



GFM SERVICES BERHAD
(Company No: 1033141-H)
(Incorporated in Malaysia)

Year 2019
Quarterly Announcement
For the Second Quarter Ended 30 June 2019

GFM SERVICES BERHAD (Company No: 1033141-H)

The Board of Directors of GFM Services Berhad ("GFMSB" or the "Company") ("Board") is pleased to announce the following unaudited consolidated results for the quarter and financial period ended ("FPE") 30 June 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

	Note	Individual quarter		Cumulative period	
		Current year	Preceding year	Current year	Preceding year
		quarter	quarter	to-date	to-date
		30/06/2019 ⁽¹⁾	30/06/2018	30/06/2019 ⁽¹⁾	30/06/2018
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	32,812	29,180	75,250	61,099
Cost of sales		(20,376)	(21,868)	(45,637)	(44,699)
Gross profit		12,436	7,312	29,613	16,400
Other income		263	867	1,040	3,311
Administrative expenses		(3,010)	(5,324)	(6,655)	(10,552)
Other operating expenses		1,010	(748)	939	(2,701)
Profits from operations		10,699	2,107	24,937	6,458
Finance costs		(6,519)	(284)	(13,275)	(555)
Share of results of an associate, net of tax					-
Profit before tax	B12	4,180	1,823	11,662	5,903
Tax expense	B5	(1,087)	(978)	(3,040)	(2,229)
Profit for the period		<u>3,093</u>	<u>845</u>	<u>8,622</u>	<u>3,674</u>
Other comprehensive income					
Fair value adjustment of available-for-sale financial assets		-	-	-	-
Realisation of revaluation		-	7	-	7
Total comprehensive income for the period		<u>3,093</u>	<u>852</u>	<u>8,622</u>	<u>3,681</u>
Profit for the period attributable to:					
Equity holders of the parent		3,093	845	8,622	3,674
Non-controlling interests		-	-	-	-
		<u>3,093</u>	<u>845</u>	<u>8,622</u>	<u>3,674</u>
Total comprehensive income for the period attributable to:					
Equity holders of the parent		3,093	852	8,622	3,681
Non-controlling interests		-	-	-	-
		<u>3,093</u>	<u>852</u>	<u>8,622</u>	<u>3,681</u>
Earnings per share (sen)					
- Basic ⁽²⁾		<u>0.66</u>	<u>0.20</u>	<u>1.83</u>	<u>0.86</u>
- Diluted ⁽³⁾		<u>0.43</u>	<u>0.20</u>	<u>1.21</u>	<u>0.85</u>
Dividends per share (sen)		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss And Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.
- (2) Basic earnings per share is calculated based on the Company's weighted average share capital of 470,913,585 ordinary shares as at 30 June 2019.
- (3) Diluted earnings per share of the Company for the individual quarter and financial period ended 30 June 2019 are based on the profit for the financial year attributable to owners of the Company and its subsidiaries ("GFM Group" or "Group") and the number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

N/A Not applicable

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Unaudited as at 30/06/2019 ⁽¹⁾	Audited as at 31/12/2018
Note	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,779	19,423
Intangible assets	41,612	42,685
Investment in associate	358	358
Operating financial assets	274,434	274,138
Other investments	-	521
Total non-current assets	<u>337,183</u>	<u>337,125</u>
Current assets		
Tax assets	3,982	2,980
Trade receivables	16,983	13,168
Operating financial assets	52,529	60,445
Other receivables, deposits & prepayments	21,563	9,315
Cash and cash equivalents	84,445	99,781
Total current assets	<u>179,502</u>	<u>185,689</u>
Total assets	<u>516,685</u>	<u>522,814</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	66,923	66,923
Retained earnings	74,324	65,702
Share option reserve and share grant reserve	1,442	532
Fair value reserve	21	21
Reorganisation deficit	(45,265)	(45,265)
Total equity	<u>97,445</u>	<u>87,913</u>
Non-current liabilities		
Borrowings	B8 339,633	351,788
Deferred tax liabilities	36,621	36,556
Total non-current liabilities	<u>376,254</u>	<u>388,344</u>
Current liabilities		
Borrowings	B8 26,003	25,739
Tax payable	1,158	86
Trade payables	8,266	7,358
Other payables and accruals	7,559	13,374
Total current liabilities	<u>42,986</u>	<u>46,557</u>
Total liabilities	<u>419,240</u>	<u>434,901</u>
Total equity and liabilities	<u>516,685</u>	<u>522,814</u>
Net assets per ordinary share attributable to ordinary equity holders of the Company (RM)	0.21	0.21

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL PERIOD ENDED 30 JUNE 2019

	----- Attributable to owners of the Company -----						
	Share capital RM'000	Fair value reserve of financial assets at FVOCI RM'000	Share option reserve RM'000	Share grant reserve RM'000	Reorganisation deficit RM'000	Retained earnings RM'000	Total equity RM'000
Balance as of 1 January 2019	66,923	21	161	371	(45,265)	65,702	87,913
Comprehensive income							
Profit for the financial period	-	-	-	-	-	8,622	8,622
Transactions with owners							
Proceeds from issuance of shares	*	-	-	-	-	-	*
Share option issued			274				274
Share grant issued	-	-	-	636	-	-	636
Balance as of 30 June 2019	<u>66,923</u>	<u>21</u>	<u>435</u>	<u>1,007</u>	<u>(45,265)</u>	<u>74,324</u>	<u>97,445</u>
Balance as of 1 January 2018	48,038	21	-	-	(45,265)	62,116	64,910
Comprehensive income							
Profit for the financial period	-	-	-	-	-	3,674	3,674
Transactions with owners							
Private placement	6,111	-	-	-	-	-	6,111
Balance as of 30 June 2018	<u>54,149</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>(45,265)</u>	<u>65,790</u>	<u>74,695</u>

Notes:

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

* Denotes < RM1,000

[THE REST OF THE PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

UNAUDITED CONDENSED CONSOLIDATED CASH FLOWS STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Year-to-date ended	
	30/06/2019 RM'000	30/06/2018 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before tax	11,662	5,903
Adjustment for:		
Amortisation of intangible assets	1,073	608
(Reversal)/Impairment loss on trade receivables	(941)	732
Depreciation of property, plant and equipment	466	268
Gain on disposal of property, plant and equipment	(24)	-
Interest expense	13,275	555
Interest income	(503)	(258)
Loss on disposal of other investments	21	-
Share based payment	910	-
	<u>25,939</u>	<u>7,808</u>
Movements in working capital:		
Increase in:		
Trade and other receivables	(15,123)	(10,041)
(Decrease)/Increase in:		
Trade and other payables	(4,906)	1,531
Decrease in:		
Operating financial assets	7,621	-
Cash Generated From/(Used in) Operations	<u>13,531</u>	<u>(702)</u>
Income tax paid	(2,905)	(1,788)
Interest paid	(13,275)	(555)
Interest received	503	258
Net Cash Used In Operating Activities	<u>(2,146)</u>	<u>(2,787)</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
(Placement)/Drawdown of fixed deposits	13,603	(4,642)
Drawdown other investments	500	-
Purchase of property, plant and equipment	(1,800)	(785)
Net Cash From/(Used in) Investing Activities	<u>12,303</u>	<u>(5,427)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from issuance of shares	*	-
Repayment of finance lease payables	(637)	(1,159)
Drawdown term loan	-	1,651
Repayment of term loans	(11,253)	(1,319)
Net Cash Used In Financing Activities	<u>(11,890)</u>	<u>(827)</u>
EFFECT OF EXCHANGE RATE CHANGES	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,733)</u>	<u>(9,041)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>67,655</u>	<u>20,638</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>65,922</u>	<u>11,597</u>
Cash and cash equivalents comprise:		
Cash and bank balances	65,922	10,947
Fixed deposits with a licensed bank	<u>18,523</u>	<u>19,066</u>
	84,445	30,013
Less: Bank overdraft	-	-
Deposits pledged as securities	(18,523)	(16,516)
Fixed deposits with licensed banks not pledged but with maturities more than three (3) months	-	(1,900)
	<u>65,922</u>	<u>11,597</u>

Notes:

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

N/A Not applicable

* Denotes < RM1,000

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2019**A COMPLIANCE WITH MALAYSIA FINANCIAL REPORTING STANDARD (MFRS) 134: INTERIM FINANCIAL REPORTING AND THE LISTING REQUIREMENTS OF BURSA SECURITIES****A1 Basis of preparation**

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

This is the interim financial report on the condensed consolidated results for the quarter ended 30 June 2019 announced by the Company in compliance with the Listing Requirements of Bursa Securities.

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

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

A2 Changes in Accounting Policies

The significant accounting policies adopted in this unaudited condensed consolidated interim financial report are consistent with those adopted as disclosed in the audited financial statements for the financial year ended 31 December 2018, except for the following as they are not yet effective for the financial period:

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

A3 Auditors' Report on Preceding Annual Financial Statements

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

A4 Seasonal or Cyclical Factors

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

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

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

A6 Changes in Estimates

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

A7 Changes in Debt and Equity Securities

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

A8 Dividends Paid

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

A9 Segmental Information
Current year to date 30/6/2019

	Facilities management RM'000	Concession arrangements RM'000	Others RM'000	Adjustments and eliminations RM'000	Total RM'000
Revenue					
External revenue	55,456	19,794	-	-	75,250
Inter-segment revenue	2,266	-	5,442	(7,708)	-
	<u>57,723</u>	<u>19,794</u>	<u>5,442</u>	<u>(7,708)</u>	<u>75,250</u>
Profits from operations					
External revenue	9,202	19,535	-	(3,800)	24,937
Inter-segment revenue	-	-	794	(794)	-
	<u>9,202</u>	<u>19,535</u>	<u>794</u>	<u>(4,594)</u>	<u>24,937</u>

A10 Valuation of Property, Plant and Equipment

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

A11 Material Events Subsequent to the end of the current quarter

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

A12 Changes in the Composition of the Group

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

A13 Contingent liabilities or contingent assets

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

A14 Capital Commitments

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

[THE REST OF THE PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

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

For the six months period ended 30 June 2019 ("1H 2019"), Group revenue increased by 23% year-on-year ("YoY") to RM75.3 million, as compared to RM61.1 million in the previous year's corresponding period ("1H 2018"). The growth was on the back of revenue contribution from the newly acquired university asset concessionaire, KP Mukah Development Sdn. Bhd. ("KPMMD").

The Group's Facilities Management operations remain as the major revenue contributor with RM55.5 million for 1H 2019, making up 74% of the Group's revenue, while the Concession segment accounted for the remaining 26% worth RM19.8 million.

In tandem with revenue growth, gross profit jumped 81% YoY to RM29.6 million in 1H 2019 as gross profit margin expanded to 39% vs. 27% in 1H 2018.

During the period under review, the Group's profit before tax ("PBT") almost doubled to RM11.7 million from RM5.9 million a year ago. Net profit attributable to equity holders of the parent ("net profit") surged 135% YoY to RM8.6 million.

B2 Comparison with preceding quarter's results

	Current year quarter 30/06/2019 RM'000	Preceding quarter 31/03/2019 RM'000	Variance RM'000	%
Revenue	32,812	42,438	(9,626)	-23%
Profit before tax	4,180	7,481	(3,301)	-44%

Group revenue reported revenue of RM32.8 million for 2Q 2019 as compared to RM42.4 million in the immediate preceding quarter ended 31 March 2019 ("1Q 2019") due to the completion of several major facilities management projects in 1Q 2019. This led to an absence of revenue recognition from these major projects in 2Q 2019.

The Group's Facilities Management operations contributed RM25.0 million in revenue for 2Q 2019, accounting for 76% of the Group's turnover, while the Concession segment recorded a revenue of RM7.8 million, making up the remaining 24%.

As a result of the completion of several major projects, the Group incurred one-off demobilisation costs in 2Q2019. This led to a lower pre-tax profit of RM4.2 million in 2Q 2019 against RM7.5 million in 1Q 2019.

The Group reported a net profit of RM3.1 million in 2Q 2019 against RM5.5 million in 1Q 2019.

B3 Prospects

Looking ahead, GFM Services Berhad remains focused on strengthening its core business of facilities management while bidding for more jobs and executing its orderbook. As at 30 June 2019, GFM's orderbook stood at RM1.35 billion.

Furthermore, the addition of university asset concessionaire, KP Mukah, opens a new revenue stream for GFM, further accelerating earnings growth and expanding margins. The Group is looking forward to the consolidation of KP Mukah's full-year profits from FY2019 onwards, ensuring long-term earnings visibility with stable consistent income for the remaining 17 years of the concession tenure until 2035. To recap, the Group completed the acquisition of KP Mukah on 27 November 2018.

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

Apart from organic growth, the Group is also open to explore strategic opportunities which complement our business, for further expansion. With the developments above, the Group expects to continue the growth momentum in FY2019 with the focus on executing and solidifying its portfolio.

B4 Variance between Actual Profit and Forecast Profit

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

B5 Taxation

	Individual quarter		Cummulative period	
	Current year quarter 30/06/2019 RM'000	Preceding year quarter 30/06/2018 RM'000	Current year to-date 30/06/2019 RM'000	Preceding year to-date 30/06/2018 RM'000
Income tax				
Current period	1,154	1,051	2,975	2,375
Prior period	-	-	-	-
	<u>1,154</u>	<u>1,051</u>	<u>2,975</u>	<u>2,375</u>
Deferred tax				
Current period	(67)	(73)	65	(146)
Prior period	-	-	-	-
	<u>1,087</u>	<u>978</u>	<u>3,040</u>	<u>2,229</u>

The effective tax rate for the current quarter and 6-month financial period ended 30 June 2019 of 26% which was higher than the statutory tax rate was mainly due to expenses disallowed for tax purposes.

B6 Unquoted investments and properties

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

B7 Quoted securities

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

B8 Borrowings and Debt Securities

The Group's total debts as at 30 June 2019 which are denominated in Ringgit Malaysia are as follows:

	Unaudited as at 30/06/2019 RM'000	Audited as at 31/12/2018 RM'000
Short-term indebtedness:		
Secured and guaranteed Borrowings	26,003	25,739
Long-term indebtedness:		
Secured and guaranteed Borrowings	<u>339,633</u>	<u>351,788</u>
Total indebtedness	<u>365,636</u>	<u>377,527</u>

B9 Material Litigation

There were no material litigations pending as at 27 August 2019.

B10 Dividend

The Board of Directors has declared a final single tier dividend of 1.1043 sen per ordinary share (2017:0.919 sen per ordinary share) in respect of the financial year ended 31 December 2018 amounting to RM 5,200,277 which was paid on 19 July 2019 to shareholders whose names appear on the Record of Depositors on 4 July 2019. Under current rules, single tier dividends are not taxable in the hand of shareholders.

B11 Earnings Per Share ("EPS")

	Individual quarter		Cumulative period	
	Current year quarter 30/06/2019 RM'000	Preceding year quarter 30/06/2018 RM'000	Current year to-date 30/06/2019 RM'000	Preceding year to-date 30/06/2018 RM'000
BASIC EPS				
Profit for the period (RM'000)	3,093	845	8,622	3,674
Number of ordinary shares in issue ('000)	470,914	428,381	470,914	428,381
Basic EPS (Sen)	0.66	0.20	1.83	0.86
DILUTED EPS				
Profit for the period (RM'000)	3,093	845	8,622	3,674
Number of ordinary shares in issue ('000)	470,913	428,381	470,913	428,381
Effect of dilution from:				
- Share options	4,308	2,199	4,308	2,199
- Share grants	4,308	2,199	4,308	2,199
- Bonus warrants	235,457	-	235,457	-
Weighted average number of ordinary shares for basic earning per share (unit)	<u>714,986</u>	<u>432,779</u>	<u>714,986</u>	<u>432,779</u>
Diluted EPS (Sen)	0.43	0.20	1.21	0.85

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

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

	Individual quarter		Cumulative quarter	
	Current year quarter 30/06/2019 RM'000	Preceding year quarter 30/06/2018 RM'000	Current year to-date 30/06/2019 RM'000	Preceding year to-date 30/06/2018 RM'000
Interest income	235	258	503	258
Other income:				
Bad debts recovered	-	300	-	300
Compensation received	-	-	-	-
Reversal of impairment on trade receivables	1,012	-	941	1,968
Investment income	-	-	-	-
Miscellaneous	28	491	537	889
Interest expense	(6,519)	(284)	(13,275)	(555)
Depreciation of property, plant and equipment	(242)	(148)	(466)	(268)
Amortisation of intangible assets	(536)	(304)	(1,073)	(608)
Bad debts written off	-	-	-	-
Write off on:				
- Trade receivables	-	-	-	-
- Inventories	-	-	-	-
Impairment loss on:				
- Trade receivables	-	(748)	-	(732)
- Goodwill	-	-	-	-
- Inventories	-	-	-	-
Employee benefits expense	(7,492)	(8,333)	(16,398)	(16,116)
Gain or loss on disposal of quoted or unquoted investments or properties	-	-	-	-
Realised foreign exchange gain or loss	-	-	-	-
Unrealised foreign exchange gain or loss	-	-	-	-
Gain or loss on derivatives	-	-	-	-
Rental of premises	(50)	(150)	(142)	(184)
Rental of office equipment	(9)	(30)	(44)	(56)

B13 Status of corporate proposals

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

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

[THE REST OF THE PAGE HAS BEEN INTENTIONALLY LEFT BLANK]