

GFM scraps JV plans with Amzaas, cites unsatisfactory due diligence

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KUALA LUMPUR (April 20): Integrated facilities management service provider GFM Services Bhd has scrapped plans to collaborate with Amzass (M) Sdn Bhd to complete the upgrade of the northbound and southbound Bemban lay-bys in Melaka – located along the North-South Expressway – into rest and service areas, as it is unsatisfied with the results of the due diligence review.

In a bourse filing on Wednesday (April 20), GFM said it has notified Amzass of the unsatisfactory due diligence and further demanded a refund of RM500,000.

"Upon receipt of the refund by GFM, the agreement constituted by the JV agreement will become void and of no effect," it added.

GFM also said the termination is not expected to have any material impact on the group's earnings per share and net asset per share.

The JV agreement was signed in September last year, pursuant to the heads of agreement entered between the two companies for GFM to acquire up to 70% stake in Amzass. Amzass has been authorised by the Malaysian Highway Authority to upgrade the existing facilities of the Bemban lay-bys, as well as to construct a petrol station on both sides of the proposed rest and service areas. The Bemban lay-bys are situated in Melaka, between the rest and service areas of Ayer Keroh, Melaka and Pagoh, Johor.

Following the JV agreement, a JV company was supposed to be incorporated, whereby GFM will own a 40% equity stake in the JV company, while Amzass holds the remaining 60% stake. Following the JV agreement, GFM and Amzass will also enter into an options agreement which grants GFM the right to exercise the call option to acquire an additional 30% stake, eventually bringing GFM's stake in the JV company to 70%.

Under the proposed JV, GFM was expected to fork out an estimated capital expenditure of RM80 million and commence construction of the rest and service areas and a petrol station on both sides of the Bemban rest and service areas in 2022, with revenue contribution from 2023.

The venture was expected to broaden GFM's recurring revenue streams from various sources such as the food & beverage sales, sales surcharge, rental fees, as well as utility charges from vendors and tenants, while serving as a platform for GFM to pursue similar projects in future.

GFM shares closed unchanged at 20 sen apiece on Wednesday, valuing the group at RM115.1 million.

Edited by Kang Siew Li

Source:

<https://www.theedgemarkets.com/article/gfm-scraps-jv-plans-amzass-cites-unsatisfactory-due-diligence?type=malaysia>