khalid

INDEPENDENT
NON-EXECUTIVE DIRECTOR



Nationality: Malaysian

Date of Appointment: 18 October 2016

Length of Service: 44 months

Date of Last Re-election: 23 May 2017

Membership of Board Committees:

Chairman of Nomination and Remuneration Committee

Academic/Professional Qualifications:

Master of Science degree, University of Kentucky, United States

Bachelor of Arts degree, California State University Chico, United States

Working Experience:

He has approximately 37 years of working experience in education, fast moving consumer goods, IT, management consulting and leadership development. His previous employments include Malaysian Tobacco Company Bhd (1983-1996: Head of IT South East Asia and Head of BAT Asia Pacific Data Centre), British American Tobacco (UK & Export) Ltd (1998-2000: Country Manager) and British American Tobacco Malaysia Berhad (2000-2008: IT Director). In 2009, he was appointed as a director for NBO Leadership Sdn Bhd, a strategic transformation leadership development company.

Mr. Zainal Arifin does not have any family relationship with any Director and/or major shareholder of GFM Services Berhad, or any conflict of interest with the Company. He has not been convicted of any offence over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year. Mr. Zainal Arifin directly holds 30,000 ordinary shares representing 0.01% in the Company. He does not hold any warrant in the Company.

Mr. Zainal Arifin attended all the six (6) Board of Directors' Meetings held during the financial year ended 31 December 2019.

BOARD OF DIRECTORS' PROFILE



Yong Hee Kong

INDEPENDENT NON-EXECUTIVE DIRECTOR



Nationality: Malaysian

Date of Appointment: 18 October 2016

Length of Service: 44 months

Date of Last Re-election: 23 May 2017

Membership of Board Committees:

Member of Audit and Risk Management Committee

Member of Nomination and Remuneration Committee

Academic/Professional Qualifications:

Postgraduate Diploma in Islamic Studies, International Islamic University, Malaysia

Diploma in Corporate Treasury, Association of Corporate Treasurers, UK

Institute of Chartered Accountants of England and Wales (ICAEW)

Bachelor of Engineering (Hons) (Civil and Structural Engineering), University of Bradford, England

Masters in Business Admin, University of Bradford, England

Working Experience:

He has more than 30 years of working experience in corporate finance, business development and consultancy. His previous employments include Deloitte, Haskins and Sells, Leeds, United Kingdom (1981-1988: Manager), BDO Binder Hamlyn, England (1990-1991: Corporate Finance Senior Manager), PricewaterhouseCoopers Malaysia (previously known as Price Waterhouse) (1991-1996: Corporate Finance Director-in-Charge of Privatisation), Amsteel Capital Holdings Sdn Bhd (1996-1998: Head, Regional Corporate Finance), Bintai Kinden Corporation Berhad (1998-2005: Vice President (Business Development/Special Projects/Director) and Commonwealth Secretariat, London (2008-2014: Adviser, Public Private Partnerships). He is currently a Trustee and the Chair of the Audit and Risk Committee of the WorldFish, and a member of the Audit and Risk Committee of CGIAR, the Consultative Group of International Agricultural Research Centres. He is a Board member of PERKESO where he also chairs the Risk Committee.

Mr. Yong does not have any family relationship with any Director and/or major shareholder of GFM Services Berhad, or any conflict of interest with the Company. He has not been convicted of any offence over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year. Mr. Yong directly holds 30,000 ordinary shares representing 0.01% in the Company. He does not hold any warrant in the Company.

Mr. Yong attended all the six (6) Board of Directors' Meetings held during the financial year ended 31 December 2019.

BOARD OF DIRECTORS' PROFILE



Ashok Virendra Shah

INDEPENDENT NON-EXECUTIVE DIRECTOR



Nationality: Singaporean

Date of Appointment: 18 October 2016

Length of Service: 44 months

Date of Last Re-election: 20 June 2019

Membership of Board Committees:

Chairman of Audit and Risk Management Committee
Member of Nomination and Remuneration Committee

Academic/Professional Qualifications:

Member of Chartered Accountants of India
Member of the Malaysian Institute of Accountants (MIA)
Fellow Member of Singapore Society of Accountants
Bachelor of Commerce (Hons) from Bombay University, India

Working Experience:

He has more than 30 years of working experience with engineering service companies in the oilfield and healthcare sectors. His previous employments include Brown & Root (1982-1986: Initially as Management Auditor for the Far East Operations and subsequently as Finance Manager), Schlumberger Group-Sedco Forex (1986-1993: Legal Accounting and Joint Ventures Manager), Schlumberger Group-Dowell Schlumberger (1986-1993: Chief Accountant), SSP Medical Technologies Sdn Bhd (1995-2002: Managing Director), Healthtronics (M) Sdn Bhd (2002-2007: Chief Executive Officer) and Faber Group Berhad (2008-2011: Senior General Manager).

Mr. Ashok does not have any family relationship with any Director and/or major shareholder of GFM Services Berhad, or any conflict of interest with the Company. He has not been convicted of any offence over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year. Mr. Ashok directly holds 30,000 ordinary shares representing 0.01% in the Company. He does not hold any warrant in the Company.

Mr. Ashok attended five (5) out of six (6) Board of Directors' Meetings held during the financial year ended 31 December 2019.

BOARD OF DIRECTORS' PROFILE



Zainal Bin Amir

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR



Nationality: Malaysian

Date of Appointment: 18 October 2016

Length of Service: 44 months

Date of Last Re-election: 20 June 2019

Membership of Board Committees:
Member of Audit and Risk Management Committee

Academic/Professional Qualifications:
Bachelor of Science in Mechanical Engineering, Sunderland University, United Kingdom

Working Experience:
Mr. Zainal Bin Amir has been an Executive Director of the Company since his appointment to the Board on 18 October 2016. He was subsequently redesignated as Non-Independent Non-Executive Director on 31 October 2019.

He has more than 30 years of working experience in mechanical engineering and project management. His previous employments include Malaysian Tobacco Company Bhd (Engineering Manager) and Mechanalysis Sdn Bhd (1998-2001: General Manager) before joining GFM as Business Development Director.

Mr. Zainal Bin Amir does not have any family relationship with any Director and/or major shareholder of GFM Services Berhad, or any conflict of interest with the Company. He has not been convicted of any offence over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year. Mr. Zainal Bin Amir directly holds 25,700,003 ordinary shares representing 5.44% in the Company and indirectly holds 220,001,000 ordinary shares representing 46.58% in GFM Global Sdn. Bhd. He also directly holds 7,350,341 warrants representing 3.12% in the Company and indirectly holds 23,600,500 warrants representing 10.02% in GFM Global Sdn. Bhd.

Mr. Zainal Bin Amir attended five (5) out of six (6) Board of Directors' Meetings held during the financial year ended 31 December 2019.

BOARD OF DIRECTORS' PROFILE



Ruslan Bin Nordin

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR



Nationality: Malaysian

Date of Appointment: 18 October 2016

Length of Service: 44 months

Date of Last Re-election: 26 June 2018

Membership of Board Committees:

Member of Audit and Risk Management Committee

Member of Nomination and Remuneration Committee

Academic/Professional Qualifications:

Bachelor of Engineering (Electrical & Electronic), Plymouth Polytechnic, United Kingdom

Diploma in Electrical Engineering, Universiti Teknologi Malaysia

Working Experience:

Mr. Ruslan has been an Executive Director of the Company since his appointment to the Board on 18 October 2016. He was subsequently redesignated as Non-Independent Non-Executive Director on 1 January 2020.

He has more than 30 years of working experience in engineering, project management, marketing and facilities management. His previous employments include the Lembaga Letrik Negara, ABB Sdn Bhd, Mobil Oil Malaysia Sdn Bhd (1991-1992: Territory Manager) and Propel-Johnson Controls Sdn Bhd (Manager, Commercial Division) before founding GFM.

Mr. Ruslan does not have any family relationship with any Director and/or major shareholder of GFM Services Berhad, or any conflict of interest with the Company. He has not been convicted of any offence over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year. Mr. Ruslan directly holds 30,300,004 ordinary shares representing 6.42% in the Company and indirectly holds 220,001,000 ordinary shares representing 46.58% in GFM Global Sdn. Bhd. He also directly holds 7,550,351 warrants representing 3.21% in the Company and indirectly holds 23,600,500 warrants representing 10.02% in GFM Global Sdn. Bhd.

Mr. Ruslan attended all the six (6) Board of Directors' Meetings held during the financial year ended 31 December 2019.

BOARD OF DIRECTORS' PROFILE



Mohammad Shahrizal Bin Mohammad Idris

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR



Nationality: Malaysian

Date of Appointment: 18 October 2016

Length of Service: 44 months

Date of Last Re-election: 23 May 2017

Membership of Board Committees:

Member of Nomination and Remuneration Committee

Academic/Professional Qualifications:

Master of Science in Facilities Management, Universiti Teknologi Malaysia

Bachelor of Engineering (Honours) in Mechanical Engineering, Universiti Teknologi Malaysia

Graduate Engineer, Board of Engineers Malaysia

Certified Level, Institute of Workplace and Facilities Management, United Kingdom

Working Experience:

Mr. Mohammad Shahrizal has been an Executive Director of the Company since his appointment to the Board on 18 October 2016. He was subsequently redesignated as Non-Independent Non-Executive Director on 7 January 2020.

He has approximately 25 years of working experience in engineering and Facilities Management. His previous employments include GrahaTech Resources Sdn Bhd (1995-1998: Technical Executive) and Mechanalysis Sdn Bhd (1998-2001: Manager-Engineering Services, 2001: Senior Manager-Operation and Maintenance) before joining GFM as Operations Director.

Mr. Mohammad Shahrizal does not have any family relationship with any Director and/or major shareholder of GFM Services Berhad, or any conflict of interest with the Company. He has not been convicted of any offence over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year. Mr. Mohammad Shahrizal directly holds 25,700,003 ordinary shares representing 5.44% in the Company and indirectly holds 220,001,000 ordinary shares representing 46.58% in GFM Global Sdn. Bhd. He also directly holds 7,350,341 warrants representing 3.12% in the Company and indirectly holds 23,600,500 warrants representing 10.02% in GFM Global Sdn. Bhd.

Mr. Mohammad Shahrizal attended five (5) out of six (6) Board of Directors' Meetings held during the financial year ended 31 December 2019.

GROUP MANAGEMENT PROFILE



**Jeffery Bin
Mohamad Akhir**

Nationality:
Malaysian

Age:
46

Gender:
Male

**Date of Appointment
as GCEO:**
1st January 2020

GROUP CHIEF EXECUTIVE OFFICER ("GCEO")

Mr. Jeffery joined GFM in 2016 as Chief Financial Officer where he has overseen the finance operations of the Group with responsibility for all of the financial reporting, statement of financial position management, tax and investment of the company. He was redesignated as Group Chief Operating Officer of the Company on 1 April 2018. He was subsequently redesignated as Group Chief Executive Officer of the Company on 1 January 2020.

He received his Bachelor's Degree in Accountancy from Charles Sturt University, New South Wales, Australia. He has approximately 23 years of working experience in finance, accounting, commercial and procurement. His previous employment includes Senior Business Analysis in Dun & Bradstreet Corporation, Business Controller in Iltizam Tuah Sdn Bhd, Assistant Vice President (Finance) at Pos Malaysia Berhad, Head of Finance of UGL Qatar, a subsidiary of UGL Australia and Head of Finance at DRB-HICOM Berhad.

Mr. Jeffery attended the Oxford Advanced Management & Leadership Program ("OAMLP") at Said Business School, Oxford University, United Kingdom in 2018.

Mr. Jeffery does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or any major shareholder of GFM Services Berhad, nor any conflict of interest with GFM Services Berhad. He has not been convicted of any offence over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

He does not directly hold any ordinary share and warrant in the Company.



**Mohamed Izmi
Bin Md. Said**

Nationality:
Malaysian

Age:
62

Gender:
Male

**Date of Appointment
as CCO:**
1st January 2019

CHIEF CULTURE OFFICER ("CCO")

Mr. Mohamed Izmi is the CCO of GFM Services Berhad. He holds a Bachelor of Business Administration (Major in Marketing) Degree received from Universiti Kebangsaan Malaysia.

Prior to joining GFM, he was the Executive Vice President at a leading IT systems integration company providing a multiple array of solutions across the government departments and ministries. He has over 27 years of IT industry experience in sales and marketing, managing project delivery and maintenance support.

He joined GFM in 2011, as Chief Executive Officer ("CEO") of GFM Solutions Sdn Bhd, overseeing the growth of GFM Group and continued market leadership by delivering and supporting the full range of services and solutions by the Group to organisations.

Currently, as the CCO of GFM Services Berhad, he is tasked to spearhead GFM Group culture change program to better reflect our commitment to talent development.

Mr. Mohamed Izmi does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or any major shareholder of GFM Services Berhad, nor any conflict of interest with GFM Services Berhad. He has not been convicted of any offence over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

He does not directly hold any ordinary share and warrant in the Company.

GROUP MANAGEMENT PROFILE



CHIEF CUSTOMER ADVOCATE ("CCA")

Mr. Ahmad Suhairi joined GFM in 2019. He is the CCA and oversees the Operations of the Group. He holds a Master's in Business Administration from University Utara Malaysia.

Ahmad Suhairi Bin Samsudin

Nationality:
Malaysian

Age:
48

Gender:
Male

**Date of Appointment
as Chief Customer
Advocate:**
1st April 2019

He brings along 23 years of extensive experience in the field of Business Development, Sales & Marketing and Operations with various companies and industries ranging from Media, Logistics, Manufacturing and Education namely Media Prima Bhd, Pos Malaysia Bhd, FedEx, Panasonic and Yayasan Pelajaran Johor.

Mr. Ahmad Suhairi does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or any major shareholder of GFM Services Berhad, nor any conflict of interest with GFM Services Berhad. He has not been convicted of any offence over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

He does not directly hold any ordinary share and warrant in the Company.



HEAD OF FINANCE

Ms. Tan is the Head of Finance of the Group. She received her Bachelor's Degree in Accounting from University of Malaya. Currently, she is a Fellow Member of the Association of Chartered Certified Accountants (FCCA).

Tan Soo Li

Nationality:
Malaysian

Age:
35

Gender:
Female

**Date of Appointment
as Head of Finance:**
1st November 2018

She began her career at IGB Berhad in 2009 and had since served in various large and multinational companies in the field of audit and accounting, corporate finance and advisory work across multiple sectors and companies ranging from Oil & Gas, Facilities Management, Investment Banking and was with one of the Big Four Accounting firms.

She joined GFM in 2018 and assumed the position of Head of Finance of the Group. She is responsible to oversee the GFM Group's finance operations for all of the company's financial reporting, tax and corporate finance related matters.

Ms. Tan does not hold any directorship in any public companies and listed issuers. She does not have any family relationship with any Director and/or any major shareholder of GFM Services Berhad, nor any conflict of interest with GFM Services Berhad. She has not been convicted of any offence over the past five years and there was no public sanction or penalty imposed on her by the relevant regulatory bodies during the financial year.

She does not directly hold any ordinary share and warrant in the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



The Board confirms that the Group has made significant effort to maintain high standards of corporate governance throughout the year under review and acknowledges that achieving excellence in corporate governance is a continuous process and is committed to play a pro-active role in steering the Group towards the highest level of integrity and ethical standards.



Abdul Rahim Bin Abdul Hamid
Board Chairman

The Board of Directors ("the Board") of GFM Services Berhad ("GFM Services" or "GFM Services Group" or "Company") believes that good corporate governance is fundamental to the Group's continued success. Therefore, the Board is committed to ensuring that the highest standards of corporate governance are practised throughout GFM Services, as a fundamental criterion of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Company.

This overview statement sets out the commitment and describes how the Group has applied the principles and recommendations of the following:-

1. ACE Market Listing Requirements ("ACE LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"); and
2. Malaysian Code on Corporate Governance ("MCCG").

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

Practice 1.1 – Board Leadership &

Practice 2.1 – Board Charter

The Board retains full and effective control of the Group. The Board has the primary responsibility for guiding and monitoring the business and affairs of the Group including compliance with the Company's corporate governance objectives. In giving effect to this Board Charter, each Director will at all times act honestly, fairly and diligently in all respects in accordance with the law applicable to the Company. Each Director will at all times act in the interests of shareholders of the Company and of the Company as a whole, and will have regard to the interests of employees and customers of the Group and the community and environment in which the Group operates.

As set out in the Board Charter, the Board is responsible to shareholders for the management and performance of the Group, including the following matters:-

- Evaluating, approving and monitoring the Company's strategic and financial plans for the Group;
- Evaluating, approving and monitoring the annual budgets and business plans and evaluating the Group's performance in relation to them;
- Evaluating, approving and monitoring the progress of major capital expenditure, capital management, acquisitions, divestitures and all major corporate transactions including the issue and buy-back of any securities of the Company;
- Monitoring major litigation;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

I. Board Responsibilities (cont'd.)

Practice 1.1 – Board Leadership &

Practice 2.1 – Board Charter (cont'd.)

As set out in the Board Charter, the Board is responsible to shareholders for the management and performance of the Group, including the following matters:- (cont'd.)

- Approving all financial reports to be published and related stock exchange announcements;
- Monitoring other material reporting and external communications by the Company;
- Approving the dividend policy and payment of dividends;
- Succession Planning, Evaluation and Appointments;
- Appointing external auditors (subject to shareholder's approval); and
- Considering and reviewing the social, ethical and environmental impact of the Group's activities and determining, monitoring and reviewing standards and policies to guide the Group in this regard.

The salient features of the Board Charter had been uploaded on the Company's website at www.gfmservices.com.my.

The Board has delegated specific responsibilities to various Board Committees namely the Audit and Risk Management Committee, the Nomination and Remuneration Committee ("NRC") whose functions are within their respective terms of reference approved by the Board. The said terms of reference are periodically reviewed by the Board, as and when necessary and the Board appoints the Chairman and members of each committees. These Committees assist the Board in making informed decisions through in-depth discussions on issues in discharge of the respective committees' terms of reference and responsibilities. The Chairman of the various committees will report to the Board the outcome of the Committee meetings which will be recorded in the minutes of the Board meeting. The ultimate responsibility for decision making, however, lies with the Board.

For certain day-to-day operations, the Board has delegated authorities and powers to management with the prescribed limits of authority.

Practice 1.2 – The Board Chairman &

Practice 1.3 – Separation in the Roles of Chairman and CEO

To ensure balance of power and authority, accountability and independent decision making, the roles of the Chairman and the Group Chief Executive Officer are distinct and separated.

The position of Chairman is held by Mr. Abdul Rahim Bin Abdul Hamid, an Independent Non-Executive Chairman of the Company. The Group Chief Executive Officer, Mr. Jeffery Bin Mohamad Akhir is responsible for the daily management of the Group's operations and implementation of the Board's policies and decisions. He is responsible for communicating matters relating to the Group's business affairs and issues to the Board for its consideration and approval, where required.

The positions of Chairman and Group Chief Executive Officer are held by different individuals. The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board, acts as facilitator at the meetings and to ensure that Board proceedings are in compliance with good conduct and best practices. Whilst the Group Chief Executive Officer is responsible for making and implementing operational and corporate decision as well as developing, coordinating and implementing business and corporate strategies.

The distinct and separate roles of the Chairman and Group Chief Executive Officer, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

Practice 1.4 – Company Secretary

Every Director also has unrestricted access to the advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board. In the event that the Company Secretary fails to fulfil her functions effectively, the terms of the appointment permit their removal and appointment of successor which is a matter for the Board to decide.

The Company Secretary plays an advisory role to the Board in relation to the Company's Constitution, the Board's policies and procedures, and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary is suitably qualified, competent and capable of carrying out the duties required and has attended training and seminars conducted by relevant regulatory bodies to keep abreast with the relevant updates on statutory and regulatory requirements and updates on the ACE LR of Bursa Securities.

The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares, in accordance with Rule 14 of the ACE LR of Bursa Securities. Deliberations during the Board and Board Committees' meetings were properly minuted and documented by the Company Secretary.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

I. Board Responsibilities (cont'd.)

Practice 1.5 – Information and Support for Directors

The Board endeavours to meet at least four (4) times a year, at quarterly intervals which are scheduled well in advance at the commencement of the financial year to help facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened where necessary to deal with urgent and important matters that require attention of the Board. Where appropriate, decisions are also made by way of circular resolutions in between scheduled meetings during the financial year.

The Board met six (6) times during the financial year ended 31 December 2019 ("FYE 2019") and the attendance records of each Director at the Board Meetings is set out below:-

Names of Directors	Attendance at Meeting	Percentage of Attendance
Abdul Rahim Bin Abdul Hamid	6/6	100%
Zainal Arifin Bin Khalid	6/6	100%
Yong Hee Kong	6/6	100%
Ashok Virendra Shah	5/6	83%
Zainal Bin Amir	5/6	83%
Ruslan Bin Nordin	6/6	100%
Mohammad Shahrizal Bin Mohammad Idris	5/6	83%

The Key Senior Management staff and/or external advisors may be invited to attend Board meetings to advise the Board and to furnish the Board with information and clarification needed on relevant items on the agenda to enable the Directors to arrive at a decision.

At least seven (7) days prior to each board meeting, members of the Board will be provided with an agenda and a set of board papers containing reports and other relevant information detailing various aspects of the Group's operations and performance to enable them to make informed decisions. The board papers may include financial, strategic and corporate proposals that require the Board's deliberation and approval.

The Senior Management, both external and internal auditors and/or advisers may be invited to attend the board meetings, if required, to provide additional information on the relevant agenda tabled at the board meetings.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at board meetings. The Board members are required to notify the Board prior to their acceptance of new directorships in other companies with indication of time that will be spent on the new appointment.

All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretary.

Besides Board meetings, the Board also exercises control on matters that require its approval through the circulation of resolutions.

Board meetings were held to discuss matters that require members' input and decision. The Chairman ensures that all Directors have full and timely access to information. Prior to the meetings of the Board and the Board Committees, notice of agenda together with previous minutes and other relevant information were circulated to all directors on a timely basis in order to enable the directors to be well informed and briefed before the meetings.

All Directors also have full and free access to information within the Group and can as individual Director or as a full Board have unrestricted access to all information pertaining to the Group's business and affair. This is to enable them to carry out their duties effectively and diligently. As and when necessary, the Board may obtain independent professional advice, in furtherance of their duties, at the expense of the Group, in furtherance of their duties.

The external auditors also briefed the Board members on the Financial Reporting Standards that would affect the Group's financial statements during the year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

I. Board Responsibilities (cont'd.)

Practice 3.1 – Establishing and Implementing a Code of Conduct and Ethics

The Board acknowledges and emphasises the importance for all Directors and employees of GFM Services Group to embrace the highest standards of corporate governance practices and ethical standards.

In this respect, the Board has formalised a Code of Ethics and Code of Conduct. These codes are aimed to emphasise the Company's commitment to ethics and compliance with applicable laws and regulations.

The Code of Ethics and Code of Conduct had been uploaded on the Company's website at www.gfmservices.com.my.

Practice 3.2 – Establishing and Implementing Whistle-blowing Policies and Procedures

To enhance corporate governance practices across the Group, a whistle-blowing policy was adopted which provide Directors, employees, shareholders, vendors or any parties with a business relationship of the Group with an avenue to report suspected wrongdoings that may adversely impact the Group.

The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that the person filing the report, as far as possible, be protected from reprisal, harassment or subsequent discrimination.

The salient features of the whistle-blowing policy had been uploaded on the Company's website at www.gfmservices.com.my.

II. Board Composition

Practice 4.1 – Presence of Independent Directors on the Board

The principle emphasises the importance of right board composition in bringing value to the board deliberation and transparency of policies and procedures in selection and evaluation of Board members.

The Board currently has seven (7) members, consisting of one (1) Independent Non-Executive Chairman, three (3) Independent Non-Executive Directors, and three (3) Non-Independent Non-Executive Directors.

The Company complies with the criteria of Bursa Securities' ACE LR of ensuring that at least two (2) Directors or one-third (1/3) of the Board of Directors, whichever is the higher, are independent directors.

The profiles of each of the Directors are presented on pages 32 to 38 of this 2019 Annual Report.

The current composition of the Board is well balanced with the presence of Independent Non-Executive Directors of the necessary calibre to carry sufficient weight in the Board's decision-making process. All Independent Non-Executive Directors are independent of management duties and they do not have any family relationship with any of the other Board members which could interfere with their exercise of independent judgement during the decision-making process of the Board or the ability to act in the best interest of the Company and its shareholders.

The Group Chief Executive Officer is responsible for the making of the day-to-day business and operational decisions and implementation of Board policies. There is a clear division of duties and responsibilities amongst them in order to maintain a balance of control, power and authority within the management.

The Independent Non-Executive Directors are responsible in exercising independent judgement and to act in the best interests of the Group in ensuring that decisions made by the Board are deliberated fully and objectively with regard to the long-term interest of all stakeholders.

The Independent Non-Executive Directors have declared themselves to be independent from management and free of any relationship which could interfere with the exercise of their independent judgement and objective participation and decision making process of the Board.

The Independent Non-Executive Directors act as a bridge between the Management and stakeholders, particularly, shareholders. The Independent Non-Executive Directors provide relevant checks and balances and ensures that high standards of Corporate Governance are applied.

The decision of the Board is done collectively without undue influence or dominance by any individual Director or group of Directors.

The Board is confident that its current size and composition is sufficient and effective in discharging the Board's responsibilities and in meeting the Group's current needs and requirements.

The Profile of the Board Members are set out in this 2019 Annual Report on pages 32 to 38.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

II. Board Composition (cont'd.)

Practice 4.1 – Presence of Independent Directors on the Board (cont'd.)

The MCCG endorses a formal procedure for appointments to the Board based on the recommendation of a nominating committee. As such the Board has established a NRC who is responsible for:-

- recruitment, retention, training and basically developing the best available directors suitable for the Company;
- management of the Board's renewal and succession planning effectively; and
- reviewing and recommending to the Board, the remuneration frameworks for directors and assists the Company in ensuring that the remuneration of the directors reflects the responsibility and commitment undertaken by the board membership.

When there are changes in the regulatory requirements and retirement of directors, the Board would through the NRC review the composition of the Board members in order to ensure that the current composition of its Board functions competently.

Practice 4.2 and Step Up 4.3 – Tenure of Independent Directors

The Board has adopted the policy that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, an Independent Director may continue to serve the Board upon reaching the 9-year limit subject to the Independent Director's redesignation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as Independent after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the NRC is entrusted to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria on independence and the candidate's performance.

All the four (4) Independent Directors were appointed on 18 October 2016. At this juncture, their term of service as Independent Directors is less than nine (9) years.

Should the tenure of an Independent Director exceed nine (9) years, shareholders' approval will be sought at an Annual General Meeting ("AGM") or if the services of the Director concerned are still required, the Director concerned will be redesignated as a Non-Independent Director.

Practice 4.4 and 4.5 – Diversity on Boards and in Senior Management

The Board currently does not have a formal policy on its boardroom or gender diversity. The evaluation and selection criteria of a Director are very much dependent on the effective blend of knowledge, skills, competencies, experiences and time commitment of the new Board member. Nonetheless, the Board is supportive of gender diversity in the Boardroom composition as recommended by the MCCG and will endeavour to consider suitable and qualified female candidates for appointment to the Board.

Practice 4.6 – Sourcing of Directors

The NRC will recommend to the Board on suitable candidates for appointment as Board members, member of Board Committees and Executive Director of the Company based on the following evaluation criteria:-

- Skills, knowledge, expertise and experience;
- Professionalism;
- Time commitment to effectively discharge his role as a director;
- Contribution and performance;
- Character, integrity and competence;
- Boardroom diversity including gender diversity; and
- In the case of candidates for the position of Independent Non-Executive Directors, the NRC shall also evaluate the candidates' ability to discharge such responsibilities and functions as are expected from Independent Non-Executive Directors.

The NRC will arrange for the induction of any new Directors appointed to the Board to enable them to have a full understanding of the nature of the business, current issues within the Company and corporate strategies as well as the structure and management of the Company.

Practice 4.7 – Chairmanship of the Nomination Committee & Practice 6.2 – Remuneration Committee

The present members of the NRC are as follows:-

Name	Designation
1. Zainal Arifin Bin Khalid	Chairman
2. Ashok Virendra Shah	Member
3. Yong Hee Kong	Member
4. Ruslan Bin Nordin*	Member
5. Mohammad Shahrizal Bin Mohammad Idris*	Member

* Appointed as NRC Member on 1 February 2020.

There were four (4) NRC Meetings held for the FYE 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

II. Board Composition (cont'd.)

Practice 4.7– Chairmanship of the Nomination Committee & Practice 6.2 – Remuneration Committee (cont'd.)

The NRC had reviewed and assessed the size of Board, required mix of skills, experience, performance and contribution of Directors, effectiveness of the Board as a whole, independence of Independent Directors and training courses required by the Directors and is satisfied with the current composition and performance of the Board for the FYE 2019.

The NRC have considered the performance and contribution of the Director who stand for re-election at the forthcoming AGM to determine whether they are eligible for re-election. The NRC will recommend the re-election of Director to the Board for approval. All the retiring Director will abstain from deliberations and decisions on their own eligibility to stand for re-election at the Board meeting.

With the current composition, the NRC opines that all the Board members have the necessary knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively. All Directors on the Board have many years of experience on the Boards of other companies and/or also as professionals in their respective fields of expertise.

Practice 5.1 – Evaluation for Board, Board Committees and Individual Directors

The Board, through the NRC, undertakes the process to assess the effectiveness and performances of each individual Director annually. The assessment is based on each Director's contribution to interaction, roles and duties, personal attributes, attendance record and training activities attended.

The Independent Non-Executive Directors play a key role in corporate accountability and provide unbiased views and impartiality to the Board's deliberations and decision-making process. In addition, the Independent Non-Executive Directors ensure that matters and issues brought to the Board are given due consideration, fully discussed and examined, considering the interest of all stakeholders in the Group.

An assessment on the independence of the Directors based on the provisions of the ACE LR of Bursa Securities is carried out before the appointment of any new Independent Non-Executive Director. Further, the Board with the assistance from the NRC will undertake to carry out annual assessment of the effectiveness of the Board, as a whole, including Independent Non-Executive Directors and consider whether the Independent Non-Executive Director can continue to bring independence and objective judgment to Board deliberations.

Any Director who considers that he has or may have a conflict of interest or a material personal interest or a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Director's decisions in any matter concerning the Company is required to immediately disclose to the Board and to abstain from participating in any discussion or voting on the respective matter.

For the FYE 2019, the Board assessed the independence of its Independent Non-Executive Directors based on the criteria set out in the ACE LR of Bursa Securities. The Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company.

During the financial year, all the Directors had participated in various training program. Particulars of the seminars and courses attended are as follows:-

Name of Directors	Date	Seminar/Training Course Title
Abdul Rahim Bin Abdul Hamid	7 March 2019	• Governance Symposium
	26 June 2019	• Bursa Thought Leadership – Leadership Greatness in Turbulent Times: Building Corporate Longevity
	31 July 2019	• Latest Development of the Malaysian Code on Corporate Governance
	23 August 2019	• Bursa Thought Leadership – The Convergence of Digitalisation and Sustainability

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

II. Board Composition (cont'd.)

Practice 5.1 – Evaluation for Board, Board Committees and Individual Directors (cont'd.)

Name of Directors	Date	Seminar/Training Course Title
Ruslan Bin Nordin	29 April 2019	• Fundamentals of Corporate Directorship – The Role of the Board in Strategy and Risk Management Oversight
	27 June 2019	• When Disruption Meets Tradition – ICDM Power Talk
Zainal Bin Amir	7 November 2019	• The Role of the Board – Talent Management & Succession Planning
Mohammad Shahrizal Bin Mohammad Idris	18 – 19 March 2019	• International Construction Transformation Conference 2019
	5 November 2019	• Forum on Corporate Governance in the Capital Market
Zainal Arifin Bin Khalid	11 May 2019	• Asia Leadership Forum – Exercising Leadership in the 21 st Century
	11 June 2019	• MICG Board Evaluation and Effectiveness Assessment Seminar
	9 October 2019	• SIDC Case Study Workshop for Independent Directors
Ashok Virendra Shah	5 November 2019	• Forum on Corporate Governance in the Capital Markets
Yong Hee Kong	January 2019	• The 2019 Malaysia Economic and Strategic Outlook Forum
	March 2019	• Optimising Outcomes and Creating Values in a Changing Healthcare Landscape
	March 2019	• PowerTalk No. 3 on Revisiting the Misconception of Board Remuneration
	April 2019	• How Strategic Is Your Board
	April 2019	• Launch of the Securities Commission's Corporate Governance Monitor 2019
	April 2019	• Education and Learning in a Fast-Changing and Disruptive World
	June 2019	• Leadership Greatness in Turbulent Times Building Corporate Longevity
	June 2019	• The Future of Asia in a New Era of Disruption and Trade Wars
	July 2019	• Malaysian Economic Summit 2019 with the Theme, "The Challenge for Malaysia – Shared Prosperity, Competitiveness & Economic Growth"
	July 2019	• National Forum on Sustainability, CSR & SDG 2019
	July 2019	• 20 th Malaysia Economic Monitor – Re-energizing the Public Service
	August 2019	• Digital HR & Talent Management Conference
	September 2019	• Multiculturalism and Nation Building in Plural and Dividend Societies: Constitutional Experiences
	October 2019	• The Future of the Asia-Pacific Economies Beyond 2020
	October 2019	• 4 th Liberalism Conference

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

III. Remuneration

Practice 6.1 – Remuneration Policy and Procedure for Directors and Senior Management

In general, the component parts of the remuneration for Executive Directors are structured so as to link rewards to corporate and individual performance of the Executive Directors. The remuneration of the Executive Director includes salaries and other emoluments, bonus, fees and benefits in kind.

The level of remuneration for the Independent Non-Executive Directors, reflects the experience and level of responsibilities undertaken by the particular Independent Non-Executive concerned. Currently the Non-Executive Directors are paid Director's fees and attendance allowance for Board/general meetings they attended.

The Company's remuneration policy for Directors is formulated to attract and retain competent individuals. The remuneration is structured to link experience, expertise and level of responsibility undertaken by the Directors.

The NRC is entrusted with the responsibilities to make recommendations on the remuneration package for the Executive Directors to the Board. It is the ultimate responsibility of the entire Board to approve the remuneration of these Directors. Non-Executive Directors' remuneration will be decided by the Board as a whole with the Director concerned abstaining from deliberation and voting on decisions in respect of his individual remuneration.

Practice 7.1, 7.2 and Step Up 7.3 – Disclosure of Remuneration

The details of the remuneration of the Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during the FYE 2019 are as follows:-

The aggregate remuneration of the Non-Independent Non-Executive Directors and Independent Non-Executive Directors for the FYE 2019 is as follows:-

Group Level

Name of Directors	Salaries and other emoluments* (RM)	Fees (RM)	Attendance Allowance (RM)	Benefits in Kind (RM)	Total (RM)
Executive Director					
Ruslan Bin Nordin ¹	550,703	-	12,000	23,950	586,653
Zainal Bin Amir ²	400,610	-	7,500	17,400	425,510
Mohammad Shahrizal Bin Mohammad Idris ³	441,154	-	10,500	21,250	472,904
Independent Non-Executive Director					
Abdul Rahim Bin Abdul Hamid	-	84,000	27,500	-	111,500
Zainal Arifin Bin Khalid	-	72,000	22,000	-	94,000
Ashok Virendra Shah	-	72,000	25,000	-	97,000
Yong Hee Kong	-	72,000	26,500	-	98,500
Non-Independent Non-Executive Director					
Zainal Bin Amir ²	-	28,000	3,000	-	31,000
TOTAL	1,392,467	328,000	134,000	62,600	1,917,067

* Other emoluments include salaries, bonuses, allowance, Employees Provident Fund contributions, Employment Insurance System contributions and SOCSO contributions.

Note:

¹ Redesignated to Non-Independent Non-Executive Director on 1 January 2020

² Redesignated to Non-Independent Non-Executive Director on 31 October 2019

³ Redesignated to Non-Independent Non-Executive Director on 7 January 2020

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

III. Remuneration (cont'd.)

Practice 7.1, 7.2 and Step Up 7.3 – Disclosure of Remuneration (cont'd.)

Subsidiary Level

Name of Directors	Salaries and other emoluments* (RM)	Fees (RM)	Attendance Allowance (RM)	Benefits in Kind (RM)	Total (RM)
Executive Director					
Ruslan Bin Nordin	-	-	-	-	-
Zainal Bin Amir	-	16,000	-	-	16,000
Mohammad Shahrizal Bin Mohammad Idris	-	-	-	-	-
TOTAL	-	16,000	-	-	16,000

* Other emoluments include salaries, bonuses, allowance, Employees Provident Fund contributions, Employment Insurance System contributions and SOCSO contributions.

Remuneration Bands

The details of the remuneration of the top four (4) Senior Management (including salary, bonus, benefit in kind and other emoluments) in each successive bands of RM50,000 during the FYE 2019 are as follows:-

Range of Remuneration per annum (RM)	Designation of Top Senior Management
RM150,001 - RM200,000	1. Chief Customer Advocate 2. Head of Finance
RM400,001 - RM450,000	1. Group Chief Executive Officer 2. Chief Culture Officer

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Management Committee

Practice 8.1 – Chairman of the Audit and Risk Management Committee

The Audit Committee was established on 18 October 2016. Subsequently, the Audit Committee was renamed as Audit and Risk Management Committee ("ARMC") on 26 February 2019.

The ARMC comprises of five (5) Non-Executive Directors, majority of whom are Independent Directors, including the Chairman as follows:-

Name	Designation
1. Ashok Virendra Shah	Chairman
2. Abdul Rahim Bin Abdul Hamid	Member
3. Yong Hee Kong	Member
4. Ruslan Bin Nordin*	Member
5. Zainal Bin Amir*	Member

* Appointed as ARMC Member on 1 February 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D.)

I. Audit and Risk Management Committee (cont'd.)

Practice 8.1 – Chairman of the Audit and Risk Management Committee (cont'd.)

The Chairman of the ARMC, Mr. Ashok Virendra Shah is a fellow member of Singapore Society of Accountants, member of Chartered Accountants of India and member of the Malaysian Institute of Accountants.

The composition of the ARMC and the qualification of the members comply with Rule 15.09 (1) of the ACE LR of Bursa Securities.

Practice 8.2 and 8.3 – Oversight of External Auditors by the Audit and Risk Management Committee

The ARMC and Board place emphasis on the objectivity and independence of the external auditors in providing true and fair report to the shareholders. Through the ARMC, the Board maintains a transparent relationship with the Internal and External Auditors in seeking professional advice on the internal control and ensuring compliance with the appropriate accounting standards. The ARMC is empowered to communicate directly with the external and internal auditors and vice versa to highlight any issues of concern at any point in time.

The Internal Auditors met the ARMC twice during the financial year to discuss the nature, scope of the audit, internal controls and issues that may require the attention of the ARMC or the Board. Audit Plan was also discussed on that score taking into account of the historical risk and control matters and the ongoing risk exposure to the Group.

The fees for External Auditors were RM249,000 in audit fee and RM16,000 for non-audit fee for services rendered by the External Auditors to the Group for the FYE 2019.

The External Auditors have confirmed to the ARMC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

In compliance with ACE LR of Bursa Securities and the MCCG, the ARMC within its duties reviews the scope of work, independence, objectivity and findings and recommendations of the audits conducted by both the Internal and External Auditors.

The ARMC also made arrangements to meet and discuss with the Internal and External Auditors separately without the presence of management on any matters relating to the Group and its audit activities.

Practice 8.4 – Independence of the Audit and Risk Management Committee

The Board recognises the importance of independence and objectivity in its decision making process which is in line with the MCCG.

The Directors with their different backgrounds and specialisation, collectively bring with them a wide range of experience and expertise in areas such as finance, legal, marketing and operations. The Executive Director is responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies. The Independent Non-Executive Directors contribute their knowledge and experience towards formulating policies and in the decision-making process. They do not engage in day-to-day management of the Company and do not participate in any business dealings with the Company. The Independent Non-Executive Directors also bring with them objective and independent judgement to decision-making and provide a check and balance for the Executive Director.

The Independent Non-Executive Directors on the Board who are neither related to any Director and/or major shareholders nor have any conflict of interests of the shareholders and the Group ensures that the interests of the shareholders and the Company are adequately protected.

II. Risk Management and Internal Control Framework

Practice 9.1 and 9.2 – Risk Management and Internal Control

The Board has overall responsibility of maintaining a system of internal controls and risk management which provides reasonable assurance of effective and efficient operations and compliance with laws and regulations as well as with internal policies and procedures.

The Board recognises that risks cannot be fully eliminated. As such, the systems, processes and procedures being put in place are aimed at minimising and managing them and to provide reasonable and not absolute assurance against material misstatement, loss or fraud.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D.)

II. Risk Management and Internal Control Framework (cont'd.)

Step up 9.3 – Establishment of Risk Management Committee

The Board Committees such as ARMC and NRC are established by the Board, and they are governed by terms of reference and authority for areas within their scope.

The Company decided to combine both Audit Committee and Risk Management Committee to overseeing the risk management function together with the management.

Practice 10.1 and 10.2 – Effectiveness of an Internal Audit Function

The Board has mandated the ARMC with the overall responsibility of ensuring adequacy, completeness and effectiveness of the internal control system and risk management. The ARMC undertakes periodic reviews and monitors the compliance to these systems via the Internal Audit Function who carries out audit checks on such control processes and provides feedback on its effectiveness and compliance at the operating level. Any weaknesses or variances reported by the Internal Auditor to the ARMC will be turned into management actions to rectify any weaknesses in those control processes.

The Company has outsourced its internal audit function to an independent internal audit service provider namely KPMG Management & Risk Consulting Sdn. Bhd. who is tasked with the aim of providing assurance to the ARMC and the Board on the adequacy, integrity and effectiveness of the system of internal control and risk management of the Company.

The Internal Auditors, who report directly to the ARMC are given full access to all the documents relating to the Company and Group's governance, financial statements and operational assessments.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

Practice 11.1 – Communication with Stakeholders

The Group recognises the importance of communication with its shareholders and utilises many channels to disseminate information and to interact with them. To augment the process of disclosure, the Group has a website in which shareholders and the public can access up-to-date information about the business and the Group. The Group's website can be accessed via www.gfmservices.com.my.

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Group to the regulators, shareholders and stakeholders. Steps will be taken to formalise pertinent corporate disclosure policies to comply with the disclosure requirements as stipulated in the ACE LR of Bursa Securities, and to set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders.

The Company aims to ensure that the shareholders and investors are kept informed of all major corporate developments, financial performance and other relevant information by promptly disseminating such information to shareholders and investors via announcements to Bursa Securities, which is in line with Bursa Securities' objectives of ensuring transparency and good corporate governance practices, through dialogue with analysts and the media.

The Annual Report and the quarterly announcements are the primary mode of communications to report on the Group's business activities and financial performance to all shareholders.

The Company also maintains an effective communication channel between the Board, shareholders and the general public through timely dissemination of all material information. Minority shareholders may communicate with the Company through the Company's website.

II. Conduct of General Meetings

Practice 12.1 – Notice of General Meeting

The Notice of AGM will be circulated at least twenty-eight (28) days prior to the date of AGM to enable shareholders to have sufficient time to peruse the 2019 Annual Report and papers supporting the resolutions proposed.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D.)

II. Conduct of General Meetings (cont'd.)

Practice 12.1 – Notice of General Meeting (cont'd.)

Pursuant to Rule 8.31A(1) of the ACE LR of Bursa Securities, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and its intended to be moved at the general meeting, is voted by poll.

Hence, all resolutions as set out in the notice of the Company's forthcoming AGM will be voted by poll.

Practice 12.2 – Attendance of Directors at General Meetings

The AGM is the principal forum for dialogue with the shareholders. All shareholders are encouraged to attend the AGM and participate in its proceedings. Every opportunity is given to the shareholders to ask questions and seek clarification on the business and performance of the Group.

The ARMC is available at the AGM to answer questions and consider suggestions. The External Auditors are also present to provide their professional and independent clarification on issues of concern raised by the shareholders, if any.

Practice 12.3 – Electronic Voting

In the event that shareholders are unable to attend the AGM in person, they are encouraged to appoint one (1) or up to two (2) proxies to attend and vote in his/her stead. The outcome of the meeting is announced to Bursa Securities on the same day, which is also accessible on the Company's website.

The Company conducts a poll voting on each resolution tabled during the general meetings to support shareholders participation. As the number of shareholders of the Company is not large, the Company currently conducts a manual poll voting instead of electronic poll voting. With the poll voting, each shareholder present in person or represented by proxy at the general meeting will be entitled to vote on a one-share, one-vote basis. At least one (1) scrutineer is appointed to validate the votes cast at the meeting.

ADDITIONAL COMPLIANCE INFORMATION

The following disclosures are made in accordance with Part A of Appendix 9C of the ACE LR of Bursa Securities:-

1. Statement of Directors' Responsibility in respect of the Financial Statements

The Directors are required by the Companies Act, 2016 to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of financial year and of the results and cash flows of the Company and of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Company and of the Group for the FYE 2019 the Company and the Group have used the appropriate accounting policies and applied them consistently and prudently. The Directors also consider that all relevant approved accounting standards have been followed in the preparation of these financial statements.

2. Material Contracts Involving Directors and/or Major Shareholders

There were no material contracts outside the ordinary course of business entered into by the Company and its subsidiaries involving Director's and major shareholder's interest which were still subsisting at the end of the FYE 2019 or entered into since the end of the previous financial year.

3. Corporate Responsibility ("CR")

The Group is mindful of the need to be corporately responsible and recognise that for long-term sustainability, its strategic orientation will need to look beyond financial parameters. Hence, the Group supports important causes such as employees' welfare, community and environment protection. However, the Group endeavours to broaden its scope of CR initiatives over time and will plan accordingly.

4. Utilisation of Proceeds Raised from Corporate Proposals

Not applicable as there were no proceeds raised from any corporate proposals undertaken by the Company during the FYE 2019.

5. Contracts Relate to a Loan

There were no contracts which relate to a loan entered into by the Company and its subsidiaries during the FYE 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ADDITIONAL COMPLIANCE INFORMATION (CONT'D.)

6. Employees' Share Option Scheme ("ESOS") and Employees' Share Grant Scheme ("ESGS")

The Company had on 17 October 2017 obtained the approval from the shareholders in relation to the ESOS and ESGS at its Extraordinary General Meeting ("EGM").

The Company has offered ESOS and ESGS to the Board of Directors and eligible employees on 17 June 2019 and the details of the ESOS and ESGS are as follows:-

- a) The total number of options granted, exercised, forfeited and outstanding under the ESOS and ESGS since its commencement up to the FYE 2019 are set out below:-

Description	Number of Options			
	Grand Total		Directors and Senior Management	
	ESOS	ESGS	ESOS	ESGS
Outstanding as at 01/01/2019	1,943,000	2,089,000	259,000	259,000
Granted	2,109,000	2,109,000	222,000	222,000
Exercised	-	1,371,000	-	146,000
Forfeited	1,147,000	852,000	28,000	28,000
Outstanding as at 31/12/2019	2,905,000	1,975,000	453,000	307,000

- b) Percentages of options applicable to Directors and Senior Management under the ESOS and ESGS during the financial year and since its commencement up to the FYE 2019 are set out below:-

Directors and Senior Management	Percentage	
	During the financial year	Since Commencement up to 31 December 2019
Aggregate maximum allocation	14%	15%
Actual options granted	11%	11%

- c) Breakdown of the options offered to and exercised by, or shares granted to and vested in (if any) by Non-Executive Directors under the ESOS and ESGS in respect of the FYE 2019 are set out below:-

Name of Director	Amount of options/ shares granted '000	Amount of options exercised/shares vested '000
1. Abdul Rahim Bin Abdul Hamid	120	-
2. Zainal Arifin Bin Khalid	120	30
3. Yong Hee Kong	120	30
4. Ashok Virendra Shah	120	30
TOTAL	480	90

7. Recurrent Related Party Transactions of Revenue or Trading Nature ("RRPT")

There were no RRPT conducted during the FYE 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ADDITIONAL COMPLIANCE INFORMATION (CONT'D.)

8. Non-Audit Fees

Non-audit fees of RM16,000 were paid and payable to external auditors by the Group for the FYE 2019. Non-audit services comprise mainly regulatory reviews and reporting and review of quarterly financial results.

9. Variation in Results

There was no material variance between the financial results and the profit forecast or unaudited results previously made for the FYE 2019.

10. Profit Guarantee

There was no profit guarantee given by the Company during the FYE 2019.

11. Profit Forecast Variance

There was no profit forecast issued during the FYE 2019.

12. Non-Observance of MCCG

There was no non-observance of the MCCG for the FYE 2019.

13. Succession Plan

It is the responsibility of the NRC to determine a fair remuneration package for the Directors, with the main purpose to attract and retain the right candidates. As part of the succession plan, the Senior Management are encouraged to identify and to train potential subordinates in order to prepare them for larger responsibilities within the Group.

STATEMENT OF COMPLIANCE WITH THE MCCG

The Board confirms that the Group has made effort to maintain high standards of corporate governance throughout the year under review. The Board acknowledges that achieving excellence in corporate governance is a continuous process and is committed to play a pro-active role in steering the Group towards the highest level of integrity and ethical standards.

This Corporate Governance Overview Statement was approved by the Board of Directors on 15 April 2020.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of the Group is pleased to present the Audit and Risk Management Committee ("ARMC") Report for the financial year ended 31 December 2019 ("FYE 2019").

MEMBERSHIP

The ARMC shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, a majority of whom shall be Independent Directors. All members of the ARMC should be Non-Executive Directors.

The members of the ARMC shall elect a Chairman from among their members who shall be an Independent Director. No alternate Director shall be appointed as a member of the ARMC.

At least one (1) member of the ARMC:-

- a) must be a member of the Malaysian Institute of Accountants; or
- b) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and:-
 - he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - he/she must be a member of one (1) of the association of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").

The Audit Committee was established on 18 October 2016. Subsequently, the Audit Committee was renamed as Audit and Risk Management Committee ("ARMC") on 26 February 2019.

The ARMC comprises of five (5) Non-Executive Directors, majority of whom are Independent Directors, including the Chairman as follows:-

Name	Designation
1. Ashok Virendra Shah Independent Non-Executive Director	Chairman
2. Abdul Rahim Bin Abdul Hamid Independent Non-Executive Director (Board Chairman)	Member
3. Yong Hee Kong Independent Non-Executive Director	Member
4. Ruslan Bin Nordin* Non-Independent Non-Executive Director	Member
5. Zainal Bin Amir* Non-Independent Non-Executive Director	Member

* Appointed as ARMC Member on 1 February 2020.

The Chairman of the ARMC, Mr. Ashok Virendra Shah is a fellow member of Singapore Society of Accountants, member of Chartered Accountants of India and member of the Malaysian Institute of Accountants.

The composition of the ARMC and the qualification of the members comply with Rule 15.09 (1) of the ACE Market Listing Requirement ("ACE LR") of Bursa Securities.

MEETINGS AND MINUTES

During the financial year, the ARMC conducted five (5) meetings of which all were duly convened with sufficient notices given to all ARMC members together with the agenda, report and proposals for deliberation at the meetings. The Key Senior Management were invited to all ARMC meeting to facilitate direct communication as well as to provide clarification on audit issues and the operations of the Group.

Representatives from the external auditors and internal auditors, as the case may be, were in attendance to present the relevant reports and proposals to the ARMC at the meetings which included inter alia, the Internal Audit Reports, the auditors' audit plans, audit reports and the audited financial statements for the FYE 2019.

In the ARMC meetings, the external auditors were given opportunities to raise any matters and gave unrestricted access to the external auditors to contact them at any time should they become aware of incidents or matters during the course of their audits or review. Minutes of the ARMC meetings were tabled for confirmation at the following ARMC meeting and subsequently presented to the Board for notation.

The details of attendance of the ARMC members are as follows:-

ARMC Members	Meeting Attendance
Ashok Virendra Shah	4/5
Abdul Rahim Bin Abdul Hamid	5/5
Yong Hee Kong	5/5
Ruslan Bin Nordin*	N/A
Zainal Bin Amir*	N/A

* Appointed as ARMC Member on 1 February 2020.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

RESPONSIBILITIES AND DUTIES

In fulfilling its primary objectives, the ARMC undertakes, amongst others, the following responsibilities and duties:-

- a) To discuss with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit;
- b) To review major audit findings arising from the interim and final external audits, the audit report and the assistance given by the Group's officers to the external auditors;
- c) To review with the external auditors, their evaluation of the system of internal controls, their management letter and management's responses;
- d) To review the following in respect of internal audit:-
 - adequacy of scope, functions and resources of the firm of internal auditors (that was engaged to undertake the internal audit function) and that it has the necessary authority to carry out its work;
 - the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function; and
 - review and approve any appointment or termination of senior staff members of the internal audit function.
- e) To review the quarterly reporting to Bursa Securities and year-end annual financial statements of the Group before submission to the Board, focusing on:-
 - compliance with accounting standards and regulatory requirements;
 - any major changes in accounting policies;
 - significant and unusual items and events; and
 - incidences of fraud and material litigation, if any.
- f) To review any related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management's integrity;
- g) To consider the nomination and appointment of external auditors, as well as the audit fee;
- h) To review the resignation or dismissal of external auditors;
- i) To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment; and
- j) To promptly report to Bursa Securities if it is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the ACE LR.

INTERNAL AUDIT FUNCTION

The Company has appointed KPMG Management & Risk Consulting Sdn. Bhd. ("Internal Auditor"), a professional firm of qualified accountants, to undertake the internal audit function. The role of the Internal Auditors is to provide the Committee with independent and objective reports on the systems and state of internal controls of the Company.

The internal audit fee incurred for the FYE 2019 was RM124,522.

SUMMARY OF ACTIVITIES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The ARMC's activities during the financial year under review comprised the following:-

External Auditors

- reviewed the external audit plan, outlining the audit scope, audit process and areas of emphasis based on the external auditors' presentation of audit plan;
- reviewed the external audit planning memorandum and the response from the Management; and
- consideration and recommendation to the Board for approval of the audit fees payable to the external auditors.

The ARMC recommended to the Board for approval of the audit fee of RM249,000 in respect of the FYE 2019.

Internal Control and Risk Management

The ARMC is overseeing the risk management and internal control process within the Company and the Group.

The Group outsources its internal audit function to a professional services firm, namely KPMG Management & Risk Consulting Sdn. Bhd. The Internal Auditors were engaged to conduct regular review and appraisals of the effectiveness of the governance, risk management and internal control process within the Company and the Group.

The Internal Auditors, who report directly to the ARMC are given full access to all the documents relating to the Company and Group's governance, financial statements and operational assessments.

RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST

The ARMC will review the recurrent related party transactions ("RRPT") and conflict of interest situation that may arise within the Company and its Group including any transaction, procedure or course of conduct that raises questions of management integrity.

The ARMC will review the RRPT and conflict of interest situation presented by the management prior to the Company entering into such transaction. The ARMC also ensure that the adequate oversight over the controls on the identification of the interested parties and possible conflict of interest situation before entering into transaction.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This Statement on Risk Management and Internal Control is made pursuant to Rule 15.26(b) of Bursa Malaysia Securities Berhad (“Bursa Securities”) ACE Market Listing Requirements which requires the Board of Directors (“Board”) of GFM Services Berhad (“GFM” or the “Company”) to include in this Annual Report a statement about the state of risk management and internal control of the Company and its subsidiaries (“Group”) and Practice 9.2 of the Malaysian Code on Corporate Governance (“MCCG”) which enunciates that “the Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework”. This statement however does not cover joint ventures whereby risk management and internal controls are overseen by the respective governing bodies.

The following statement outlines the nature and scope of the Group’s risk management and internal control for the financial year ended 31 December 2019 (“FYE 2019”) as guided by the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers introduced by Bursa Securities.

BOARD’S RESPONSIBILITY

The Board and Management recognise their overall responsibilities in maintaining a sound system of internal controls that covers financial, operational, compliance and risk management practices in the organisation. The Board acknowledges its overall responsibility to review and maintain an adequate system of internal controls organisation wide with consistent integrity designed to manage rather than eliminate risks to improve the governance process of the organisation.

However, there are limitations inherent in any system of internal controls; the evaluation and implementation of the system can only provide reasonable assurance and not absolute assurance against any material loss or misstatement.

The Group has established an on-going process for identifying, evaluating and managing the significant risks that may affect the achievement of its business objectives. The system of internal controls has been in place during the financial year and the system is subject to regular reviews by the Board. The Board

has received assurance from the Managing Director and Chief Financial Officer that the Company’s risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

RISK MANAGEMENT FRAMEWORK

The Group’s Enterprise Risk Management (“ERM”) adheres to the GFM’s ERM Framework which adopts ISO 31000:2009 Risk Management requirements. The ERM Framework has been communicated to staff of relevant levels and reviewed for continuous improvement. The key objectives of the ERM Framework are amongst others to:-

- streamline operations to recognise the business goals of the Group;
- accord ownership of risk to process owners, including mitigating measures to address the risk within knowledgeable and acceptable levels; and
- provide a structured form of guidance to identify, evaluate, control, report and monitor significant risk faced by the Group.

There is on-going risk management process to identify, evaluate, monitor and manage significant risks faced by the Group and its subsidiaries throughout the FYE 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT APPROACH

The ERM Framework provides a standard and consistent approach in implementing ERM in the Group.



Diagram 1: Enterprise Risk Management process

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT APPROACH (CONT'D.)

Risks identified from exogenous and internal factors can be generally classified into the following distinct categories:-

- Strategic risk;
- Business development risk;
- Compliance risk;
- Corporate resources risk;
- Legal risk;
- Operations risk;
- Procurement risk; and
- Information communication technology risk.

KEY RISK FACTORS

In delivering the Group's goals and objectives, GFM has taken into account aspects of risk assessment. Some of the key challenging factors are as follows:-

Operational Risk

GFM's Operational Department has constantly and continually committed considerable attention to this risk where aspects of product and service quality, safety and compliance are of utmost importance.

At GFM, operational risk is further classified into the fulfilment of system delivery of services under its facilities management responsibilities as per the service agreements with clients, as well as monitoring the efficiency of operations. Among the efficiency factors are:-

- timeliness in completing work orders;
- compliance to scheduled maintenance;
- frequency of machinery breakdown and repair rework; and
- volume of complaints and penalties imposed by clients.

In mitigating the risk, the Operational Department is consistently under review by internal and external examiners of various disciplines, such as quality assurance, safety and compliance. Emphasis has been put for the Operational Department to work closely with both clients and subcontractors to detect weaknesses and implement initiatives to further improve.

Culture and Talent

The recruitment of qualified and competent skilled workers is important in delivering the Group's objectives. Due to the challenges of mobilization, GFM faces the risk not being able to provide the adequate manpower, in terms of the quantity, quality and qualified staffs, to its sites. This issue is prevalent where the mobilization takes place in rural areas.

Among the main mitigation plans adopted by GFM, is the creation of a centralized talent pool who are able to be deployed on a short-term basis. During the short-term deployment, GFM shall provide on the job training to staffs recruited locally. This strategy ensures business and service continuity. The locally recruited staffs are also required to obtain relevant external certification as part of their development.

Development Risk

GFM is in an industry that is rapidly evolving with new companies emerging to provide facilities management service. In addition, the landscape of the industry has also changed, with clients being more sophisticated.

To remain competitive GFM has expanded its total facilities management services to include consultancy and advisory, workers camp and catering services, providing IT based facilities management solutions and has plans to venture into the energy sector.

INTERNAL CONTROL FRAMEWORK

a) Organisation Structure

Despite the constant changes in manpower due to new projects and redeployment of staff, GFM still manage to ensure that a proper organisation structure and reporting line is maintained.

b) Code of Ethics and Code of Conduct

The Code of Ethics and Code of Conduct (the "Codes") is vital in setting and driving the ethical tone of the Group by articulating the expectations relating to the conduct of day-to-day business affairs and engagement with all stakeholders. These Codes have been put in place to guide Directors and all employees of the Group in observing high standards of personal and corporate integrity across the Group.

c) Whistle-Blower Policy

The Board has established a Whistle-Blower Policy that enables the stakeholders of the Group to escalate bona fide concerns regarding any unethical, unlawful or undesirable conduct via a reporting channel in an objective manner. The Whistle-Blower Policy is made available on GFM's website.

d) Guidelines on Misconduct and Discipline

Guidelines are established to govern the handling of misconduct and disciplinary matters of Directors and employees who breach the Code of Ethics and Code of Conduct, in which will be reported to Corporate Resources for further investigation proceedings.

e) Limits of Authority

Clearly defined limits of authority, responsibility and accountability have been established to govern the business and standard day-to-day operations, including matters requiring the Board's approval. The establishment of the Limits of Authority provides a sound framework of authority, responsibility and segregation of duties within the Company.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL FRAMEWORK (CONT'D.)

f) Key Performance Indicators ("KPI")

The Group's KPI was developed to keep track and monitor the execution of future growth, operation and financial aspects of the business and to ensure the Group achieves its performance targets for the FYE 2019.

g) Board Committee

Audit and Risk Management Committee ("ARMC")

The primary function of the ARMC is to assist the Board in reviewing the adequacy and integrity of the Group's quarterly financial results and year-end financial statements, related party transactions, conflict of interest situations, external and internal audit as well as risk management and internal controls. Further details on the ARMC are elaborated in the Audit and Risk Management Committee Report; and

Nomination and Remuneration Committee ("NRC")

The NRC, amongst others, assists the Group in new appointments of Directors and/or Senior Management, evaluating the size and balance of the Board, re-election, re-appointment, resignation and termination of the Board members and performing annual assessments on relevant policies and procedures within the Group.

h) Planning, Monitoring and Reporting

• Strategic Thrust

The Group has established a Strategic Thrust which sets out the business objectives, strategies and targets for the financial year by focusing on the market, services, process and manpower of the business. The strategic business plans are prepared on an annual basis whilst also considering the Group's overall budget. The Group's performance is monitored on an ongoing basis throughout the year;

• Integrated Management System Accreditation

The Integrated Management System of GFM consists of Quality Management System ("QMS"), Environmental Management System ("EMS") and Occupational Health & Safety Management System ("OHSMS") have been internationally recognised and certified by Bureau Veritas Certification ("BVC") which carries the ISO9001:2015, ISO14001:2015 and OHSAS18001:2007 certifications respectively. These certifications serve as a testament to GFM's robust work processes that are in line with industry best practices;

• Operational Policies and Procedures

A series of internal policies and procedures are set out in the Group's standard operating procedures to clearly define the day-to-day operations of relevant departments within the Group. The standard operating procedures are updated and revised when deemed necessary.

• Financial Performance Review

The quarterly financial reports of the Group are reviewed by the ARMC and approved by the Board prior to releasing it to the regulators and stakeholders. The full year financial statements are audited by the external auditor and similarly, reviewed by the Audit Committee and approved by the Board before disclosing the financial statements to the public; and

• Assessment of Performance and Controls

The Group's management team monitors and reviews the performance of the financial and operational results. Regular meetings are held at the operational and the management level to discuss and assess the performance of the Group and address any areas of concern such as strategic, operational, financial and management issues.

i) Business Continuity Management

• Business Continuity Plan

In order to ensure continuous non-stop Information and Communication Technology ("ICT") operations, the Group established a Business Continuity Plan ("BCP") to counter against any disasters, emergencies or catastrophic incidents. BCP will ensure that business operations can function in a resilient manner.

• Insurance

The Group has in place insurance policy over its employees and major assets against any untoward events, in which is beyond the Group's control, that could result in material losses. The insurance coverage is reviewed at specific intervals to ensure its adequacy.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to KPMG to assess the adequacy and integrity of the Group's internal control systems. The internal audit function reports directly and provides assurance to the ARMC through the execution of internal audit work based on a risk-based internal audit plan approved by the ARMC before commencement of work.

In carrying out its activities, the internal audit function has unrestricted access to the relevant records, personnel and physical properties of the Group. The internal audit work is carried out based on KPMG's Internal Audit Methodology, which is closely aligned with the International Professional Practices Framework ("IPPF") of the Institute of Internal Auditors, of which final communication of internal audit plan, processes and results of the internal audit assessment are supported by sufficient, reliable and relevant information that signifies a satisfactory conclusion of the internal audit work.

For the FYE 2019, the internal audit function assessed the adequacy and operating effectiveness of internal controls deployed by management for the Group's key processes, covering:-

BUSINESS DEVELOPMENT AND MARKETING AND FACILITIES MANAGEMENT

Business process	Audit focus areas	No. of personnel deployed
Business Development and Marketing	• Policies and procedures governing the business development and marketing process; • Proposal development; • Client feedback and surveys for future improvement; • Development of marketing plan; • Communication between departments; and • Post-event analysis on marketing initiatives	6
Facilities Management	• Policies and procedures governing service delivery; • Project cost monitoring and budget utilisation; • Preventive measures in place to prevent equipment failure; • Spare parts management; • Availability of manpower and staff training; • Contract and KPI monitoring; and • Consultants and sub-contractor management	6

The internal audit engagement by KPMG is headed by an Executive Director, Mr Khaidzir Mohd Shahari. He is a Chartered Member of the Institute of Internal Auditors, Malaysia and a Chartered Accountant (Malaysian Institute of Accountants). Mr. Khaidzir has accumulated close to 25 years of experience in a wide range of governance advisory, risk management and internal audit work. All the personnel deployed by KPMG are free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of the work. During the FYE 2019, the total fee incurred to KPMG is RM124,522 (2018: RM119,229) which is inclusive of out-of-pocket expenses. This represents the total cost incurred for the internal audit work during the financial year.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Following the completion of its review, the internal audit function reports directly to the ARMC on improvement measures pertaining to internal controls, including a follow-up on the status of management's implementation of recommendations raised in previous reports.

Presently, a majority of the recommendations in the internal audit reports have been implemented or acted upon. The internal audit reports were submitted to the ARMC, who reviewed the observations with the management, including management's action plans to address the concerns raised by the internal audit function. In addition, the external auditor's management letters and the management's responsiveness to the control recommendations on deficiencies noted during financial audits provided added assurance that control procedures on matters of finance and financial reporting were in place, and were being followed.

The Group aspires to have an in-house internal audit function in the near future and as such, has made initial headway in this regard with the ongoing development of a competency framework on the manpower needs for the establishment of an in-house internal audit function.

REVIEW BY THE EXTERNAL AUDITORS

In accordance to Rule 15.23 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditor has reviewed this statement for inclusion in the Annual Report of GFM for the FYE 2019.

The review of this Statement by the external auditors was performed in accordance with the scope set out in Audit and Assurance Practice Guides 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3"), issued by the Malaysian Institute of Accountants.

The external auditors reported that nothing has come to their attention which caused them to believe that the Statement intended to be included in the Annual Report of the Company was not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Guidelines, nor was it factually inaccurate.

COMMENTARY ON THE ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Based on this assurance, the input from external and internal auditors, as well as the Board's review, the Board is of the view that the risk management and internal control system is adequate to meet the needs of the Group in addressing financial, operational and compliance risks and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's annual report. Notwithstanding this, the Board and Senior Management remain committed to strengthening the Group's control environment and processes. Ongoing measures and appropriate action plans will be put in place to enhance the Group's system of internal control as and when necessary.

The Group have also provided documented assurance that the Group's risk management and internal control system, in all material aspects, are operating adequately and effectively based on the risk management and internal control framework of the Group, in all material aspects, during the financial year under review and up to the date of this Statement.

This Statement on Risk Management and Internal Control was approved by the Board of Directors on 15 April 2020.

Financial Statements



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Registration No. 201301003302 (1033141-H)**GFM SERVICES BERHAD**

(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year, net of tax	<u>5,944,585</u>	<u>10,439,078</u>
Attributable to:		
Owners of the Company	<u>5,944,585</u>	<u>10,439,078</u>

DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM
Single tier first and final dividend of 1.1043 sen per ordinary share in respect of the financial year ended 31 December 2018, paid on 19 July 2019	<u>5,200,277</u>

At the forthcoming Annual General Meeting, a single tier final dividend of 0.1771 sen per ordinary share, amounting to RM836,194 in respect of the current financial year, based on the number of outstanding ordinary shares in issue as at 31 December 2019, will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

Registration No. 201301003302 (1033141-H)**DIRECTORS' REPORT** (continued)**BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (ii) any contingent liabilities in respect of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Registration No. 201301003302 (1033141-H)**DIRECTORS' REPORT** (continued)**ITEMS OF MATERIAL AND UNUSUAL NATURE**

In the opinion of the directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company:

- (i) issued 489 new ordinary shares on 6 March 2019 at a price of RM0.38 per ordinary share totalling RM186 for cash pursuant to the conversion of Bonus Warrants;
- (ii) issued 604,500 new ordinary shares on 13 September 2019 at a price of RM0.5061 per ordinary share totalling RM305,937 for cash pursuant to the Company's Employee Share Grant Scheme; and
- (iii) issued 766,500 new ordinary shares on 11 November 2019 at a price of RM0.5061 per ordinary share totalling RM387,926 for cash pursuant to the Company's Employee Share Grant Scheme.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

During the financial year, the Company did not issue any debentures.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year other than the issue of options pursuant to the Employees' Share Option Scheme ("ESOS").

At an Extraordinary General Meeting held on 17 October 2017, the Company's shareholders approved the establishment of an ESOS for non-executive directors and employees who meet the criteria of eligibility for participation.

The salient features and other details of the ESOS is disclosed in Note 19(b) to the financial statements.

Registration No. 201301003302 (1033141-H)

DIRECTORS' REPORT (continued)

OPTIONS GRANTED OVER UNISSUED SHARES (continued)

The options offered for the subscription of unissued ordinary shares and the respective exercise prices are as follows:

Grant date	Exercise price	Number of option over ordinary shares				At 31 December 2019
		At 1 January 2019	Granted	Exercised	Forfeited	
30 August 2018	RM0.4555	1,943,500	-	-	(625,000)	1,318,500
17 June 2019	RM0.4041	-	2,109,000	-	(522,500)	1,586,500

EMPLOYEES' SHARE GRANT SCHEME ("ESGS")

During the financial year, the Company granted 2,109,000 (2018: 2,252,000) shares under the ESGS to eligible employees and non-executive directors of the Company. The details of the shares granted and its vesting conditions during the financial year and the number of shares outstanding at the end of the financial year are disclosed in Note 19(c) to the financial statements.

BONUS WARRANTS

On 7 February 2019, the Company listed and quoted of 235,456,618 free warrants ("Bonus Warrants") pursuant to the Bonus Issue of Warrants at an issue price of RM0.38 per warrant on the basis of one Bonus Warrant for every two existing ordinary shares in the Company held by entitled shareholders of the Company. The Bonus Warrants are constituted by the Deed Poll dated 10 January 2019.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Abdul Rahim bin Abdul Hamid
 Ashok Virendra Shah
 Mohammad Shahrizal bin Mohammad Idris*
 Ruslan bin Nordin*
 Yong Hee Kong
 Zainal Arifin bin Khalid
 Zainal bin Amir*

* Directors of the Company and certain subsidiaries

Registration No. 201301003302 (1033141-H)**DIRECTORS' REPORT** (continued)**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1 January 2019	Bought	Sold	At 31 December 2019
Direct interests:				
Mohammad Shahrizal bin Mohammad Idris	25,700,003	-	-	25,700,003
Ruslan bin Nordin	26,500,004	-	-	26,500,004
Zainal bin Amir	25,700,003	-	-	25,700,003
Indirect interests:				
Mohammad Shahrizal bin Mohammad Idris	* 220,001,000	-	-	220,001,000
Ruslan bin Nordin	* 220,001,000	-	-	220,001,000
Zainal bin Amir	* 220,001,000	-	-	220,001,000

* Shares held through company in which the director has substantial financial interests.

Interest in the ultimate holding company
- GFM Global Sdn. Bhd.

	Number of ordinary shares			
	At 1 January 2019	Bought	Sold	At 31 December 2019
Direct interests:				
Mohammad Shahrizal bin Mohammad Idris	33	-	-	33
Ruslan bin Nordin	34	-	-	34
Zainal bin Amir	33	-	-	33

	Number of options over ordinary shares			
	At 1 January 2019	Granted	Exercised	At 31 December 2019
Abdul Rahim bin Abdul Hamid	30,000	30,000	-	60,000
Ashok Virendra Shah	30,000	30,000	-	60,000
Yong Hee Kong	30,000	30,000	-	60,000
Zainal Arifin bin Khalid	30,000	30,000	-	60,000

	Number of shares granted under ESGS			
	At 1 January 2019	Granted	Exercised	At 31 December 2019
Abdul Rahim bin Abdul Hamid	30,000	30,000	-	60,000
Ashok Virendra Shah	30,000	30,000	(30,000)	30,000
Yong Hee Kong	30,000	30,000	(30,000)	30,000
Zainal Arifin bin Khalid	30,000	30,000	(30,000)	30,000

Registration No. 201301003302 (1033141-H)**DIRECTORS' REPORT** (continued)**DIRECTORS' INTERESTS** (continued)

	Number of Bonus Warrants		
	At 1 January 2019	Granted Exercised	At 31 December 2019
Mohammad Shahrizal bin Mohammad Idris	- 7,350,341	-	7,350,341
Ruslan bin Nordin	- 7,750,351	-	7,750,351
Zainal bin Amir	- 7,350,341	-	7,350,341

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Mohammad Shahrizal bin Mohammad Idris, Ruslan bin Nordin and Zainal bin Amir are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the directors in office at the end of the financial year had any interest in the ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivables, by the directors as disclosed in Note 7(b) to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than those arising from the warrants granted and share options granted under the ESOS and ESGS.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Company were RM11,000,000 and RM35,750 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 11 to the financial statements.

INTEREST IN HOLDING COMPANY AND OTHER RELATED CORPORATIONS

Other than as disclosed elsewhere in this report, the Company does not have any interest in shares in the holding company and its other related corporations during the financial year.

ULTIMATE HOLDING COMPANY

The directors regard GFM Global Sdn. Bhd., a company incorporated in Malaysia, as the ultimate holding company of the Company.

Registration No. 201301003302 (1033141-H)

DIRECTORS' REPORT (continued)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 29 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events subsequent to the end of the financial year are disclosed in Note 30 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 7 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

.....
RUSLAN BIN NORDIN
Director

.....
ZAINAL BIN AMIR
Director

Date: 4 May 2020

Registration No. 201301003302 (1033141-H)

GFM SERVICES BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

		Group		Company	
	Note	2019 RM	2018 RM (Restated)	2019 RM	2018 RM
Revenue	5	130,589,725	122,445,880	26,723,323	16,353,176
Cost of sales		(85,523,891)	(87,436,925)	-	-
Gross profit		45,065,834	35,008,955	26,723,323	16,353,176
Other income	6	4,196,719	22,381,260	3,842	35,679
Administrative expenses		(11,345,064)	(20,481,772)	(7,621,425)	(10,062,887)
Net impairment losses on trade receivables		804,702	(1,712,115)	-	-
		(10,540,362)	(22,193,887)	(7,621,425)	(10,062,887)
Operating profit		38,722,191	35,196,328	19,105,740	6,325,968
Finance costs		(25,380,177)	(3,265,527)	(8,079,359)	(340,102)
Share of results of an associate, net of tax		74,694	(41,532)	-	-
Profit before tax	7	13,416,708	31,889,269	11,026,381	5,985,866
Tax expense	8	(7,472,123)	(9,490,540)	(587,303)	(319,885)
Profit for the financial year		5,944,585	22,398,729	10,439,078	5,665,981
Other comprehensive loss, net of tax					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Fair value loss on financial assets at fair value through other comprehensive income, representing other comprehensive loss for the financial year	19	(21,284)	-	-	-
Total comprehensive income for the financial year		5,923,301	22,398,729	10,439,078	5,665,981

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GFM SERVICES BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

		Group		Company	
	Note	2019	2018	2019	2018
		RM	RM	RM	RM
			(Restated)		
Profit attributable to:					
Owners of the Company		<u>5,944,585</u>	<u>22,398,729</u>	<u>10,439,078</u>	<u>5,665,981</u>
Total comprehensive income attributable to:					
Owners of the Company		<u>5,923,301</u>	<u>22,398,729</u>	<u>10,439,078</u>	<u>5,665,981</u>
Earnings per share attributable to owners of the Company (sen)					
- Basic	9	<u>1.26</u>	<u>5.08</u>		
- Diluted	9	<u>1.22</u>	<u>5.03</u>		

The accompanying notes form an integral part of these financial statements.

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GFM SERVICES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 RM (Restated)	2019 RM	2018 RM (Restated)
ASSETS					
Non-current assets					
Property, plant and equipment	10	21,536,574	19,422,713	813	918
Investment in subsidiaries	11	-	-	162,014,753	162,014,752
Intangible assets	12	25,633,917	26,850,017	-	-
Investment in an associate	13	433,162	358,468	400,000	400,000
Operating financial assets	14	301,418,526	309,590,098	-	-
Other investments	15	1,000,000	521,282	1,000,000	-
Total non-current assets		350,022,179	356,742,578	163,415,566	162,415,670
Current assets					
Tax assets		4,841,210	2,980,326	129,278	671,767
Operating financial assets	14	60,445,084	60,445,084	-	-
Trade and other receivables	16	24,773,190	22,482,668	18,271,489	12,086,684
Deposits, cash and bank balances	17	80,150,606	99,781,066	7,679,238	1,745,809
Total current assets		170,210,090	185,689,144	26,080,005	14,504,260
TOTAL ASSETS		520,232,269	542,431,722	189,495,571	176,919,930

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GFM SERVICES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (continued)

		Group		Company	
	Note	2019 RM	2018 RM (Restated)	2019 RM	2018 RM (Restated)
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	18	67,616,657	66,922,608	67,616,657	66,922,608
Retained earnings/ (Accumulated losses)		81,209,474	80,465,166	850,595	(4,388,206)
Other reserves	19	1,680,944	553,468	1,680,944	532,184
Reorganisation deficit	20	(45,265,315)	(45,265,315)	-	-
TOTAL EQUITY		105,241,760	102,675,927	70,148,196	63,066,586
Non-current liabilities					
Loans and borrowings	21	326,902,851	351,787,693	-	-
Deferred tax liabilities	22	43,636,745	41,411,844	-	-
Trade and other payables	23	-	-	112,104,705	110,025,346
Total non-current liabilities		370,539,596	393,199,537	112,104,705	110,025,346
Current liabilities					
Loans and borrowings	21	27,047,611	25,738,933	-	-
Tax liabilities		1,318,916	85,848	-	-
Trade and other payables	23	16,084,386	20,731,477	7,242,670	3,827,998
Total current liabilities		44,450,913	46,556,258	7,242,670	3,827,998
TOTAL LIABILITIES		414,990,509	439,755,795	119,347,375	113,853,344
TOTAL EQUITY AND LIABILITIES		520,232,269	542,431,722	189,495,571	176,919,930

The accompanying notes form an integral part of these financial statements.

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GFM SERVICES BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

		Attributable to owners of the Company						
	Note	Share capital RM	Fair value reserve of financial assets at FVOCI RM	Reorganisation deficit RM	Share option reserve RM	Share grant reserve RM	Retained earnings RM	Total equity RM
Group								
At 1 January 2019		66,922,608	21,284	(45,265,315)	161,297	370,887	80,465,166	102,675,927
Total comprehensive income for the financial year								
Profit for the financial year		-	-	-	-	-	5,944,585	5,944,585
Other comprehensive loss for the financial year		-	(21,284)	-	-	-	-	(21,284)
Total comprehensive income		-	(21,284)	-	-	-	5,944,585	5,923,301
Transactions with owners								
Issue of ordinary shares	18	186	-	-	-	-	-	186
- pursuant to conversion of Bonus Warrants								
- pursuant to vesting of share grants		693,863	-	-	-	(693,863)	-	-
Share option issued	19(b)	-	-	-	548,467	-	-	548,467
Share grant issued	19(c)	-	-	-	-	1,294,156	-	1,294,156
Dividend paid on shares	24	-	-	-	-	-	(5,200,277)	(5,200,277)
Total transactions with owners		694,049	-	-	548,467	600,293	(5,200,277)	(3,357,468)
At 31 December 2019		67,616,657	-	(45,265,315)	709,764	971,180	81,209,474	105,241,760

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GFM SERVICES BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

		Attributable to owners of the Company						
		Share capital RM	Fair value reserve of financial assets at FVOCI RM	Reorganisation deficit RM	Share option reserve RM	Share grant reserve RM	Retained earnings RM	Total equity RM
Group								
At 1 January 2018		48,038,545	21,284	(45,265,315)	-	-	62,116,474	64,910,988
Total comprehensive income for the financial year								
Profit for the financial year, representing total comprehensive income, restated		-	-	-	-	-	22,398,729	22,398,729
Transactions with owners								
Issue of ordinary shares	18	18,884,063	-	-	-	-	-	18,884,063
Share option issued	19(b)	-	-	-	161,297	-	-	161,297
Share grant issued	19(c)	-	-	-	-	370,887	-	370,887
Dividend paid on shares	24	-	-	-	-	-	(4,050,037)	(4,050,037)
Total transactions with owners		18,884,063	-	-	161,297	370,887	(4,050,037)	15,366,210
At 31 December 2018, restated		66,922,608	21,284	(45,265,315)	161,297	370,887	80,465,166	102,675,927

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GFM SERVICES BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

	Note	Attributable to owners of the Company				
		Share capital RM	Share option reserve RM	Share grant reserve RM	(Accumulated losses)/ Retained earnings RM	Total equity RM
Company						
At 1 January 2019		66,922,608	161,297	370,887	(4,388,206)	63,066,586
Total comprehensive income for the financial year						
Profit for the financial year, representing total comprehensive income		-	-	-	10,439,078	10,439,078
Transactions with owners						
Issue of ordinary shares	18	186	-	-	-	186
- pursuant to conversion of Bonus Warrants		693,863	-	(693,863)	-	-
- pursuant to vesting of share grants	19(b)	-	548,467	-	-	548,467
Share option issued	19(c)	-	-	1,294,156	-	1,294,156
Share grant issued	24	-	-	-	(5,200,277)	(5,200,277)
Dividend paid on shares						
Total transactions with owners		694,049	548,467	600,293	(5,200,277)	(3,357,468)
At 31 December 2019		67,616,657	709,764	971,180	850,595	70,148,196

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GFM SERVICES BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

	Note	Attributable to owners of the Company				
		Share capital RM	Share option reserve RM	Share grant reserve RM	Accumulated losses RM	Total equity RM
Company						
At 1 January 2018		48,038,545	-	-	(6,004,150)	42,034,395
Total comprehensive income for the financial year						
Profit for the financial year, representing total comprehensive income		-	-	-	5,665,981	5,665,981
Transactions with owners						
Issue of ordinary shares	18	18,884,063	-	-	-	18,884,063
Share option issued	19(b)	-	161,297	-	-	161,297
Share grant issued	19(c)	-	-	370,887	-	370,887
Dividend paid on shares	24	-	-	-	(4,050,037)	(4,050,037)
Total transactions with owners		18,884,063	161,297	370,887	(4,050,037)	15,366,210
At 31 December 2018		66,922,608	161,297	370,887	(4,388,206)	63,066,586

The accompanying notes form an integral part of these financial statements.

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GFM SERVICES BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	Group 2019 RM	2018 RM (Restated)	Company 2019 RM	2018 RM (Restated)
Cash flows from operating activities					
Profit before tax		13,416,708	31,889,269	11,026,381	5,985,866
Adjustments for:					
Amortisation of intangible assets		1,216,100	1,216,100	-	-
Bad debts recovered		-	(1,070,968)	-	-
Bargain purchase arising from acquisition of KP Mukah Development Sdn. Bhd.		-	(20,230,761)	-	-
Depreciation of property, plant and equipment		1,171,941	638,982	105	105
Dividend income		-	-	(25,000,000)	(15,000,000)
Fair value adjustment on remeasurement of operating financial assets		(2,896,420)	-	-	-
Gain on disposal of property, plant and equipment		(23,743)	(40,000)	-	-
Impairment losses on trade receivables		196,579	3,682,881	-	-
Interest expense		25,380,177	3,265,527	8,079,359	340,102
Interest income		(1,214,747)	(659,168)	(2,288)	(35,539)
Interest income on operating financial assets		(35,351,548)	(2,984,561)	-	-
Reversal of impairment losses on trade receivables		(1,001,281)	(1,970,766)	-	-
Share of results of an associate		(74,694)	41,532	-	-
Operating profit/(loss) before changes in working capital		819,072	13,778,067	(5,896,443)	(8,709,466)
Operating financial assets		46,419,540	(1,594,174)	-	-
Receivables		(1,485,820)	9,694,070	(62,879)	773,561
Payables		(4,647,091)	3,053,879	(2,744,061)	2,808,642
Share-based payments		1,842,621	532,184	1,842,621	532,184
Net cash generated from/(used in) operations carried down		42,948,322	25,464,026	(6,860,762)	(4,595,079)

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GFM SERVICES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)

		Group		Company	
	Note	2019	2018	2019	2018
		RM	RM	RM	RM
			(Restated)		(Restated)
Net cash generated from/(used in) operations brought down		42,948,322	25,464,026	(6,860,762)	(4,595,079)
Interest paid		(25,380,177)	(3,265,527)	(8,079,359)	(340,102)
Interest received		1,214,747	659,168	2,288	35,539
Tax paid		(7,269,269)	(6,432,133)	(604,430)	(1,638,674)
Tax refunded		1,394,231	811,987	559,616	-
Net cash from/(used in) operating activities		12,907,854	17,237,521	(14,982,647)	(6,538,316)
Cash flows from investing activities					
Acquisition of subsidiaries for cash, net of cash acquired	11	-	(102,644,326)	(1)	(122,014,751)
Dividend received		-	-	-	4,000,000
Withdrawal of fixed deposits		-	2,100,000	-	2,000,000
Proceeds from disposal of property, plant and equipment		47,420	40,000	-	-
Proceeds from disposal of other investment		500,000	-	-	-
Advances/(Repayment) to ultimate holding company		-	2,604	-	-
Repayment from/(Advances to) subsidiaries		-	-	18,878,074	(801,442)
Investment in an associate		-	(400,000)	-	(400,000)
Change in Escrow accounts, Finance Service Reserve account, Liquidity Reserve account, Revenue account and Disbursement account		12,150,634	(53,611,306)	-	-
Purchase of other investments		(1,000,000)	-	(1,000,000)	-
Purchase of property, plant and equipment	10(a)	(3,153,105)	(1,222,081)	-	-
Change in pledged deposits		(1,626,663)	(1,362,255)	-	-
Net cash from/(used in) investing activities carried down		6,918,286	(157,097,364)	17,878,073	(117,216,193)

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GFM SERVICES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)

		Group		Company	
	Note	2019 RM	2018 RM (Restated)	2019 RM	2018 RM (Restated)
Net cash from/(used in) from investing activities brought down		6,918,286	(157,097,364)	17,878,073	(117,216,193)
Cash flows from financing activities					
Dividends paid	(a) 24	(5,200,277)	(4,050,037)	(5,200,277)	(4,050,037)
Drawdown of medium-term notes		183,517	148,701,500	-	-
Repayment of lease liabilities / finance lease liabilities		(1,073,888)	(1,519,983)	-	-
Repayment of term loans		(24,429,646)	(3,549,933)	-	-
Advances from subsidiaries		-	-	8,238,094	110,461,674
Proceeds from Bonus Warrants converted to ordinary shares		186	-	186	-
Proceeds from issuance of shares		-	18,884,063	-	18,884,063
Net cash (used in)/from financing activities		<u>(30,520,108)</u>	<u>158,465,610</u>	<u>3,038,003</u>	<u>125,295,700</u>
Net (decrease)/increase in cash and cash equivalents		(10,693,968)	18,605,767	5,933,429	1,541,191
Cash and cash equivalents at the beginning of the financial year		<u>39,243,810</u>	<u>20,638,043</u>	<u>1,745,809</u>	<u>204,618</u>
Cash and cash equivalents at the end of the financial year	17	<u><u>28,549,842</u></u>	<u><u>39,243,810</u></u>	<u><u>7,679,238</u></u>	<u><u>1,745,809</u></u>

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GFM SERVICES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)

(a) Reconciliation of liabilities arising from financing activities

	At 1 January 2019 RM	Cash flows RM	<----- Non-cash -----> Effect of adoption of MFRS 16 RM	Acquisition RM	At 31 December 2019 RM
Group					
Term loans	226,129,939	(24,429,646)	-	-	201,700,293
Medium-term notes	148,701,500	183,517	-	-	148,885,017
Lease liabilities / Finance lease liabilities	2,695,187	(1,073,888)	133,277	23,097	1,777,673
	<u>377,526,626</u>	<u>(25,320,017)</u>	<u>133,277</u>	<u>23,097</u>	<u>352,362,983</u>
Company					
Amounts owing to subsidiaries	<u>110,562,832</u>	<u>8,238,094</u>	<u>-</u>	<u>-</u>	<u>118,800,926</u>
	At 1 January 2018 RM	Cash flows RM	Non-cash acquisition RM	At 31 December 2018 RM	
Group					
Term loans	14,375,066	(3,549,933)	215,304,806	226,129,939	
Medium-term notes	-	148,701,500	-	148,701,500	
Lease liabilities / Finance lease liabilities	3,083,369	(1,519,983)	1,131,801	2,695,187	
	<u>17,458,435</u>	<u>143,631,584</u>	<u>216,436,607</u>	<u>377,526,626</u>	
Company					
Amounts owing to subsidiaries	<u>101,158</u>	<u>110,461,674</u>	<u>-</u>	<u>110,562,832</u>	

The accompanying notes form an integral part of these financial statements.

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GFM SERVICES BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

GFM Services Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. The principal place of business of the Company is located at A-3A-1 Melawati Corporate Centre, Jalan Bandar Melawati, Taman Melawati, 53100 Kuala Lumpur.

The ultimate holding company of the Company is GFM Global Sdn. Bhd., a private limited company incorporated in Malaysia.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 11.

There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 4 May 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

New MFRS

MFRS 16	Leases
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Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investments in Associates and Joint Ventures

New IC Int

IC Int 23	Uncertainty over Income Tax Treatments
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Registration No. 201301003302 (1033141-H)**2. BASIS OF PREPARATION** (continued)**2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”) (continued)**

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company and did not result in significant changes to the Group’s and the Company’s existing accounting policies, except for those as discussed below.

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 *Leases* and IC Int 4 *Determining whether an Arrangement contains a Lease*.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user’s benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group and the Company have applied MFRS 16 using the modified retrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group and the Company have elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

Registration No. 201301003302 (1033141-H)

2. BASIS OF PREPARATION (continued)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group and the Company have complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Classification and measurement

As a lessee, the Group and the Company previously classified leases as operating or finance leases based on their assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group and to the Company.

On adoption of MFRS 16 for all their leases other than short-term and low value asset leases, the Group and the Company:

- recognised the right-of-use assets and lease liabilities in the statements of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the statements of cash flows for the current financial year.

For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application.

The right-of-use assets were measured at either:

- (a) their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application. The Group and the Company applied this approach to its largest property leases; or
- (b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group and the Company applied this approach to all other leases.

The Group and the Company also applied the following practical expedients wherein they:

- (a) applied a single discount rate to a portfolio of leases with similar characteristics;
- (b) adjusted the right-of-use assets by the amount of MFRS 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
- (c) applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- (d) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (e) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Registration No. 201301003302 (1033141-H)**2. BASIS OF PREPARATION** (continued)**2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")** (continued)**MFRS 16 Leases** (continued)**Impact of the adoption of MFRS 16** (continued)**(i) Classification and measurement** (continued)*For leases that were classified as finance lease under MFRS 117*

The Group and the Company recognised the carrying amount of the lease assets and finance lease liabilities under MFRS 117 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

(ii) Short-term lease and low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases of building and IT equipment that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new, such as IT equipment. The Group and the Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The effects of adoption of MFRS 16 as at 1 January 2019 (increase/(decrease)) are as follows:

	Adjustments	Group Increase/ (Decrease) RM
ASSETS		
Non-current assets		
Property, plant and equipment	(i)	(2,712,785)
Property, plant and equipment (Right-of-use)	(i)	2,846,062
Total non-current assets		<u>133,277</u>
TOTAL ASSETS		<u><u>133,277</u></u>
LIABILITIES		
Non-current liabilities		
Lease liabilities	(i)	<u>77,949</u>
Total non-current liabilities		<u>77,949</u>
Current liabilities		
Lease liabilities	(i)	<u>55,328</u>
Total current liabilities		<u>55,328</u>
TOTAL LIABILITIES		<u><u>133,277</u></u>

Registration No. 201301003302 (1033141-H)**2. BASIS OF PREPARATION (continued)****2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)****MFRS 16 Leases (continued)**

The effects of adoption of MFRS 16 as at 1 January 2019 (increase/(decrease)) are as follows: (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments disclosed applying MFRS 117 as of 31 December 2018, as follows:

Operating lease commitments as at 31 December 2018	368,215
Less:	
Commitments relating to short term leases	<u>(223,441)</u>
	144,774
Weighted average incremental borrowing rate as at 1 January 2019	<u>6.85%</u>
Discounted operating lease commitments as at 1 January 2019	<u>133,277</u>
Lease liabilities as at 1 January 2019	<u><u>133,277</u></u>

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Registration No. 201301003302 (1033141-H)

2. BASIS OF PREPARATION (continued)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”) (continued)

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

- (i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
- (ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023 [#]
MFRS 3	Business Combinations	1 January 2020/ 1 January 2023 [#]
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2023 [#]
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2023 [#]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2023 [#] / 1 January 2022
MFRS 107	Statement of Cash Flows	1 January 2023 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2023 [#]
MFRS 119	Employee Benefits	1 January 2023 [#]
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 [#]
MFRS 132	Financial instruments: Presentation	1 January 2023 [#]
MFRS 136	Impairment of Assets	1 January 2023 [#]

Registration No. 201301003302 (1033141-H)

2. BASIS OF PREPARATION (continued)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective: (continued)

	Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs (continued)</u>	
MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2023 [#]
MFRS 138 Intangible Assets	1 January 2023 [#]
MFRS 139 Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140 Investment Property	1 January 2023 [#]

[#] *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

2.3.1 The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below.

Amendments to MFRS 3 Business Combinations

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Registration No. 201301003302 (1033141-H)

2. BASIS OF PREPARATION (continued)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

2.3.1 (continued)

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, and MFRS 7 Financial Instruments: Disclosures

The Malaysian Accounting Standards Board has issued Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7).

The Interest Rate Benchmark Reform amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rates reform. In applying the amendments, companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Applying the amendments, entities are not required to apply the MFRS 139 retrospective assessment but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80–125% range during the period of uncertainty arising from the reform.

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error

The amendments refine the definition by including ‘obscuring information’ in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company’s financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity’s right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

- 2.3.2** The Group and the Company are 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 MFRS and amendments/improvements to MFRSs.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate (“the functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (“RM”), which is also the Company’s functional currency.

Registration No. 201301003302 (1033141-H)

2. BASIS OF PREPARATION (continued)

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group's and Company's financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries and associate used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Reorganisation

Acquisition of entities under a reorganisation scheme does not result in any change in economic substance. Accordingly, the consolidated financial statements of the Company are a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Company and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

(b) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 Basis of consolidation (continued)****(b) Subsidiaries and business combination (continued)**

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.13(a).

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 Basis of consolidation (continued)****(b) Subsidiaries and business combination (continued)**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(c) Associate

Associate is an entity over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in an associate is accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of an available-for-sale financial asset or a held for trading financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.2 Separate financial statements**

In the Company's statement of financial position, investment in subsidiaries and associate are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.16(b).

3.3 Revenue and other income**(a) Rendering of services**

Revenue from sale of services are recognised over time when control of the services has been transferred, being when the customer accepts the delivery of the services.

A receivable is recognised when the customer accepts the delivery of the services as the consideration is unconditional other than the passage of time before the payment is due.

The Group and the Company recognise revenue that depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those services.

The Group and the Company measure revenue from sale of service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.3 Revenue and other income (continued)****(b) Interest income on operating financial assets**

The notional interest income resulting from the accretion of discount on operating financial assets using the effective interest rate method is recognised in the profit or loss.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Management fees

Management fees are recognised when the service is rendered.

(e) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

3.4 Employee benefits**(a) Short-term employee benefits**

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plan

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to present value.

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.5 Share-based payments**Equity-settled share-based payment

The cost of equity-settled share-based payment is determined by the fair value at the date when the grant is made using an appropriate valuation model. Details regarding the determination of the fair value of equity settled share-based payments are set out in Notes 19(b) and 19(c).

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

3.6 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.7 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.7 Income tax (continued)****(b) Deferred tax**

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.7 Income tax (continued)****(c) Sales and services tax**

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.8 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.9 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instruments.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition

Registration No. 201301003302 (1033141-H)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

(a) Subsequent measurement (continued)

(i) Financial assets (continued)

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group and the Company classify their debt instruments:

- **Amortised cost**

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.16(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through other comprehensive income (FVOCI)**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.16(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.9 Financial instruments (continued)****(a) Subsequent measurement (continued)****(ii) Financial liabilities**

The Group and the Company classify their financial liabilities at amortised cost.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

(b) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

Trade date accounting refers to:

- (i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(c) Derecognition

A financial asset or a part of it is derecognised when, and only when:

- (i) the contractual rights to receive cash flows from the financial asset expire, or
- (ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.9 Financial instruments (continued)****(c) Derecognition (continued)**

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3.10 Property, plant and equipment**(a) Recognition and measurement**

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.16(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.6.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.10 Property, plant and equipment (continued)****(c) Depreciation (continued)**

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Buildings	99
Computers	5 - 10
Engineering equipment	5
Furniture and fittings	10
Motor vehicles	5
Office equipment	10
Renovation	10
Building extension	5

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.11 Capital work-in-progress

Capital work-in-progress consists of expenditure incurred on the development of accounting software programme by the professional which take a substantial period of time to be ready for their intended use.

Capital work-in-progress is stated at cost during the period of development. No depreciation is provided on capital work-in-progress and upon completion of the development, the cost will be transferred to property, plant and equipment.

3.12 Leases**(a) Definition of lease****Accounting policies applied from 1 January 2019**

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

Registration No. 201301003302 (1033141-H)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Leases (continued)

(a) Definition of lease (continued)

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(b) Lessee accounting

Accounting policies applied from 1 January 2019

At the lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group and the Company present right-of-use assets that do not meet the definition of property, plant and equipment in Note 10 and lease liabilities in Note 21.

Rights-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group and the Company expect to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.16(b).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use their incremental borrowing rate.

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.12 Leases (continued)****(b) Lessee accounting (continued)****Accounting policies applied from 1 January 2019 (continued)****Lease liability (continued)**

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “cost of sales” in the statements of comprehensive income.

The Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Registration No. 201301003302 (1033141-H)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Leases (continued)

(b) Lessee accounting (continued)

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

(c) Lessor accounting

Accounting policies applied from 1 January 2019

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.13 Goodwill and other intangible assets

(a) Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initially recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.16(b).

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.13 Goodwill and other intangible assets (continued)****(a) Goodwill (continued)**

In respect of equity-accounted associates and joint venture, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset when there is objective evidence of impairment.

(b) Customer contract

Customer contract acquired in a business combination are recognised at fair value at the acquisition date.

Subsequent to recognition, customer contract is stated at cost less accumulated amortisation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.16(b).

(c) Amortisation

The amortisation methods used and the estimated useful lives are as follows:

	Method	Useful lives (years)
Customer contracts	Straight-line	20

The residual values, useful lives and amortisation methods are reviewed at the end of each reporting period.

3.14 Service concession arrangements

The Group entered into a public-to-private service concession arrangements to construct, operate and maintain infrastructures used to provide a public service for a specified period of time. Under these concession arrangements, the grantor controls significant residual interest in the infrastructure at the end of the concession period.

The Group accounts for its service concession arrangements under the financial asset model as the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services. The consideration received and receivable is allocated by reference to the relative fair values of the various services delivered, when the amounts are separately identified. The allocation is performed by reference to the fair values of the services provided even if the contract stipulate individual prices for certain services. This is because, the amounts specified in the contracts may not necessarily be representative of the fair values of the services provided or the price that would be charged if the services were sold on a standalone basis. The Group estimates the relative fair values of the services by reference to the costs of providing each service plus a reasonable profit margin.

In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest method.

Any asset carried under concession arrangements is derecognised upon disposal or when no future economic benefits are expected from its future use or disposal.

Registration No. 201301003302 (1033141-H)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdraft.

3.16 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income (FVOCI) will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.16 Impairment of assets (continued)****(a) Impairment of financial assets (continued)**

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.16 Impairment of assets (continued)****(b) Impairment of non-financial assets (continued)**

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.17 Share capital

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.18 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Registration No. 201301003302 (1033141-H)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.18 Provisions (continued)**

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.19 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3.20 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.21 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

- (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash-generating units to which goodwill is allocated. When value-in-use calculations are undertaken, the Group uses its judgement to decide the discount rates to be applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including discount rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 12.

(b) Revenue recognition in relation to Concession Agreement

Interest income resulting from the accretion of discount on operating financial assets using the effective interest rate method is described in Note 3.14.

Significant judgement is required in determining the profit margin and the discount rate used in estimating the relative fair values of various services provided in concession arrangements. In making the judgement, the Group evaluates by making reference to the current condition and operating environment of companies in the similar industry in Malaysia.

(c) Business combination

In the previous financial year ended 31 December 2018, the Group acquired the entire equity interests in KP Mukah Development Sdn. Bhd. ("KPMMD"). The management used its best estimates and assumptions as part of the purchase price allocation ("PPA") process to value the assets acquired and liabilities assumed and the consideration transferred at the acquisition date. The PPA and the consideration for the acquisition were provisional within the measurement period of up to 12 months after the acquisition date and is subject to refinement as more detailed analysis are completed and additional information about the fair values of the considerations becomes available. During the financial year, the Group completed its PPA exercise within the stipulated time period resulting in restatements to certain assets acquired and the concession rights intangible asset previously recognised in the financial statements of the Group.

The fair values of the acquired assets and liabilities assumed are disclosed in Note 11.

Registration No. 201301003302 (1033141-H)**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**
(continued)**(d) Impairment of investment in subsidiaries**

The Company assesses impairment of investment in subsidiaries whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Company's estimates, taking into consideration factors such as historical and industry trends, general market and economic conditions and other available information. Cash flows that are projected based on those inputs or assumptions and the discount rate applied in the measurement of value-in-use may have a significant effect on the Company's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Company's investment in subsidiaries are disclosed in Note 11.

5. REVENUE

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
	(Restated)			
At a point in time:				
Dividend	-	-	25,000,000	15,000,000
Over time:				
Consultancy services	228,764	406,631	-	-
Facilities management services	86,271,792	118,247,408	-	-
Interest income on operating financial assets	35,351,548	2,984,561	-	-
Maintenance income	8,737,621	807,280	-	-
Management fees	-	-	1,723,323	1,353,176
	<u>130,589,725</u>	<u>122,445,880</u>	<u>1,723,323</u>	<u>1,353,176</u>
	<u>130,589,725</u>	<u>122,445,880</u>	<u>26,723,323</u>	<u>16,353,176</u>

Registration No. 201301003302 (1033141-H)**6. OTHER INCOME**

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
		(Restated)		
Bad debts recovered	-	1,070,968	-	-
Bargain purchase arising from acquisition of KP Mukah Development Sdn. Bhd.	-	20,230,761	-	-
Gain on disposal of property, plant and equipment	23,743	40,000	-	-
Fair value adjustment on remeasurement of operating financial assets	2,896,420	-	-	-
Interest income	1,214,747	659,168	2,288	35,539
Rental income	48,000	58,000	-	-
Others	13,809	322,363	1,554	140
	<u>4,196,719</u>	<u>22,381,260</u>	<u>3,842</u>	<u>35,679</u>

7. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at profit before tax:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
		(Restated)		
Amortisation of intangible assets	1,216,100	1,216,100	-	-
Auditors' remuneration:				
- current year				
- statutory audit	249,000	248,500	75,000	72,000
- other services	16,000	36,000	16,000	36,000
- overprovision in prior years	(4,000)	-	(4,000)	-
Depreciation of property, plant and equipment	1,171,941	638,982	105	105
Employee benefits expense (Note (a))	32,672,966	32,088,285	5,253,550	3,537,596
Expense relating to short-term lease	168,083	-	234,480	-
Expense relating to lease of low value assets	89,025	-	-	-
Impairment losses on trade receivables	196,579	3,682,881	-	-

Registration No. 201301003302 (1033141-H)**7. PROFIT BEFORE TAX (continued)**

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at profit before tax: (continued)

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
		(Restated)		
Interest expense:				
- bank overdraft	101,632	-	-	-
- lease liabilities/finance lease liabilities	164,193	215,487	-	-
- medium-term notes	10,849,140	-	-	-
- term loans	14,041,380	2,273,147	-	-
- others	223,832	776,893	8,079,359	340,102
Rental of motor vehicles	-	-	-	150,646
Rental of premises	-	316,147	-	-
Rental of equipment	-	105,506	-	-
Reversal of impairment losses on trade receivables	(1,001,281)	(1,970,766)	-	-
Share of results of an associate, net of tax	(74,694)	41,532	-	-

(a) Employee benefits expense

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Salaries, bonus, wages, allowance and overtime	22,638,631	23,635,924	1,007,443	931,078
Directors' remuneration (Note (b))	1,854,467	1,770,211	1,838,467	1,455,845
Defined contribution plan	2,617,915	2,808,390	152,743	165,313
Share-based payments	1,842,623	532,184	1,842,623	532,184
Social security contributions	282,859	300,104	2,733	2,101
Termination benefits	674,552	28,280	12,923	-
Other benefits	2,761,919	3,013,192	396,618	451,075
	<u>32,672,966</u>	<u>32,088,285</u>	<u>5,253,550</u>	<u>3,537,596</u>

Registration No. 201301003302 (1033141-H)**7. PROFIT BEFORE TAX (continued)**

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at profit before tax: (continued)

(b) The remuneration of the directors are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Directors of the Company and subsidiaries				
Executive directors				
- Salaries and emoluments	1,244,467	1,273,211	1,244,467	1,048,845
- Bonus	178,000	90,000	178,000	-
	<u>1,422,467</u>	<u>1,363,211</u>	<u>1,422,467</u>	<u>1,048,845</u>
Non-executive directors				
- Fees	328,000	300,000	312,000	300,000
- Allowances	104,000	107,000	104,000	107,000
	<u>432,000</u>	<u>407,000</u>	<u>416,000</u>	<u>407,000</u>
	<u><u>1,854,467</u></u>	<u><u>1,770,211</u></u>	<u><u>1,838,467</u></u>	<u><u>1,455,845</u></u>

The monetary value of benefit-in-kind of the Company provided to certain directors amounted to RM62,600 (2018: RM44,135).

Registration No. 201301003302 (1033141-H)**8. TAX EXPENSE**

The major components of income tax expense for the financial years ended 31 December 2019 and 31 December 2018 are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
	(Restated)			
Statements of comprehensive income				
Current income tax:				
- Current income tax charge	5,019,947	4,815,745	331,072	-
- Adjustments in respect of prior years	227,275	(18,934)	256,231	319,885
	5,247,222	4,796,811	587,303	319,885
Deferred tax (Note 22):				
- Origination of temporary differences	1,732,982	4,713,855	-	-
- Adjustments in respect of prior years	491,919	(20,126)	-	-
	2,224,901	4,693,729	-	-
Tax expense recognised in profit or loss	7,472,123	9,490,540	587,303	319,885

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

Registration No. 201301003302 (1033141-H)**8. TAX EXPENSE (continued)**

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
		(Restated)		
Profit before tax	<u>13,416,708</u>	<u>31,889,269</u>	<u>11,026,381</u>	<u>5,985,866</u>
Tax at the statutory income tax rate of 24% (2018: 24%)	3,220,010	7,653,425	2,646,331	1,436,608
Tax effect on non-deductible expenses	5,086,529	1,423,448	3,684,741	1,031,451
Tax effect on non-taxable income	(548,150)	(407,407)	(6,000,000)	(3,608,529)
Tax effect on crystallisation of deferred tax	(577,475)	(291,864)	-	-
Deferred tax assets not recognised during the financial year	33,904	1,142,030	-	1,140,470
Share of results of an associate	(17,927)	9,968	-	-
Utilisation of deferred tax assets not recognised in previous financial year	(443,962)	-	-	-
Adjustments in respect prior financial years				
- Current income tax	227,275	(18,934)	256,231	319,885
- Deferred tax	491,919	(20,126)	-	-
Tax expense	<u>7,472,123</u>	<u>9,490,540</u>	<u>587,303</u>	<u>319,885</u>

9. EARNINGS PER SHARE**Basic earnings per ordinary share**

Basic earnings per share are based on the profit for the financial year attributable to owners of Company by the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2019	2018
	RM	RM
		(Restated)
Profit attributable to owners of the Company	<u>5,944,585</u>	<u>22,398,729</u>
Weighted average number of ordinary shares for basic earnings per share (unit)	<u>471,259,046</u>	<u>441,336,097</u>
Basic earnings per ordinary share (sen)	<u>1.26</u>	<u>5.08</u>

Registration No. 201301003302 (1033141-H)**9. EARNINGS PER SHARE (continued)****Diluted earnings per ordinary share**

Diluted earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average 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, calculated as follows:

	Group	
	2019	2018
	RM	RM
		(Restated)
Profit attributable to owners of the Company	<u>5,944,585</u>	<u>22,398,729</u>
Weighted average number of ordinary shares for basic earnings per share (unit)	471,259,046	441,336,097
Effect of dilution from:		
- Share options	*	2,198,500
- Share grants	4,307,500	2,198,500
- Conversion of share grants	(1,371,000)	-
- Bonus Warrants	<u>12,330,646</u>	<u>-</u>
Weighted average number of ordinary shares for diluted earnings per share (unit)	<u>486,526,192</u>	<u>445,733,097</u>
Diluted earnings per ordinary share (sen)	<u>1.22</u>	<u>5.03</u>

* During the financial year, the share options' exercise price is above the average market price of the Company's shares. Therefore, the assumed conversion of the share options is not included in the computation of diluted earnings per ordinary share as the assumed conversion is considered anti-dilutive.

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10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings RM	Computers RM	Engineering equipment RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Renovation RM	Building extension RM	Capital work-in- progress RM	Right-of- use assets RM	Total RM
2019												
Cost												
At 1 January 2019	6,174,000	8,856,465	1,296,126	662,311	237,751	1,962,906	403,531	858,734	95,000	1,419,400	-	21,966,224
- As previously reported	-	-	-	-	-	(1,962,906)	-	-	-	(1,419,400)	3,515,583	133,277
- Effect of adoption of MFRS 16	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2019	6,174,000	8,856,465	1,296,126	662,311	237,751	-	403,531	858,734	95,000	-	3,515,583	22,099,501
Additions	-	-	1,683,785	172,270	9,454	-	57,437	1,230,159	-	-	23,097	3,176,202
Disposals	-	-	-	-	(84,943)	-	(54,321)	-	-	-	-	(139,264)
At 31 December 2019	6,174,000	8,856,465	2,979,911	834,581	162,262	-	406,647	2,088,893	95,000	-	3,538,680	25,136,439

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10. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)	Freehold land RM	Buildings RM	Computers RM	Engineering equipment RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Renovation RM	Building extension RM	Capital work-in- progress RM	Right-of- use assets RM	Total RM
2019 (continued)												
Accumulated depreciation												
At 1 January 2019	-	88,565	882,794	463,973	162,138	669,521	177,526	91,077	7,917	-	-	2,543,511
- As previously reported												
- Effect of adoption of MFRS 16	-	-	-	-	-	(669,521)	-	-	-	-	669,521	-
Adjusted balance at 1 January 2019	-	88,565	882,794	463,973	162,138	-	177,526	91,077	7,917	-	669,521	2,543,511
Depreciation charge for the financial year	-	88,564	276,138	84,189	12,749	-	36,855	191,566	19,000	-	462,880	1,171,941
Disposals	-	-	-	-	(78,739)	-	(36,848)	-	-	-	-	(115,587)
At 31 December 2019	-	177,129	1,158,932	548,162	96,148	-	177,533	282,643	26,917	-	1,132,401	3,599,865
Carrying amount												
At 1 January 2019 (Adjusted)	6,174,000	8,767,900	413,332	198,338	75,613	-	226,005	767,657	87,083	-	2,712,785	19,422,713
At 31 December 2019	6,174,000	8,679,336	1,820,979	286,419	66,114	-	229,114	1,806,250	68,083	-	2,406,279	21,536,574

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10. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM	Buildings RM	Computers RM	Engineering equipment RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Renovation RM	Building extension RM	Building under construction RM	Capital work-in- progress RM	Total RM
2018												
Cost												
At 1 January	6,174,000	-	1,123,755	542,965	233,461	972,231	280,045	151,146	-	8,356,516	1,419,400	19,253,519
Additions	-	-	172,371	119,346	4,290	1,131,801	123,486	707,588	95,000	499,949	-	2,853,831
Disposals	-	-	-	-	-	(141,126)	-	-	-	-	-	(141,126)
Transfer from building under construction to building	-	8,856,465	-	-	-	-	-	-	-	(8,856,465)	-	-
At 31 December	6,174,000	8,856,465	1,296,126	662,311	237,751	1,962,906	403,531	858,734	95,000	-	1,419,400	21,966,224
Accumulated depreciation												
At 1 January	-	-	-	-	-	-	-	-	-	-	-	-
2018	-	-	745,259	403,011	143,387	543,850	149,289	60,859	-	-	-	2,045,655
Depreciation charge for the financial year	-	88,565	137,535	60,962	18,751	266,797	28,237	30,218	7,917	-	-	638,982
Disposals	-	-	-	-	-	(141,126)	-	-	-	-	-	(141,126)
At 31 December	-	88,565	882,794	463,973	162,138	669,521	177,526	91,077	7,917	-	-	2,543,511
Carrying amount												
At 1 January	6,174,000	-	378,496	139,954	90,074	428,381	130,756	90,287	-	8,356,516	1,419,400	17,207,864
At 31 December	6,174,000	8,767,900	413,332	198,338	75,613	1,293,385	226,005	767,657	87,083	-	1,419,400	19,422,713

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	Computer RM
Company	
Cost	
At 1 January 2019/31 December 2019	1,050
Accumulated depreciation	
At 1 January 2018	27
Depreciation charge for the financial year	105
At 31 December 2018	132
Depreciation charge for the financial year	105
At 31 December 2019	237
Carrying amount	
At 31 December 2018	918
At 31 December 2019	813

- (a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM3,176,202 (2018: RM2,853,831) which are satisfied by the following:

	Group 2019 RM	2018 RM
Cash payments	3,153,105	1,222,081
Lease arrangements	23,097	1,131,801
Term loans	-	499,949
	<u>3,176,202</u>	<u>2,853,831</u>

- (b) The carrying amount of property, plant and equipment acquired under the lease arrangements are as follows:

	Group 2018 RM
Capital work-in-progress	1,419,400
Motor vehicles	1,293,385
	<u>2,712,785</u>

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- (c) The carrying amount of property, plant and equipment of the Group pledged to the financial institutions as security for term loan facilities as disclosed in Note 21 are as follows:

	Group	
	2019	2018
	RM	RM
Buildings	<u>8,679,336</u>	<u>8,767,900</u>

- (d) Right-of-use assets

The Group leases several assets including computers, motor vehicles and operation sites.

Information about leases for which the Group is a lessee is presented below:

	Motor vehicles	Computers	Group Operation sites	Total
	RM	RM	RM	RM
Carrying amount				
At 1 January 2019	1,962,906	1,419,400	133,277	3,515,583
Additions	-	-	23,097	23,097
Depreciation	<u>(1,000,736)</u>	<u>(70,970)</u>	<u>(60,695)</u>	<u>(1,132,401)</u>
At 31 December 2019	<u>962,170</u>	<u>1,348,430</u>	<u>95,679</u>	<u>2,406,279</u>

The Group leases operation sites and generally have lease term between 2 to 4 years.

The Group also leases motor vehicles with lease term of 3 to 7 years and computers which were transferred from capital work-in-progress during the financial year with lease term of 5 years.

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11. INVESTMENT IN SUBSIDIARIES

	Company	
	2019	2018
	RM	RM
		(Restated)
At cost		
Unquoted shares		
At 1 January	162,014,752	40,000,001
Additions	1	122,014,751
At 31 December	<u>162,014,753</u>	<u>162,014,752</u>

Details of the subsidiaries are as follows:

Name of company	Principal place of business/ country of incorporation	Ownership interest		Principal activities
		2019	2018	
		%	%	
Global Facilities Management Sdn. Bhd.	Malaysia	100	100	Provision of facilities operations, maintenance and management and engineering services
KP Mukah Development Sdn. Bhd.	Malaysia	100	100	Concession arrangement
GFM Solutions Sdn. Bhd.	Malaysia	100	100	Facility audit and engineering services
Dynasty Harmony Sdn. Bhd.	Malaysia	100	100	Issuance of medium-term notes
GFM Shared Services Sdn. Bhd.	Malaysia	100	-	Render group management and administrative services
Subsidiary of				
Global Facilities Management Sdn. Bhd.				
Everfine FMS Sdn. Bhd.	Malaysia	100	100	Facilities management services

2019

(a) Incorporation of GFM Shared Services Sdn. Bhd. ("GFMSS")

On 11 January 2019, the Company had incorporated a wholly-owned subsidiary, namely GFMSS, a company incorporated in Malaysia with an issued and paid up capital of RM1. The principal activity of GFMSS is to render group management and administrative services.

Registration No. 201301003302 (1033141-H)**11. INVESTMENT IN SUBSIDIARIES (continued)****2018****(a) Acquisition of KP Mukah Development Sdn. Bhd. ("KPMD")**

On 26 January 2018, the Company entered into a conditional agreement to acquire the entire equity interests in KPMD of 5,000,000 ordinary shares for a total cash consideration of RM122,500,000. During the financial year, the purchase consideration was revised by RM485,250 to RM122,014,750, being the sum of the differences in the projected net cash flows of KPMD in the revised financial projection. The said acquisition was completed on 27 November 2018 and KPMD became a wholly-owned subsidiary of the Company. The principal activity of KPMD is of service concession arrangement.

(i) Effects of acquisition on cash flows:

	As previously stated RM	Restatement RM	As restated RM
Fair value of consideration transferred	122,500,000	(485,250)	122,014,750
Consideration paid in cash	122,500,000	(485,250)	122,014,750
Less: Cash and cash equivalents acquired	(19,370,424)	-	(19,370,424)
	<u>103,129,576</u>	<u>(485,250)</u>	<u>102,644,326</u>

At the end of the previous financial year, the Group was unable to complete the initial accounting of the acquisition as the Group was in the process of finalising the Purchase Price Allocation ("PPA") report to assess the fair values of the identifiable assets. During the financial year, the Group had completed the PPA report.

(i) Fair value of the identifiable assets acquired and liabilities recognised:

	As previously stated RM	Restatement RM	As restated RM
Assets			
Operating financial assets	329,840,569	35,615,878	365,456,447
Tax asset	39,732	-	39,732
Trade and other receivables	6,587,684	-	6,587,684
Deposits, cash and bank balances	19,370,424	-	19,370,424
Total assets	<u>355,838,409</u>		<u>391,454,287</u>
Liabilities			
Deferred tax liabilities	(31,915,363)	-	(31,915,363)
Term loan	(214,804,857)	-	(214,804,857)
Trade and other payables	(2,488,556)	-	(2,488,556)
Total liabilities	<u>(249,208,776)</u>		<u>(249,208,776)</u>

Registration No. 201301003302 (1033141-H)**11. INVESTMENT IN SUBSIDIARIES (continued)****(a) Acquisition of KP Mukah Development Sdn. Bhd. ("KPMD") (continued)**

- (i) Fair value of the identifiable assets acquired and liabilities recognised:
(continued)

	As previously stated RM	Restatement RM	As restated RM
Total identifiable net assets acquired	106,629,633	35,615,878	142,245,511
Concession rights arising on acquisition (Note 12)	15,870,367	(15,870,367)	-
Gain on bargain purchase (Note 6)	-	(20,230,761)	(20,230,761)
Fair value of consideration transferred	<u>122,500,000</u>	<u>(485,250)</u>	<u>122,014,750</u>

- (ii) Effects of acquisition in statement of comprehensive income

From the date of acquisition, the subsidiary's contributed revenue and profit net of tax are as follows:

	RM
Revenue	4,440,485
Profit for the financial year	<u>2,682,271</u>

If the acquisition had occurred on 1 January 2018, the consolidated results for the financial year ended 31 December 2018 would have been as follows:

	RM
Revenue	48,390,110
Profit for the financial year	<u>38,492,597</u>

(b) Incorporation of Dynasty Harmony Sdn. Bhd. ("DHSB")

On 8 October 2018, the Company had incorporated a wholly-owned subsidiary, namely DHSB, a company incorporated in Malaysia with an issued and paid up capital of RM1. The principal activity of DHSB is issuance of medium-term notes.

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12. INTANGIBLE ASSETS

	Goodwill RM	Customer contracts RM	Total RM
Group Cost			
At 1 January 2019 (Restated)/ 31 December 2019	8,608,517	24,322,000	32,930,517
Accumulated amortisation			
At 1 January 2019	-	6,080,500	6,080,500
Amortisation charge for the financial year	-	1,216,100	1,216,100
At 31 December 2019	-	7,296,600	7,296,600
Carrying amount			
At 31 December 2019	8,608,517	17,025,400	25,633,917

	Goodwill RM	Customer contracts RM	Total RM (Restated)
Cost			
At 1 January 2018/31 December 2018	8,608,517	24,322,000	32,930,517
Accumulated amortisation			
At 1 January 2018	-	4,864,400	4,864,400
Amortisation charge for the financial year	-	1,216,100	1,216,100
At 31 December 2018	-	6,080,500	6,080,500
Carrying amount			
At 31 December 2018	8,608,517	18,241,500	26,850,017

Registration No. 201301003302 (1033141-H)**12. INTANGIBLE ASSETS (continued)**

- (a) Goodwill and customer contracts are tested for impairment by comparing the carrying amount with the recoverable amount of the CGU based on value-in-use. Value-in-use is determined by discounting the future cash flows to be generated from the continuing use of the CGU based on the following key assumptions:

	2019	2018
	%	%
Goodwill and customer contracts		
Average gross profit margin	30.00	29.00
Pre-tax discount rate	<u>14.58</u>	<u>16.61</u>

- (i) Cash flows are projected based on 16 years project budget approved by the Company.
- (ii) Average gross profit margin – This is based on the facilities management services agreement between Unitapah Sdn. Bhd. (“Unitapah”) and the subsidiary dated 17 March 2014.

Unitapah has appointed the subsidiary for the maintenance works of the facilities and infrastructure of Universiti Teknologi Mara.

There is no growth rate projected in the project budget.

- (iii) Discount rate used for cash flows discounting purpose is the industry weighted average cost of capital. The discount rate applied to the cash flow projections is pre-tax and reflects management’s estimates of the risk specific to the CGU at the date of assessment.
- (iv) There are no significant changes in maintenance income.

Sensitivity to changes in assumptions

The management believes that no reasonable possible changes in any of the key assumptions above will cause the carrying amount to materially exceed its recoverable amount.

- (b) In the previous financial year, the Company acquired a subsidiary, KPMD. The principal activity of KPMD is service concession arrangement. The total cash consideration for the acquisition was RM122,500,000. During the financial year, the purchase consideration was revised by RM485,250 to RM122,014,750, being the sum of the differences in the projected net cash flows of KPMD in the revised financial projection.

In the previous financial year, the management used its best estimates and assumptions as part of the PPA process to value the assets acquired and liabilities assumed and the consideration transferred at the acquisition date. The recognition of concession rights intangible asset of RM15,870,367 which will be amortised over the concession period was determined on a provisional basis as the Group was unable to complete the initial accounting of the acquisition in the previous financial year.

During the financial year, the Group completed the PPA exercise within the stipulated time period resulting in retrospective adjustments to the concession rights intangible asset previously recognised as disclosed in Note 11 to the financial statements.

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13. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unquoted shares, at cost				
At 1 January	400,000	-	400,000	-
Additions	-	400,000	-	400,000
At 31 December	400,000	400,000	400,000	400,000
Share of post-acquisition reserves				
At 1 January	(41,532)	-	-	-
Share of results	74,694	(41,532)	-	-
	33,162	(41,532)	-	-
At 31 December	433,162	358,468	400,000	400,000

Details of associate is as follows:

Name of company	Principal place of business/ country of incorporation	Ownership interest		Principal activity/ nature of relationship
		2019 %	2018 %	
Tanand Technology Sdn. Bhd.*	Malaysia	10	10	Customised engineering services, Internet of Things technologies and big data analytics

* Tanand Technology Sdn. Bhd. is considered an associate although the Company does not own more than 20% of its equity because the Company has appointed one of the directors of the Company as a corporate representative of the associate.

Registration No. 201301003302 (1033141-H)**13. INVESTMENT IN AN ASSOCIATE (continued)**

The following table illustrates the summarised financial information of the Group's associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate:

	2019 RM	2018 RM
Group		
Assets and liabilities:		
Current assets	1,290,842	584,462
Non-current assets	112,182	155,269
Current liabilities	<u>(744,296)</u>	<u>(652,798)</u>
Net assets	<u><u>658,728</u></u>	<u><u>86,933</u></u>
Results:		
Profit/(loss) for the financial year, representing total comprehensive income/(loss)	<u><u>202,624</u></u>	<u><u>(415,321)</u></u>
Included in the total comprehensive income/(loss) is:		
Revenue	<u><u>1,523,511</u></u>	<u><u>824,034</u></u>

14. OPERATING FINANCIAL ASSETS

	Group 2019 RM	2018 RM (Restated)
Non-current	301,418,526	309,590,098
Current	<u>60,445,084</u>	<u>60,445,084</u>
	<u><u>361,863,610</u></u>	<u><u>370,035,182</u></u>

KPMD entered into a concession agreement with UiTM and the Government as represented by the Ministry of Higher Education Malaysia under a private finance initiative for the right and authority to undertake the planning, design, development, construction, landscaping, equipping, installations, completion, testing and commissioning of the facilities and infrastructure of UiTM campuses and to carry out the maintenance works in relation to the maintenance of the facilities and infrastructure.

The concession agreement is for a period of 23 years comprising 3 years of construction works and 20 years of maintenance works ("Maintenance Period"). The maintenance works will commence upon the issuance of Certificate of Acceptance by UiTM and expiring on the last date of the Maintenance Period. Upon expiry of the Maintenance Period, KPMD is required to handover the facilities and infrastructure at no cost to UiTM in a well-maintained and operational condition.

UiTM will pay KPMD throughout the Maintenance Period concession charges which comprise of availability charges for the availability of the facilities and infrastructure and maintenance charges for the provision of maintenance works in accordance with the provisions of the concession agreement. KPMD and UiTM may make request in writing for the review of the maintenance charges at the interval of every five years after the maintenance commencement date, subject to the Government's approval.

Registration No. 201301003302 (1033141-H)**14. OPERATING FINANCIAL ASSETS (continued)**

The amount, being the financial asset arising from the above concession agreement represents the fair value of the consideration receivable for the construction services delivered during the stage of construction and fair value of the consideration receivable for the maintenance services delivered during maintenance period. It carries interest at a rate of 11.89% (2018:11.89%) per annum and repayable in the forms of availability charges and maintenance charges upon fulfilment of the terms and conditions in the concession agreement.

All rights, interest and title limited to the availability charges, any amount payable by the Government of Malaysia, and reimbursement of costs by UiTM are assigned to a financial institution to secure a term loan facility granted to KPMD as disclosed in Note 21.

15. OTHER INVESTMENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Financial assets designated at fair value through other comprehensive income ("DFVOCI")				
At fair value:				
- Unquoted equity securities	1,000,000	-	1,000,000	-
Financial assets at fair value through other comprehensive income ("FVOCI")				
At fair value:				
- Quoted debt securities				
Retail bond investment	-	521,282	-	-
Total non-current other investments	1,000,000	521,282	1,000,000	-

The Group and the Company hold non-controlling interests in unquoted equity securities designated at fair value through other comprehensive income. These investments were irrevocably designated at fair value through other comprehensive income and the Group and the Company consider these investments as strategic long term investments.

Registration No. 201301003302 (1033141-H)**16. TRADE AND OTHER RECEIVABLES**

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Current:					
Trade					
Trade receivables	(a)	18,417,367	16,853,648	-	-
Less: Impairment losses for trade receivables	(a)	(2,881,089)	(3,685,791)	-	-
		<u>15,536,278</u>	<u>13,167,857</u>	<u>-</u>	<u>-</u>
Non-trade					
Amounts owing by subsidiaries	(b)	-	-	18,000,353	11,878,427
Other receivables		862,150	297,358	107,655	107,655
Accrued billings		6,570,960	7,329,484	128,924	-
GST refundable		331,576	355,538	1,275	37,738
Deposits		351,398	381,279	22,200	9,186
Prepayments		<u>1,120,828</u>	<u>951,152</u>	<u>11,082</u>	<u>53,678</u>
		<u>9,236,912</u>	<u>9,314,811</u>	<u>18,271,489</u>	<u>12,086,684</u>
Total trade and other receivables		<u><u>24,773,190</u></u>	<u><u>22,482,668</u></u>	<u><u>18,271,489</u></u>	<u><u>12,086,684</u></u>

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group is ranging from 30 to 60 days (2018: 30 to 60 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

	Group	
	2019 RM	2018 RM
At 1 January	3,685,791	1,973,676
Charge for the financial year (Note 7)		
- Individually assessed	196,579	3,682,881
Reversal of impairment losses (Note 7)	<u>(1,001,281)</u>	<u>(1,970,766)</u>
At 31 December	<u><u>2,881,089</u></u>	<u><u>3,685,791</u></u>

Registration No. 201301003302 (1033141-H)**16. TRADE AND OTHER RECEIVABLES (continued)****(a) Trade receivables (continued)**

Trade receivables that are individually determined to be credit impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The information about the credit exposures are disclosed in Note 26(i).

(b) Amounts owing by subsidiaries are non-trade in nature, unsecured, interest-free and repayable upon demand in cash.**17. DEPOSITS, CASH AND BANK BALANCES**

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash and bank balances	28,779,982	67,655,116	7,176,951	1,745,809
Deposits with licensed banks (Note (a))	51,370,624	32,125,950	502,287	-
	<u>80,150,606</u>	<u>99,781,066</u>	<u>7,679,238</u>	<u>1,745,809</u>

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the following:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
		(Restated)		
Deposits, cash and bank balances	80,150,606	99,781,066	7,679,238	1,745,809
Less: Bank overdraft (Note 21)	(1,587,479)	-	-	-
Deposits pledged as security (Note (b))	(8,552,613)	(6,925,950)	-	-
Escrows accounts (Note (c))	(13,331,147)	(14,963,797)	-	-
Finance Service Reserve account (Note (d))	(5,538,585)	(5,501,445)	-	-
Liquidity Reserve account (Note (d))	(11,836,872)	(11,752,010)	-	-
Revenue account (Note (d))	(10,753,163)	(21,393,119)	-	-
Disbursement account (Note (d))	(905)	(935)	-	-
	<u>28,549,842</u>	<u>39,243,810</u>	<u>7,679,238</u>	<u>1,745,809</u>

Registration No. 201301003302 (1033141-H)**17. DEPOSITS, CASH AND BANK BALANCES (continued)**

- (a) Deposits with licensed banks of the Group and of the Company bear interests at rates ranging from 1.00% to 3.94% (2018: 3.10% to 3.35%) and at a rate of 3.10% (2018: Nil) per annum with maturity periods ranging from 30 to 366 days (2018: 14 to 365 days) and with maturity period of 34 days (2018: Nil).
- (b) Deposits with licensed banks are pledged as securities for banking facilities granted to the Group as disclosed in Note 21.
- (c) Included in the Escrow accounts is an amount of RM13,331,147 (2018: RM14,963,797) pledged to licensed bank as a security for financing the construction of campus as disclosed in Note 21. This amount is not freely available for general use.
- (d) The disbursement account, finance service reserve account, liquidity reserve account and revenue account totalling to RM28,129,525 (2018: RM38,647,509) was maintained in accordance with the terms and conditions set out in the Sukuk programme as disclosed in Note 21. These amounts are operated solely by the Sukuk Trustee and therefore are not freely available for general use.

18. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		<----- Amounts ----->	
	2019	2018	2019	2018
	Unit	Unit	RM	RM
Issued and fully paid up:				
At 1 January	470,913,236	428,102,942	66,922,608	48,038,545
Issued during the financial year	<u>1,371,489</u>	<u>42,810,294</u>	<u>694,049</u>	<u>18,884,063</u>
At 31 December	<u><u>472,284,725</u></u>	<u><u>470,913,236</u></u>	<u><u>67,616,657</u></u>	<u><u>66,922,608</u></u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the Company:

- (i) issued 489 new ordinary shares on 6 March 2019 at a price of RM0.38 per ordinary share totalling RM186 for cash pursuant to the conversion of Bonus Warrants;
- (ii) issued 604,500 new ordinary shares on 13 September 2019 at a price of RM0.5061 per ordinary share totalling RM305,937 for cash pursuant to the Company's Employee Share Grant Scheme; and
- (iii) issued 766,500 new ordinary shares on 11 November 2019 at a price of RM0.5061 per ordinary share totalling RM387,926 for cash pursuant to the Company's Employee Share Grant Scheme.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

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19. OTHER RESERVES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Fair value reserve of financial assets at FVOCI	-	21,284	-	-
Share option reserve	709,764	161,297	709,764	161,297
Share grant reserve	971,180	370,887	971,180	370,887
	<u>1,680,944</u>	<u>553,468</u>	<u>1,680,944</u>	<u>532,184</u>

(a) Fair value reserve of financial assets at FVOCI

This reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income (FVOCI) until the investments are derecognised or impaired.

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 15. These changes are accumulated within the fair value reserve of financial assets at FVOCI. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

(b) Share option reserve ("ESOS")

The share option reserve comprises the cumulative value of non-executive directors and employees' services received for the issue of share options. The reserve is recorded over the vesting period commencing from the grant date and is reduced by the expiry or exercise of the share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

Share options are granted to eligible non-executive directors and employees who have rendered services in the Company. The options granted are vesting in one year after the date of grant and settlement is by issuance of fully paid ordinary shares. The exercise price for each grant is set at 10% below the five-day volume-weighted average price of the Company's share price before the grant date. The contractual term of each option granted is five years from the grant date and expire on March 2023. There is no cash settlement alternative. The options carry neither rights to dividends nor voting rights. Options may be exercised any time from the date of vesting to the date of expiry.

Registration No. 201301003302 (1033141-H)**19. OTHER RESERVES (continued)****(b) Share option reserve (“ESOS”) (continued)**Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices (“WAEP”) of, and movement in, share options:

	Number 2019	WAEP 2019	Number 2018	WAEP 2018
At 1 January	1,943,500	RM0.4555	-	-
Granted on				
-30 August 2018	-	-	2,252,000	RM0.4555
-17 June 2019	2,109,000	RM0.4041	-	-
Forfeited during the financial year	<u>(1,147,500)</u>	RM0.4321	<u>(308,500)</u>	RM0.4555
At 31 December	<u>2,905,000</u>	RM0.4274	<u>1,943,500</u>	RM0.4555
Exercisable at 31 December	<u>1,318,500</u>	RM0.4555	<u>-</u>	RM0.4555

The exercise price for options outstanding at 31 December 2019 is RM0.4288 (2018: RM0.4555) and the weighted average remaining contractual life for the share options outstanding as at 31 December 2019 was 0.4 year (2018: 0.7 year).

The fair values of the share options granted were determined using the trinomial option pricing model, and the inputs were as follows:

	2019	2018
Fair value of share options and assumptions		
Weighted average fair value of share option at grant date (RM)	<u>0.1836</u>	<u>0.2201</u>
Weighted average share price (RM)	0.4350	0.5050
Option life (year)	3.7	4.5
Risk-free rate (%)	3.460	3.839
Expected dividends (%)	None	None
Expected volatility (%)	<u>47.922</u>	<u>41.891</u>

The expected volatility reflected the assumption that the historical volatility was an indicative of future trends, which may also not necessarily be the actual outcome.

(c) Share grant reserve (“ESGS”)

The share grant reserve comprises the cumulative value of non-executive directors and employees’ services received for the issue of share grants. The reserve is recorded over the vesting period commencing from the grant date and is reduced by the expiry or exercise of the share grants. When the option is exercised, the amount from the share grants reserve is transferred to share capital.

The share grants will be vested with the grantee at no consideration on the vesting date. The shares granted under the ESGS will vest one year after the date of grant.

Registration No. 201301003302 (1033141-H)**19. OTHER RESERVES (continued)****(c) Share grant reserve ("ESGS") (continued)**

The movement during the financial year in the number of shares in which employees of the Company is entitled to is as follows:

Grant date	At 1 January 2019 Unit	Granted Unit	Exercised Unit	Forfeited Unit	At 31 December 2019 Unit
30 August 2018	2,089,500	-	(1,371,000)	(596,000)	122,500
17 June 2019	-	2,109,000	-	(256,000)	1,853,000

The shares under ESGS will vest with the grantee at no consideration on the vesting date and the weighted average remaining vesting period for the share grants outstanding as at 31 December 2019 was 0.4 year (2018: 0.7 year).

The fair values of the shares granted under ESGS were determined using the trinomial option pricing model and the inputs were as follows:

	2019	2018
Fair value of share options and assumptions		
Weighted average fair value of share options at grant date (RM)	<u>0.4490</u>	<u>0.5061</u>
Weighted average share price (RM)	0.4350	0.5050
Vesting period (year)	1	1
Risk-free rate (%)	3.460	3.839
Expected dividends (%)	None	None
Expected volatility (%)	<u>47.922</u>	<u>41.891</u>

The expected volatility reflected the assumption that the historical volatility was an indicative of future trends, which may also not necessarily be the actual outcome.

20. REORGANISATION DEFICIT

	Group 2019 RM	2018 RM
Reorganisation deficit		
At beginning/end of financial year (Notes (a) and (b))	<u>(45,265,315)</u>	<u>(45,265,315)</u>

(a) In previous financial years, the Company accounted for the acquisition of Global Facilities Management Sdn. Bhd. ("GFMSB") as a continuation of the acquired entity. Therefore, the share capital of GFMSB is reflected as reorganisation deficit as at 1 January 2016 and 31 December 2016.

(b) In previous financial years, the Company completed its Pre-Initial Public Offering Reorganisation on 20 December 2016. Consequently, capital reorganisation deficit represents the difference between the purchase consideration to acquire GFMSB and the share capital of GFMSB as at 31 December 2017.

Registration No. 201301003302 (1033141-H)**21. LOANS AND BORROWINGS**

		Group	
	Note	2019 RM	2018 RM
Non-current:			
Term loans	(a)	177,022,574	201,528,297
Lease liabilities / Finance lease liabilities	(b)	1,178,777	1,557,896
Medium-term notes	(c)	148,701,500	148,701,500
		<u>326,902,851</u>	<u>351,787,693</u>
Current:			
Term loans	(a)	24,677,719	24,601,642
Lease liabilities / Finance lease liabilities	(b)	598,896	1,137,291
Medium-term notes	(c)	183,517	-
Bank overdraft	(d)	1,587,479	-
		<u>27,047,611</u>	<u>25,738,933</u>
		<u>353,950,462</u>	<u>377,526,626</u>
Total loans and borrowings:			
Term loans	(a)	201,700,293	226,129,939
Lease liabilities / Finance lease liabilities	(b)	1,777,673	2,695,187
Medium-term notes	(c)	148,885,017	148,701,500
Bank overdraft	(d)	1,587,479	-
		<u>353,950,462</u>	<u>377,526,626</u>

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21. LOANS AND BORROWINGS (continued)

(a) Term loans

	Group	
	2019 RM	2018 RM
Non-current:		
Term loan II	6,834,786	6,998,788
Term loan III	2,906,130	4,436,715
Term loan IV	167,281,658	190,092,794
	177,022,574	201,528,297
Current:		
Term loan I	-	57,018
Term loan II	172,195	164,247
Term loan III	1,694,389	1,569,242
Term loan IV	22,811,135	22,811,135
	24,677,719	24,601,642
	<u>201,700,293</u>	<u>226,129,939</u>
Total term loans:		
Term loan I	-	57,018
Term loan II	7,006,981	7,163,035
Term loan III	4,600,519	6,005,957
Term loan IV	190,092,793	212,903,929
	<u>201,700,293</u>	<u>226,129,939</u>

Term loan I

Term loan I bore interest at 7.46% per annum in the previous financial year and was repayable by monthly instalments of RM5,901 over 59 months and last instalment of the remaining loan balance, commencing from the day of full drawdown of term loan.

The term loan is secured by the following:

- (i) a fixed deposit (Note 17); and
- (ii) joint and several guaranteed by several directors of the Company.

Term loan II

Term loan II bears interest at 4.65% (2018: 4.65%) per annum and is repayable by monthly instalments of RM41,128 over 299 months and last instalment of the remaining loan balance, commencing from the day of full drawdown of term loan.

The term loan is secured by the following:

- (i) a Deed of Assignment over 6 units office suites held under Master Title GRN 310510, Lot 29242 Seksyen 1 in Bandar Ulu Kelang, Daerah Gombak, Negeri Selangor (Note 10); and
- (ii) joint and several guaranteed by several directors of the Company.

Registration No. 201301003302 (1033141-H)**21. LOANS AND BORROWINGS (continued)****(a) Term loans (continued)**Term loan III

Term loan III bears interest at 7.71% (2018: 7.71%) per annum and is repayable by monthly instalments of RM163,724 over 60 months, commencing from the day of full drawdown of term loan.

The term loan is secured by the following:

- (i) a Deed of Assignment over the contract proceeds from a subsidiary; and
- (ii) joint and several guaranteed by several directors of the Company.

Term loan IV

Term loan IV bears interest at a rate of 6.35% (2018: 6.95%) per annum and is secured and supported as follows:

The term loan is secured by the following:

- (i) all agreements in relation to the concession agreement as disclosed in Note 14;
- (ii) debenture creating a first fixed and floating charge over all present and future assets; and
- (iii) assignment over designated accounts as disclosed in Note 17.

(b) Lease liabilities / Finance lease liabilities

Certain computers and motor vehicles of the Group as disclosed in Note 10 are pledged for leases. Such leases do not have terms for renewal which would give the average interest rate implicit in the leases is ranging from 2.45% to 17.50% (2018: 2.45% to 17.50%).

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

	Group	
	2019	2018
	RM	RM
Minimum lease payments:		
Not later than one year	677,402	1,279,311
Later than one year and not later than 5 years	1,194,738	1,548,791
Later than 5 years	44,010	141,195
	<u>1,916,150</u>	<u>2,969,297</u>
Less: Future finance charges	<u>(138,477)</u>	<u>(274,110)</u>
Present value of minimum lease payments	<u>1,777,673</u>	<u>2,695,187</u>
Present value of minimum lease payments:		
Not later than one year	598,896	1,137,291
Later than one year and not later than 5 years	1,135,134	1,417,069
Later than 5 years	43,643	140,827
	<u>1,777,673</u>	<u>2,695,187</u>
Less: amount due within 12 months	<u>(598,896)</u>	<u>(1,137,291)</u>
Amount due after 12 months	<u>1,178,777</u>	<u>1,557,896</u>

Registration No. 201301003302 (1033141-H)**21. LOANS AND BORROWINGS (continued)****(c) Medium-term notes (“Sukuk Wakalah”)**

On 21 December 2018, a wholly owned subsidiary of the Company, DHSB issued Sukuk Wakalah of RM165,000,000 in nominal value. The proceeds from the issuance of the Sukuk Wakalah is expected to be utilised for finance investment activities, capital expenditure, working capital requirement and other general corporate purposes, which include repayment of any financing activities, borrowings or advances.

The major covenants that are required to be complied by the subsidiaries are as follows:

- (i) KPMD's Financial Service Cover Ratio is maintained after the dividend distribution is made; and
- (ii) DHSB shall maintain a Finance Service Cover Ratio for so long as any Sukuk Wakalah remains outstanding.

The Sukuk Wakalah is secured by the following:

- (i) A first ranking third party charge by the Company over its entire shareholding in a subsidiary;
- (ii) An assignment by the Company of all dividends and distributions received or receivable by the Company from KPMD, whether income or capital in nature;
- (iii) An assignment by DHSB over its rights, interest and benefits under the inter-company financing agreement entered or to be entered into between DHSB and the Company in respect of the advance by the DHSB to the Company;
- (iv) An assignment by DHSB over its revenues and income including but not limited to the payment and repayment of shareholder and related companies' financing and advances received or to be received by it;
- (v) A first ranking charge by DHSB over the Designated Accounts and the credit balances therein; and
- (vi) A debenture by DHSB over its assets, both present and future.

(d) Bank overdraft

The bank overdraft facility granted to the Group bear interest at a rate of 8.10% (2018: Nil) per annum and is secured and supported as follows:

- (i) a fixed deposit (Note 17); and
- (ii) joint and several guaranteed by several directors of the Company.

22. DEFERRED TAX LIABILITIES

	Group	
	2019	2018
	RM	RM
		(Restated)
At beginning of the financial year	(41,411,844)	(4,802,752)
Acquisition of a subsidiary (Note 11)	-	(31,915,363)
Recognised in profit or loss (Note 8)	<u>(2,224,901)</u>	<u>(4,693,729)</u>
At end of the financial year	<u><u>(43,636,745)</u></u>	<u><u>(41,411,844)</u></u>

Registration No. 201301003302 (1033141-H)**22. DEFERRED TAX LIABILITIES (continued)**

This is in respect of estimated deferred tax assets/(liabilities) arising from temporary differences as follows:

	Group	
	2019	2018
	RM	RM
		(Restated)
Deferred tax assets		
Unabsorbed capital allowances	-	120
Unabsorbed industrial building allowances	-	514,552
Construction costs	41,881,354	89,061,830
	41,881,354	89,576,502
Deferred tax liabilities		
Differences between the carrying amount of property, plant and equipment and its tax base	(71,098)	(131,402)
Customer contracts	(4,086,096)	(4,377,960)
Other operating financial assets	(81,360,905)	(126,478,984)
	<u>(85,518,099)</u>	<u>(130,988,346)</u>
	<u><u>(43,636,745)</u></u>	<u><u>(41,411,844)</u></u>

The estimated temporary differences for which no deferred tax assets has been recognised in the financial statements are as follows:

	Group	
	2019	2018
	RM	RM
Unutilised tax losses	<u>568,578</u>	<u>2,277,153</u>

The availability of unutilised tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Pursuant to Section 11 of the Finance Act 2018 (Act 812), special provision relating to Section 43 & 44 of Income Tax Act 1967, a time limit has been imposed on the unutilised business losses, to be carried forward for a maximum of 7 consecutive years of assessment, this section has effect from the year of assessment 2019 and subsequent year of assessment.

Any unutilised business losses brought forward from year of assessment 2019 can be carried forward for another 6 consecutive years of assessment (i.e from year of assessments 2019 to 2025).

Registration No. 201301003302 (1033141-H)**23. TRADE AND OTHER PAYABLES**

		Group		Company	
	Note	2019	2018	2019	2018
		RM	RM	RM	RM
					(Restated)
Non-current:					
Non-trade					
Amount owing to a subsidiary	(a)	-	-	112,104,705	110,025,346
Current:					
Trade					
Trade payables	(b)	5,883,721	7,357,288	-	-
Non-trade					
Amounts owing to subsidiaries	(c)	-	-	6,696,221	537,486
Other payables		8,063,605	8,177,881	402,846	2,928,364
GST payables		-	3,880	-	-
Deposits received		-	612,850	-	-
Accruals		2,137,060	4,579,578	143,603	362,148
		<u>10,200,665</u>	<u>13,374,189</u>	<u>7,242,670</u>	<u>3,827,998</u>
Total trade and other payables (current)		<u>16,084,386</u>	<u>20,731,477</u>	<u>7,242,670</u>	<u>3,827,998</u>
Total trade and other payables (non-current and current)		<u><u>16,084,386</u></u>	<u><u>20,731,477</u></u>	<u><u>119,347,375</u></u>	<u><u>113,853,344</u></u>

(a) Amount owing to a subsidiary is non-trade in nature and secured. On 12 December 2018, an inter-company financing agreement was entered between DHSB and the Company as security pursuant to the issuance of Sukuk Wakalah as disclosed in Note 21(c). The amount owing is expected to be settled via future proceeds of the Company.

(b) The normal trade credit terms granted by the trade creditors to the Group ranging from 30 to 90 (2018: 30 to 90) days.

(c) Amounts owing to subsidiaries are non-trade in nature, unsecured, interest-free and repayable upon demand in cash.

For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 26(ii).

Registration No. 201301003302 (1033141-H)**24. DIVIDENDS**

	Company	
	2019	2018
	RM	RM
Single tier first and final dividend of 1.1043 sen per ordinary share in respect of the financial year ended 31 December 2018, paid on 19 July 2019	5,200,277	-
Single tier first and final dividend of 0.919 sen per ordinary share in respect of the financial year ended 31 December 2017, paid on 26 July 2018	-	4,050,037

At the forthcoming Annual General Meeting, a single tier final dividend of 0.1771 sen (2018: 1.1043 sen) per ordinary share, amounting to RM836,194 (2018: RM5,200,277) in respect of the current financial year, based on the number of outstanding ordinary shares in issue as at 31 December 2019, will be proposed for the shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

25. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

- (i) Amortised cost
- (ii) Fair value through other comprehensive income ("FVOCI")
- (iii) Designated fair value through other comprehensive income ("DFVOCI")

	Carrying amount RM	Amortised cost RM	DFVOCI RM
At 31 December 2019			
Financial assets			
Group			
Operating financial assets	361,863,610	361,863,610	-
Other investments	1,000,000	-	1,000,000
Trade and other receivables, net of GST refundable and prepayments	23,320,786	23,320,786	-
Deposits, cash and bank balances	80,150,606	80,150,606	-
	<u>466,335,002</u>	<u>465,335,002</u>	<u>1,000,000</u>
Company			
Other investments	1,000,000	-	1,000,000
Trade and other receivables, net of GST refundable and prepayments	18,259,132	18,259,132	-
Deposits, cash and bank balances	7,679,238	7,679,238	-
	<u>26,938,370</u>	<u>25,938,370</u>	<u>1,000,000</u>

Registration No. 201301003302 (1033141-H)**25. FINANCIAL INSTRUMENTS (continued)****(a) Categories of financial instruments (continued)**

	Carrying amount RM	Amortised cost RM	DFVOCI RM
At 31 December 2019			
Financial liabilities			
Group			
Loans and borrowings	353,950,462	353,950,462	-
Trade and other payables	16,084,386	16,084,386	-
	<u>370,034,848</u>	<u>370,034,848</u>	<u>-</u>
Company			
Trade and other payables	<u>119,347,375</u>	<u>119,347,375</u>	<u>-</u>
	Carrying amount RM (Restated)	Amortised cost RM (Restated)	FVOCI RM
At 31 December 2018			
Financial assets			
Group			
Operating financial assets	370,035,182	370,035,182	-
Other investments	521,282	-	521,282
Trade and other receivables, net of GST refundable and prepayments	21,175,978	21,175,978	-
Deposits, cash and bank balances	99,781,066	99,781,066	-
	<u>491,513,508</u>	<u>490,992,226</u>	<u>521,282</u>
Company			
Trade and other receivables, net of GST refundable and prepayments	11,995,268	11,995,268	-
Deposits, cash and bank balances	1,745,809	1,745,809	-
	<u>13,741,077</u>	<u>13,741,077</u>	<u>-</u>
Financial liabilities			
Group			
Loans and borrowings	377,526,626	377,526,626	-
Trade and other payables, net of GST payables	20,727,597	20,727,597	-
	<u>398,254,223</u>	<u>398,254,223</u>	<u>-</u>
Company			
Trade and other payables	<u>114,338,594</u>	<u>114,338,594</u>	<u>-</u>

Registration No. 201301003302 (1033141-H)**25. FINANCIAL INSTRUMENTS (continued)****(b) Fair value measurement**

The carrying amounts of deposits, cash and bank balances, short-term receivables and payables and short-term borrowings reasonably approximate to their fair value due to relatively short-term nature of these financial instruments.

The carrying amounts of long-term floating rate term loan is reasonable approximation of fair values as the loans will be re-repriced to market interest rate on or near reporting date. The fair value of finance lease liabilities is calculated based on present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

The fair values of other investments are determined by reference to the redemption price at the end of the reporting period.

There have been no transfers between Level 1 and Level 2 during the financial year (2018: no transfer in either directions).

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25. FINANCIAL INSTRUMENTS (continued)

(b) Fair value measurement (continued)

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

	Carrying amount RM (Restated)	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value		
		Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM (Restated)
Group							
2019							
Financial assets							
Operating financial assets	361,863,610	-	-	-	-	-	361,863,610
Other investments	1,000,000	-	-	1,000,000	-	-	-
Financial liabilities							
Fixed rate term loan	190,092,793	-	-	-	-	-	190,092,793
Medium-term notes	148,885,017	-	-	-	-	-	148,885,017
Group							
2018							
Financial assets							
Operating financial assets	370,035,182	-	-	-	-	-	370,035,182
Other investments	521,282	521,282	-	-	-	-	-
Financial liabilities							
Fixed rate term loan	212,903,929	-	-	-	-	-	212,903,929
Finance lease liabilities	2,695,187	-	-	-	-	2,243,552	-
Medium-term notes	148,701,500	-	-	-	-	-	148,701,500

Registration No. 201301003302 (1033141-H)**25. FINANCIAL INSTRUMENTS (continued)****(b) Fair value measurement (continued)**

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

	Carrying amount RM	Fair value of financial instruments carried at fair value			Total RM
		Level 1 RM	Level 2 RM	Level 3 RM	
Company					
2019					
Financial assets					
Other investments	1,000,000	-	-	1,000,000	1,000,000

Level 2 fair valueFair value of financial instruments not carried at fair value

The fair value of liability component of the finance lease liabilities is determined using the discounted cash flows method based on discount rates that reflects the market borrowing rate as at the end of the reporting period.

Level 3 fair valueFair value of financial instruments carried at fair value

The fair value of unquoted equity investments has been estimated using a discounted cash flows model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in the management's estimate of fair value for these unquoted equity investments.

Fair value of financial instruments not carried at fair value

The fair value of fixed rate term loan and medium-term notes are determined using the discounted cash flows method based on discount rates that reflects the issuer's borrowing rate as at the end of the reporting period.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and market price risk.

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows. The Group and the Company operate within clearly defined guidelines that are approved by the Board of Directors. It is, and has been throughout the current and previous financial years, the Group's and Company's policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

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26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables and operating financial assets

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and operating financial assets is represented by their carrying amounts in the statements of financial position.

The carrying amount of trade receivables and operating financial assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

As at 31 December 2019, 100% (2018: 100%) of the operating financial assets represents the amount owing from a single customer in respect of its concession arrangement activities.

As at 31 December 2019, there is 1 (2018: 4) major customer that accounted for 10% or more of the Group's total trade receivables and the total outstanding balance due from this major customer amounted to RM5,003,439 (2018: RM8,004,087).

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected losses provision for all trade receivables. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

Registration No. 201301003302 (1033141-H)**26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(i) Credit risk (continued)****Trade receivables and operating financial assets (continued)**

The information about the credit risk exposure on the Group's trade receivables using a provision matrix are as follows:

	Expected credit loss rate	Gross carrying amount at default RM	Impairment losses RM
Group			
At 31 December 2019			
Trade receivables			
Current	0%	9,810,649	-
1 to 30 days past due	0%	3,372,612	-
31 to 60 days past due	0%	312	-
61 to 90 days past due	0%	9,344	-
91 to 120 days past due	0%	-	-
More than 121 days past due	0%	2,343,361	-
Impaired - assessed individually		2,881,089	(2,881,089)
Total	0%	18,417,367	(2,881,089)
At 31 December 2018			
Trade receivables			
Current	0%	8,357,167	-
1 to 30 days past due	0%	4,444,059	-
31 to 60 days past due	0%	229,282	-
61 to 90 days past due	0%	53,818	-
91 to 120 days past due	0%	46,340	-
More than 121 days past due	0%	37,191	-
Impaired - assessed individually		3,685,791	(3,685,791)
Total	0%	16,853,648	(3,685,791)

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

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26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan. Refer to Note 3.16(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Group and the Company actively manage their operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash to meet their working capital requirements.

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26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity risk (continued)

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

		Contractual Cash Flows				
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM	
Group 2019						
	Financial liabilities					
	Trade and other payables	16,084,386		-	-	16,084,386
	Bank overdraft	1,587,479		-	-	1,587,479
	Medium-term notes	148,885,017	10,607,500	42,430,000	232,033,726	285,071,226
	Lease liabilities / Finance lease liabilities	1,777,673	677,402	1,194,738	44,010	1,916,150
Term loans	201,700,293	36,676,679	154,388,669	66,251,144	257,316,492	
	370,034,848	65,633,446	198,013,407	298,328,880	561,975,733	
2018						
	Financial liabilities					
	Trade and other payables, net of GST payables	20,727,597		-	-	20,727,597
	Medium-term notes	148,701,500	10,607,500	42,430,000	242,648,750	295,686,250
	Lease liabilities / Finance lease liabilities	2,695,187	1,279,311	1,548,791	141,195	2,969,297
	Term loans	226,129,939	39,397,655	168,348,533	94,352,315	302,098,503
	398,254,223	72,012,063	212,327,324	337,142,260	621,481,647	

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26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows: (continued)

		←-----	Contractual Cash Flows			-----→
	Carrying amount RM (Restated)	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM	
Company						
2019						
Financial liabilities:						
Trade and other payables	119,347,375	7,242,670	38,000,000	236,000,000	281,242,670	
2018						
Financial liabilities:						
Trade and other payables	113,853,344	3,827,998	32,000,000	248,000,000	283,827,998	

Registration No. 201301003302 (1033141-H)**26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(iii) Interest rate risk**

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates. The Group's and the Company's policy to manage their interest rate risk is to hedge all material floating rate borrowings using interest rate swaps.

The Group's exposure to interest rate risk relates to interest bearing financial assets and financial liabilities. Interest bearing financial assets includes bank balances and deposits with licensed banks. Interest bearing financial liabilities includes term loans, finance lease liabilities and medium-term notes.

The Group's exposure to interest rate risk arise primarily from its loans and borrowings. Most of the Group's loans and borrowings are charged a fixed interest rate plus or minus the financial institutions' base lending rate per annum. The fixed interest rate is reviewed annually. Whilst, the base lending rate used by the financial institutions vary according to the rates set by the respective institutions. Meanwhile, interest rate charged on finance lease liabilities, term loan and medium-term notes are fixed at the inception of the arrangements.

The Group adopts a strategy of mixing fixed and floating rate borrowing to minimise exposure to interest rate risk. The Group also reviews its debt portfolio to ensure favourable rates are obtained.

Sensitivity analysis for interest rate risk

If the interest rate had been 50 basis point higher/lower and all other variables held constant, the Group's profit net of tax would decrease/increase by RM50,141 (2018: RM50,259) as a result of exposure to floating rate borrowings after setting off with interest bearing bank balances.

(iv) Market price risk

Market price risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market price (other than interest or exchange rates).

The Group's investment in quoted debt instrument is subject to market price risk. The Group does not have exposure to commodity price risk.

Sensitivity analysis for market price risk

Quoted investment of the Group is exposed to changes in market quoted prices. However, the volatility of this investment price is considered low, and hence, sensitivity analysis for market price risk is not presented.

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27. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Company's holding company;
- (ii) Subsidiaries;
- (iii) An associate; and
- (iv) Key management personnel of the Group's and the Company's holding company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Company	
	2019	2018
	RM	RM
Paid and payable to holding company		
Dividend	(2,429,460)	(2,021,809)
Paid and payable to subsidiaries		
Interest charges	(8,079,359)	-
Management fees	(428,033)	(391,899)
Rental fees	(234,480)	(150,646)
Received and receivable from subsidiaries		
Dividend income	25,000,000	15,000,000
Management fees	1,723,323	1,353,176

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Notes 16 and 23 to the financial statements.

(c) Compensation of key management personnel

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Short-term employee benefits	2,485,397	2,913,037	2,198,756	1,461,454
Post-employment benefits	400,198	465,967	377,158	248,987
Estimated money value of benefits -in-kind	86,800	61,735	86,800	52,935
	<u>2,972,395</u>	<u>3,440,739</u>	<u>2,662,714</u>	<u>1,763,376</u>

Registration No. 201301003302 (1033141-H)**28. CAPITAL MANAGEMENT**

The primary objective of the Group's and the Company's capital management is to ensure that the Group and the Company maintain a strong credit rating and healthy capital ratios in order to support their business and maximise shareholders' value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2019 and 31 December 2018.

The Group and the Company are not subject to any externally imposed capital requirements.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is measured using total external borrowings less cash and cash equivalents over shareholders' equity.

The gearing ratio at 31 December 2019 and 31 December 2018 are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
		(Restated)		
Loans and borrowings	353,950,462	377,526,626	-	-
Less: Cash and cash equivalents	<u>28,549,842</u>	<u>39,243,810</u>	<u>7,679,238</u>	<u>1,745,809</u>
Net debt/(cash)	<u>325,400,620</u>	<u>338,282,816</u>	<u>(7,679,238)</u>	<u>(1,745,809)</u>
Total equity	105,241,760	102,675,927	70,148,196	63,066,586
Gearing ratio	<u>3.09 times</u>	<u>3.29 times</u>	<u>*</u>	<u>*</u>

* Not meaningful as the Company is in net cash positions.

Included in the loans and borrowings of the Group is an amount of RM190,092,793 (2018: RM212,903,929) relates to the project for concession agreements with UiTM. Throughout the Maintenance Period, UiTM will pay the Group concession charges which comprise availability charges for the availability of the facilities and infrastructure and maintenance charges for the provision of maintenance works in accordance with the provisions of the concession agreements, as disclosed in Note 14 to the financial statements. With the exclusion of loans and borrowings relating to the project for concession agreements with UiTM, the Group's gearing ratio will stand at 1.29 times (2018: 1.22 times).

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 4 January 2019, the Company announced that bonus issue of up to 247,229,449 free warrants ("Bonus Warrant(s)") on the basis of one Bonus Warrant for every two existing ordinary shares of GFM Services held by entitled shareholders of the Company.
- (b) On 11 January 2019, the Company incorporated a subsidiary namely, GFM Shared Services Sdn. Bhd. ("GFMSS") with an issued and paid up capital ordinary share of RM1, representing one ordinary share of GFMSS.

Registration No. 201301003302 (1033141-H)**29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)**

- (c) On 29 January 2019, the Company announced that the Company was informed by its solicitors that during the decision fixed by the Court on event date:
 - (i) The Plaintiff application for summary judgement was dismissed with cost of RM3,000 awarded to the Defendant; and
 - (ii) The Defendant's application to strike out the Plaintiff's claim was allowed with cost of RM3,000 awarded to the Defendant.
- (d) On 7 February 2019, the Company announced that the Company's proposed bonus issue of warrants has been completed following the listing and quotation of 235,456,618 bonus warrants on the ACE Market.
- (e) On 6 March 2019, the Company announced that warrants of 489 units were being exercised at RM0.38 in GFM Services Berhad.
- (f) On 17 June 2019, the Company announced that offer of 2,109,000 options under Employees Share Option Scheme ("ESOS") at RM0.4041 and award of 2,109,000 shares under Employees' Share Grant Scheme ("ESGS").
- (g) On 13 September 2019, the Company announced that ESGS of 604,500 units were being exercised at RM0.5061 in GFM Services Berhad.
- (h) On 11 November 2019, the Company announced that ESGS of 766,500 units were being exercised at RM0.5061 in GFM Services Berhad.
- (i) On 17 December 2019, the Company announced that the Company, Noor Jasni Zakaria and Norliza Mohd ("Vendors") and Highbase Strategic Sdn. Bhd. ("HSSB") had entered into a Memorandum of Agreement ("MOA") to regulate their relationship, rights, duties and obligations pertaining to the matters stipulated in the MOA and based on the terms and conditions of this MOA.

The Company entered into a Subscription Agreement of Shares in HSSB ("HSSB Shares Subscription Agreement") with HSSB for the subscription of 2,882,352 new ordinary shares of HSSB, representing approximately 49% stake in HSSB for a cash consideration of RM1.00 per share.

HSSB was incorporated in 2003 with paid-up share capital of RM3,000,000. The issued and paid-up share capital shall be increased from RM3,000,000 to RM5,882,352 upon the subscription of the new ordinary shares by the Company. The principal activities of HSSB is the provision of engineering services for the Oil & Gas ("O&G") industry, including cleaning, repair and maintenance services of storage tanks, pressure vessels and heat exchangers in Malaysia, among others.

In addition, the Company entered into a Subscription Agreement in Relation to the Redeemable Convertible Cumulative Preference Shares ("RCPS Subscription Agreement") with HSSB for the proposed subscription of a minimum of 15 million and up to 20 million Redeemable Convertible Cumulative Preference Shares ("RCPS") in HSSB for RM15 million and up to RM20 million, based on the issue price of RM1.00 per RCPS.

Furthermore, the Company entered into a Call Option Agreement with the Vendors whereby pursuant to the completion of HSSB Shares Subscription Agreement, the Company shall be entitled to exercise the call option ("Call Option") to acquire up to 117,648 HSSB Shares from any of the Vendors at an exercise price of RM0.51 per HSSB Share, whereupon the Company is expected to hold at least 51% of shareholding in HSSB after the exercise of the Call Option.

Registration No. 201301003302 (1033141-H)**29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)**

- (j) On 30 December 2019, the Company announced that the parties to the Definitive Agreements dated 17 December 2019 had, on 27 December 2019, entered into supplemental agreements, namely Supplemental agreement to the MOA ("Supplemental Memorandum of Agreement") and Supplemental agreement to the HSSB RCPS Subscription Agreement ("Supplemental HSSB RCPS Subscription Agreement") to amend the clauses of the Definitive Agreements.

30. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

- (a) On 7 January 2020, the Company proposed a private placement of up to 10% of the issued shares of the Company to be implemented under Section 76 of the Companies Act 2016.
- (b) On 10 January 2020, the Company announced that the parties to the Definitive Agreement 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, on 10 January 2020, agreed on a supplemental letter to amend clauses of the Agreements ("Supplemental Letter").
- (c) On 19 February 2020, the Company announced that the parties to the MOA dated 17 December 2019 had, on 19 February 2020, agreed on a supplemental letter to extend the last day to fulfil the conditions subsequent of the MOA from 19 February 2020 to 4 April 2020 ("Supplemental Letter 2").
- (d) On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

For the Group's and the Company's financial statements for the financial year ended 31 December 2019, the Covid-19 outbreak and the related impacts are considered non-adjusting events in accordance with MFRS 110 Events after the Reporting Period. Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019.

The Group and the Company are unable to reasonably estimate the financial impact of Covid-19 for the financial year ending 31 December 2020 to be disclosed in the financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. It is however certain that the local and worldwide measures against the spread of the Covid-19 will have adverse effects on the Group's and the Company's sales, operations and supply chains. The Group and the Company will continuously monitor the impact of Covid-19 on its operations and its financial performance. The Group and the Company will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's and the Company's operations.

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31. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group's Chief Executive Officer ("GCEO") for the purpose of making decisions about resource allocation and performance assessment.

(a) Operating segments

The three reportable operating segments are as follows:

Segments	Services
Facilities management	Provision of facilities operations, maintenance and management and engineering services, facilities consultancy and advisory, facilities management services
Concession arrangements	Construction and maintenance of facilities and infrastructure
Others	Investment holding, fund raising, rendering group management and administrative services

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

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31. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Facilities management RM	Concession arrangements RM	Others RM	Adjustments and eliminations RM	Total RM
2019					
Revenue:					
Revenue from external customers	86,500,556	47,506,361	-	(3,417,192)	130,589,725
Inter-segment revenue	6,981,498	-	33,232,186	(40,213,684)	-
	<u>93,482,054</u>	<u>47,506,361</u>	<u>33,232,186</u>	<u>(43,630,876)</u>	<u>130,589,725</u>
Results:					
Amortisation of intangible assets	-	-	-	(1,216,100)	(1,216,100)
Depreciation of property, plant and equipment	(1,107,769)	-	(64,172)	-	(1,171,941)
Employee benefits expense	(22,413,414)	-	(10,259,552)	-	(32,672,966)
Expense relating to lease of low value assets	(83,115)	-	(5,910)	-	(89,025)
Expense relating to short-term lease	(142,133)	-	(260,430)	234,480	(168,083)
Gain on disposal of property, plant and equipment	23,743	-	-	-	23,743
Impairment losses on trade receivables	(196,579)	-	-	-	(196,579)
Interest expense	(1,216,026)	(13,315,011)	(18,928,499)	8,079,359	(25,380,177)
Interest income	714,459	140,682	8,438,965	(8,079,359)	1,214,747
Rental income	282,480	-	-	(234,480)	48,000
Reversal of impairment losses on trade receivables	1,001,281	-	-	-	1,001,281
Share of results of an associate, net of tax	-	-	-	74,694	74,694
Segment profit	<u>3,272,260</u>	<u>31,589,648</u>	<u>8,313,398</u>	<u>(29,758,598)</u>	<u>13,416,708</u>
Tax expense	<u>(523,948)</u>	<u>(6,858,328)</u>	<u>(667,322)</u>	<u>577,475</u>	<u>(7,472,123)</u>
Profit for the financial year	<u>2,748,312</u>	<u>24,731,320</u>	<u>7,646,076</u>	<u>(29,181,123)</u>	<u>5,944,585</u>

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31. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

2018	Facilities management RM	Concession arrangements RM	Others RM	Adjustments and eliminations RM (Restated)	Total RM (Restated)
Revenue:					
Revenue from external customers	118,654,039	48,390,110	-	(44,598,269)	122,445,880
Inter-segment revenue	3,188,649	-	16,353,175	(19,541,824)	-
	<u>121,842,688</u>	<u>48,390,110</u>	<u>16,353,175</u>	<u>(64,140,093)</u>	<u>122,445,880</u>
Results:					
Amortisation of intangible assets	-	-	-	(1,216,100)	(1,216,100)
Bad debts recovered	1,070,968	-	-	-	1,070,968
Bargain purchase arising from acquisition of a subsidiary	-	-	-	20,230,761	20,230,761
Depreciation of property, plant and equipment	(638,877)	-	(105)	-	(638,982)
Employee benefits expense	(28,572,806)	(1,932,125)	(3,688,242)	2,104,888	(32,088,285)
Gain on disposal of property, plant and equipment	40,000	-	-	-	40,000
Impairment losses on trade receivables	(3,682,881)	-	-	-	(3,682,881)
Interest expense	(1,501,485)	(15,404,344)	(340,102)	13,980,404	(3,265,527)
Interest income	611,803	51,917	38,876	(43,428)	659,168
Rental income	58,000	-	-	-	58,000
Rental of premises	(316,147)	-	-	-	(316,147)
Rental of equipment	(105,506)	-	-	-	(105,506)
Reversal of impairment losses on trade receivables	1,970,766	-	-	-	1,970,766
Share of results of an associate, net of tax	-	-	-	(41,532)	(41,532)
Segment profit	<u>19,775,161</u>	<u>43,981,381</u>	<u>5,975,497</u>	<u>(37,842,770)</u>	<u>31,889,269</u>
Tax expense	<u>(4,475,280)</u>	<u>(5,488,784)</u>	<u>(319,885)</u>	<u>793,409</u>	<u>(9,490,540)</u>
Profit for the financial year	<u>15,299,881</u>	<u>38,492,597</u>	<u>5,655,612</u>	<u>(37,049,361)</u>	<u>22,398,729</u>

Registration No. 201301003302 (1033141-H)**31. SEGMENT INFORMATION** (continued)**(b) Geographical information**

The Group operates predominantly in Malaysia and hence, no geographical segment is presented.

(c) Major customer information

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue		Segment
	2019	2018	
	RM	RM	
Customer A	-	26,240,108	Facilities management
Customer B	-	22,039,364	Facilities management
Customer C	44,089,169	-	Concession arrangements
	<u>44,089,169</u>	<u>48,279,472</u>	

32. COMPARATIVE FIGURES

Arising from the Purchase Price Allocation ("PPA") exercise carried out on the acquisition of KPMD as disclosed in Note 11, the impact to the financial statements of the Group for the financial year ended 31 December 2018 are as follows:

	As previously stated RM	Effect of adjustment from PPA RM	As restated RM
Group 2018			
Statements of Comprehensive Income			
Revenue	(123,094,524)	648,644	(122,445,880)
Other income	(2,150,499)	(20,230,761)	(22,381,260)
Administrative expenses	20,517,656	(35,884)	20,481,772
Tax expense	<u>4,635,157</u>	<u>4,855,383</u>	<u>9,490,540</u>
Statements of Financial Position			
Intangible assets	42,684,500	(15,834,483)	26,850,017
Operating financial assets (non-current and current)	334,582,698	35,452,484	370,035,182
Deferred tax liabilities	<u>(36,556,461)</u>	<u>(4,855,383)</u>	<u>(41,411,844)</u>
Statements of Cash Flows			
Net cash from/(used in) operating activities	17,722,771	(485,250)	17,237,521
Net cash from/(used in) investing activities	<u>(157,885,039)</u>	<u>787,675</u>	<u>(157,097,364)</u>

Registration No. 201301003302 (1033141-H)**32. COMPARATIVE FIGURES (continued)**

Arising from the Purchase Price Allocation (“PPA”) exercise carried out on the acquisition of KPMD as disclosed in Note 11, the impact to the financial statements of the Group for the financial year ended 31 December 2018 are as follows: (continued)

	As previously stated RM	Effect of adjustment from PPA RM	As restated RM
Company			
2018			
Statements of Financial Position			
Investment in subsidiaries	162,500,002	(485,250)	162,014,752
Trade and other payables (current)	<u>(4,313,248)</u>	<u>485,250</u>	<u>(3,827,998)</u>
Statements of Cash Flows			
Net cash from/(used in) operating activities	(6,053,066)	(485,250)	(6,538,316)
Cash flows from investing activities	<u>(177,701,443)</u>	<u>485,250</u>	<u>(177,216,193)</u>

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GFM SERVICES BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, **RUSLAN BIN NORDIN** and **ZAINAL BIN AMIR**, being two of the directors of GFM Services Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements as set out on pages 71 to 163 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with the resolution of the directors:

.....
RUSLAN BIN NORDIN

Director

.....
ZAINAL BIN AMIR

Director

Kuala Lumpur

Date: 4 May 2020

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GFM SERVICES BERHAD

(Incorporated in Malaysia)

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016

I, **RUSLAN BIN NORDIN**, being the director primarily responsible for the financial management of GFM Services Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 71 to 163 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

.....
RUSLAN BIN NORDIN

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 4 May 2020.

Before me,

TENGGU FARIDDUDIN BIN TENGGU SULAIMAN

Commissioner for Oaths (W533)

Kuala Lumpur

Registration No. 201301003302 (1033141-H)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GFM SERVICES BERHAD**
(Incorporated in Malaysia)

Opinion

We have audited the financial statements of GFM Services Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 71 to 163.

In our opinion, the accompanying financial statements give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GFM SERVICES BERHAD (continued)**
(Incorporated in Malaysia)

Key Audit Matters (continued)

Group

Goodwill (Notes 4(a) and 12 to the financial statements)

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash-generating units to which goodwill is allocated. When value-in-use calculations are undertaken, the Group uses its judgement to decide the discount rates to be applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including discount rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

Our response:

Our audit procedures focus on evaluating the cash flow projections and the Group's projection procedures which included, among others:

- assessing the valuation methodology adopted by the Group;
- comparing the actual results with previous cash flow projections to assess the performance of the business and historical accuracy of the projections;
- comparing the Group's assumptions to externally derived data as well as our assessments in relation to key inputs such as discount rates and gross profit margin;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount.

Registration No. 201301003302 (1033141-H)**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GFM SERVICES BERHAD (continued)**
(Incorporated in Malaysia)**Key Audit Matters (continued)****Group (continued)****Revenue and expenses recognition for concession arrangement and the corresponding operating financial assets (Notes 4(b), 5 and 14 to the financial statements)**

Significant judgement is required in determining the profit margins and interest rates used in estimating the relative fair values of various services provided in concession arrangements. In making the judgement, the Group evaluates by making reference to the current condition and operating environment of companies in the similar industry in Malaysia.

We focused on this area as the amounts of revenue and expenses recognised in relation to the concession arrangements and the corresponding operating financial assets requires the Group to apply significant judgement.

Our response:

Our audit procedures included, among others:

- reviewing the compliance with the requirements of IC Interpretations 12 Service Concession Arrangements;
- reviewing concession agreements between the Group, the grantor and the government for the terms agreed and the period of the concession;
- reviewing the reasonableness on the recognition of revenue;
- reviewing the amortisation schedule for the reasonableness of the interest income on the operating financial assets; and
- reviewing and assessing the management's judgement for the determination of gross profit margin used in estimating the fair values of services provided in the concession arrangement.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GFM SERVICES BERHAD (continued)**
(Incorporated in Malaysia)

Key Audit Matters (continued)

Group (continued)

Business combination (Notes 4(c) and 11 to the financial statements)

In the previous financial year ended 31 December 2018, the Group acquired the entire equity interests in KP Mukah Development Sdn. Bhd. ("KPMD"). The management used its best estimates and assumptions as part of the purchase price allocation ("PPA") process to value the assets acquired and liabilities assumed and the consideration transferred at the acquisition date. The PPA and the consideration for the acquisition were provisional within the measurement period of up to 12 months after the acquisition date and is subject to refinement as more detailed analysis are completed and additional information about the fair values of the considerations becomes available. During the financial year, the Group completed its PPA exercise within the stipulated time period resulting in restatements to certain assets acquired and the concession rights intangible asset previously recognised in the financial statements of the Group.

Our response:

Our audit procedures focus on reviewing the purchase price allocation reconciliation performed by management which included, among others:

- agreeing the identifiable assets acquired and the liabilities assumed at the acquisition date to the management accounts at the date of acquisition;
- reviewing the assumptions used in determining the valuation of assets and liabilities assumed and agreeing the consideration transferred to the sale and purchase agreement;
- reviewing the computations in the allocation of the purchase price to the different assets and liabilities;
- reviewing the valuation of tangible and intangible assets by reviewing the work performed by management's experts;
- reviewing the valuation report which included the valuation methodology and assumptions used in the valuation of the service concession arrangement; and
- reviewing the appropriateness and adequacy of the related disclosures in compliance with MFRS3: *Business Combinations*.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GFM SERVICES BERHAD (continued)**
(Incorporated in Malaysia)

Key Audit Matters (continued)

Company

Investment in subsidiaries (Notes 4(d) and 11 to the financial statements)

The Company assesses impairment of investment in subsidiaries whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Company's estimates, taking into consideration factors such as historical and industry trends, general market and economic conditions and other available information. Cash flows that are projected based on those inputs or assumptions and the discount rate applied in the measurement of value-in-use may have a significant effect on the Company's financial position and results if the actual cash flows are less than the expected.

Our response:

Our audit procedures focus on evaluating the cash flow projections which included, among others:

- comparing the actual results with previous budget to assess the performance of the business and reliability of the forecasting process;
- comparing the Company's assumptions to externally derived data as well as our assessments in relation to key assumptions to assess their reasonableness and achievability of the projections;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GFM SERVICES BERHAD (continued)**
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GFM SERVICES BERHAD (continued)**
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Registration No. 201301003302 (1033141-H)**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GFM SERVICES BERHAD (continued)**
(Incorporated in Malaysia)**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Kenny Yeoh Khi Khen
No. 03229/09/2020 J
Chartered Accountant

Kuala Lumpur

Date: 4 May 2020

LIST OF GROUP PROPERTIES HELD

Registered/ beneficial owner	Location	Brief Description of Properties	Approximately Area	Existing Use	Tenure	Approximate age of Buildings	Net Book Value as at 31.12.2019	Year of Acquisition
Global Facilities Management Sdn. Bhd.	Geran 29182, Lot 1672, Section 41, Town of Kuala Lumpur, District of Kuala Lumpur, Wilayah Persekutuan.	Land	742.321sqm	Vacant land	Freehold	21 years	6,174,000	22 nd September 2016
Global Facilities Management Sdn. Bhd.	Melawati Corporate Centre, Jalan Bandar Melawati, Taman Melawati, 53100 Kuala Lumpur.	Office building		Office building	Freehold	2 years	8,679,336	26 th January 2018
	A-3A-1 Plot M "Melawati Corporate Centre"		133.966sqm					
	A-3A-2 Plot M "Melawati Corporate Centre"		171.035sqm					
	A-3A-3 Plot M "Melawati Corporate Centre"		174.007sqm					
	A-3A-3A Plot M "Melawati Corporate Centre"		158.957sqm					
	A-5-2 Plot M "Melawati Corporate Centre"		171.035sqm					
	A-5-3 Plot M "Melawati Corporate Centre"		174.007sqm					

ANALYSIS OF SHAREHOLDINGS

As at 26 March 2020

Issued and Paid-Up Share Capital	:	RM67,616,657.31
Number of Issued Shares	:	472,284,725 ordinary shares
Class of Shares	:	Ordinary shares
No. of Shareholders	:	6,617
Voting Rights	:	One (1) vote per ordinary share held

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 26 MARCH 2020

Size of Shareholdings	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
Less than 100	1,005	15.19	40,174	0.01
100 – 1,000	1,726	26.08	661,241	0.14
1,001 – 10,000	2,159	32.63	10,103,247	2.14
10,001 – 100,000	1,449	21.90	52,396,929	11.09
100,001 – 23,614,235*	274	4.14	107,382,124	22.74
23,614,236 and above**	4	0.06	301,701,010	63.88
TOTAL	6,617	100.00	472,284,725	100.00

Notes:

* Less than 5% of the issued and paid-up share capital.

** 5% and above of the issued and paid-up share capital.

DIRECTORS' SHAREHOLDINGS

AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 26 MARCH 2020

Name of Directors	No. of Shares (Direct)	Percentage (%)	No. of Shares (Indirect)	Percentage (%)
Abdul Rahim Bin Abdul Hamid	-	-	-	-
Ashok Virendra Shah	30,000	0.01	-	-
Yong Hee Kong	30,000	0.01	-	-
Zainal Arifin Bin Khalid	30,000	0.01	-	-
Zainal Bin Amir	25,700,003	5.44	220,001,000*	46.58
Mohammad Shahrizal Bin Mohammad Idris	25,700,003	5.44	220,001,000*	46.58
Ruslan Bin Nordin	30,300,004	6.42	220,001,000*	46.58

Note:

* Deemed interested by virtue of his shareholdings in GFM Global Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

SUBSTANTIAL SHAREHOLDERS

AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 26 MARCH 2020

Name of Substantial Shareholders	No. of Shares (Direct)	Percentage (%)	No. of Shares (Indirect)	Percentage (%)
GFM Global Sdn. Bhd.	220,001,000	46.58	-	-
Zainal Bin Amir	25,700,003	5.44	220,001,000*	46.58
Mohammad Shahrizal Bin Mohammad Idris	25,700,003	5.44	220,001,000*	46.58
Ruslan Bin Nordin	30,300,004	6.42	220,001,000*	46.58

Note:

* Deemed interested by virtue of his shareholdings in GFM Global Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

ANALYSIS OF SHAREHOLDINGS

As at 26 March 2020

THIRTY (30) LARGEST SHAREHOLDERS AS AT 26 MARCH 2020

No.	Name of Shareholders	No. of Shares	Percentage (%)
1.	GFM GLOBAL SDN BHD	220,001,000	46.58
2.	RUSLAN BIN NORDIN	30,300,004	6.42
3.	MOHAMMAD SHAHRIZAL BIN MOHAMMAD IDRIS	25,700,003	5.44
4.	ZAINAL BIN AMIR	25,700,003	5.44
5.	TEH SWEE SEE	6,000,000	1.27
6.	DHIA NENDA CONSULTANTS SDN BHD	4,500,000	0.95
7.	TAN KUAN TECK	3,668,800	0.78
8.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KUAN TECK	3,315,400	0.70
9.	CHENG KIN YIN	3,086,300	0.65
10.	TAN KUAN TECK	2,548,000	0.54
11.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIA BOON HUAT	2,086,100	0.44
12.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES FOR DAVID RASHID BIN GHAZALLI (MARGIN)	1,700,000	0.36
13.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN AH YAN (B TINGGI-CL)	1,350,000	0.29
14.	NG CHING YUN	1,336,900	0.28
15.	CHIN LIM PEOW	1,220,000	0.26
16.	TAN SHU TEE	1,052,000	0.22
17.	GAN TIONG SIA	1,050,000	0.22
18.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR HOW KIM LIAN (HOW0026C)	1,042,000	0.22
19.	SYED ADELI BIN SYED AMIR	1,000,000	0.21
20.	FONG LAI WAH	941,000	0.20
21.	TAN AH AW @ CHAN KOON MENG	940,300	0.20
22.	TOR KIAN HONG	925,400	0.20
23.	CHOW CHEE FAI	900,000	0.19
24.	TAN AH LIAN	900,000	0.19
25.	WONG TEN YONG	900,000	0.19
26.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI SEONG GUAN (7003731)	861,900	0.18
27.	TAN CHOOI HO	820,400	0.17
28.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOK KEONG	800,000	0.17
29.	TAN POH HWA	793,000	0.17
30.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG SIEW TIONG @ ONG TSU YEE	770,000	0.16
TOTAL		346,208,510	73.29

ANALYSIS OF WARRANT HOLDINGS

As at 26 March 2020

Number of Outstanding Warrants :	235,456,129
	Pursuant to the Bonus Warrants on the basis of one (1) Bonus Warrant for every two (2) existing ordinary shares in GFM Services Berhad
Exercise Price per Warrant :	RM0.38 per ordinary share
Exercise Period of Warrants :	Period of three (3) years expiring on 28 January 2022
Voting Rights :	None unless warrant holders exercise their warrants for new ordinary shares

ANALYSIS BY SIZE OF WARRANT HOLDINGS AS AT 26 MARCH 2020

Size of Warrant Holdings	No. of Warrant Holders	Percentage (%)	No. of Warrants	Percentage (%)
Less than 100	1,531	27.41	55,700	0.02
100 – 1,000	1,714	30.69	628,578	0.27
1,001 – 10,000	1,236	22.13	5,019,760	2.13
10,001 – 100,000	773	13.84	31,195,821	13.25
100,001 – 11,772 805*	330	5.91	174,955,770	74.31
11,772 806 and above**	1	0.02	23,600,500	10.02
TOTAL	5,585	100.00	235,456,129	100.00

Notes:

* Less than 5% of the issued warrants.

** 5% and above of the issued warrants.

DIRECTORS' WARRANT HOLDINGS

AS PER THE REGISTER OF DIRECTORS' WARRANT HOLDINGS AS AT 26 MARCH 2020

Name of Directors	No. of Warrants (Direct)	Percentage (%)	No. of Warrants (Indirect)	Percentage (%)
Abdul Rahim Bin Abdul Hamid	-	-	-	-
Ashok Virendra Shah	-	-	-	-
Yong Hee Kong	-	-	-	-
Zainal Arifin Bin Khalid	-	-	-	-
Zainal Bin Amir	7,350,341	3.12	23,600,500*	10.02
Mohammad Shahrizal Bin Mohammad Idris	7,350,341	3.12	23,600,500*	10.02
Ruslan Bin Nordin	7,550,351	3.21	23,600,500*	10.02

Note:

* Deemed interested by virtue of his warrant holdings in GFM Global Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

SUBSTANTIAL WARRANT HOLDERS

AS PER THE REGISTER OF SUBSTANTIAL WARRANT HOLDERS AS AT 26 MARCH 2020

Name of Substantial Warrant Holders	No. of Warrants (Direct)	Percentage (%)	No. of Warrants (Indirect)	Percentage (%)
GFM Global Sdn. Bhd.	23,600,500	10.02	-	-
Zainal Bin Amir	7,350,341	3.12	23,600,500*	10.02
Mohammad Shahrizal Bin Mohammad Idris	7,350,341	3.12	23,600,500*	10.02
Ruslan Bin Nordin	7,550,351	3.21	23,600,500*	10.02

Note:

* Deemed interested by virtue of his warrant holdings in GFM Global Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

ANALYSIS OF WARRANT HOLDINGS

As at 26 March 2020

THIRTY (30) LARGEST WARRANT HOLDERS AS AT 26 MARCH 2020

No.	Name of Warrant Holders	No. of Warrants	Percentage (%)
1.	GFM GLOBAL SDN BHD	23,600,500	10.02
2.	RUSLAN BIN NORDIN	7,550,351	3.21
3.	MOHAMMAD SHAHRIZAL BIN MOHAMMAD IDRIS	7,350,341	3.12
4.	ZAINAL BIN AMIR	7,350,341	3.12
5.	MOHD KHAIRI BIN AB KARIM	6,000,000	2.55
6.	FONG TECK SIONG	3,691,000	1.57
7.	LEE BEE GEOK	3,650,050	1.55
8.	TAN KUAN TECK	3,298,200	1.40
9.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIA BOON HUAT	3,266,500	1.39
10.	TAN KUAN TECK	3,050,000	1.29
11.	TEH SWEE SEE	3,000,000	1.27
12.	SIM MUI KHEE	2,569,000	1.09
13.	NG SIAW HUI	2,236,400	0.95
14.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KUAN TECK	2,205,000	0.94
15.	FONG XUE QI	2,008,000	0.85
16.	DHIA NENDA CONSULTANTS SDN BHD	2,000,000	0.85
17.	MOHD SHAFEI BIN ABDULLAH	2,000,000	0.85
18.	OOI SEONG GUAN	1,850,000	0.79
19.	LAM AH CHOI	1,577,300	0.67
20.	CHENG KIN YIN	1,543,150	0.66
21.	SOW CHOOI YIN	1,542,000	0.65
22.	LEE CHING THU	1,500,000	0.64
23.	SIM SIONG KEE	1,500,000	0.64
24.	TAN MOH CHENG	1,488,000	0.63
25.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JEREMY LEE TERN SIANG (6000179)	1,476,800	0.63
26.	TAN POH HWA	1,455,400	0.62
27.	SHAH AREF BIN SAIRI	1,410,000	0.60
28.	NG CHEE THONG	1,399,700	0.59
29.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG AH KIM	1,233,300	0.52
30.	WOON YONG SHEN	1,228,200	0.52
TOTAL		104,029,533	44.18



GFM Services Berhad

A-3A-1, Melawati Corporate Centre, Jalan Bandar Melawati,
Taman Melawati, 53100 Kuala Lumpur, Malaysia.

GFM Services Berhad
[Company No.: 201301003302 (1033141-H)]