



GAGASAN NADI CERGAS
BERHAD [1238966-U]

GAGASAN NADI CERGAS BERHAD

(Incorporated in Malaysia)

**Interim Financial Statements
For The Financial Period Ended
30 September 2018**

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD (3RD) QUARTER FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018⁽¹⁾

	Note	Quarter Ended		Year-To-Date Ended	
		30.9.2018 RM'000	30.9.2017 ⁽²⁾ RM'000	30.9.2018 RM'000	30.9.2017 ⁽²⁾ RM'000
Revenue	A9	89,277	N/A	210,923	N/A
Operating expenses		(78,771)	N/A	(185,554)	N/A
Other operating income		8,858	N/A	27,367	N/A
Finance costs		(4,964)	N/A	(14,749)	N/A
Profit before taxation	B12	14,400	N/A	37,987	N/A
Income tax expense	B6	(3,844)	N/A	(10,107)	N/A
Profit after taxation		10,556	N/A	27,880	N/A
Profit after taxation attributable to:-					
Owners of the Company		10,624	N/A	28,009	N/A
Non-controlling interests		(68)	N/A	(129)	N/A
		10,556	N/A	27,880	N/A
Total comprehensive income attributable to:-					
Owners of the Company		10,624	N/A	28,009	N/A
Non-controlling interests		(68)	N/A	(129)	N/A
		10,556	N/A	27,880	N/A
Earnings per share attributable to owners of the Company:					
Basic EPS (sen)	B11	1.76	N/A	4.59	N/A
Diluted EPS (sen)	B11	1.76	N/A	4.59	N/A

Notes:

- (1) The basis of preparation of the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus dated 13 December 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the first interim financial report announced in compliance with the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). There are no comparative figures for the preceding year's quarter and financial year-to-date available as no interim financial report was prepared for the comparative financial period concerned.

N/A – Not applicable

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018⁽¹⁾

	Note	Unaudited 30.9.2018 RM'000	Audited 31.12.2017 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		29,589	27,104
Inventories		67,427	66,218
Trade receivables		596,431	619,517
		<u>693,447</u>	<u>712,839</u>
Current assets			
Contract assets		30,591	11,012
Property development cost		11,838	-
Trade receivables		76,822	57,510
Other receivables, deposits and prepayments		11,884	21,110
Tax refundable		629	665
Short-term deposits with licensed banks		42,190	44,222
Cash and bank balances		27,856	29,844
		<u>201,810</u>	<u>164,363</u>
TOTAL ASSETS		<u>895,257</u>	<u>877,202</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		95,444	95,444
Reserves		278,721	257,876
Equity attributable to owners of the Company		374,165	353,320
Non-controlling interests		3,988	4,117
Total equity		<u>378,153</u>	<u>357,437</u>
Non-current liabilities			
Borrowings	B8	319,856	348,499
Deferred tax liabilities		80,847	77,145
		<u>400,703</u>	<u>425,644</u>
Current liabilities			
Trade payables		76,214	49,908
Other payables and accruals		6,113	5,325
Borrowings	B8	33,304	38,354
Provision for taxation		770	534
		<u>116,401</u>	<u>94,121</u>
Total liabilities		<u>517,104</u>	<u>519,765</u>
TOTAL EQUITY AND LIABILITIES		<u>895,257</u>	<u>877,202</u>
Number of issued shares ('000)		613,000	613,000
Net asset per share attributable to Owners of the Company (RM)		0.61	0.58

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus dated 13 December 2018 and the accompanying explanatory notes attached to this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD (3RD) QUARTER FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018^{(1) (2)}

	Note	← Distributable →		Attributable to Owners of the Company RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
		Share Capital RM'000	Retained Profits RM'000			
Balance at 31.12.2017/1.1.2018		95,444	257,876	353,320	4,117	357,437
Change in accounting policy, MFRS 9 adoption	A2	-	(7,164)	(7,164)	-	(7,164)
Balance at 31.12.2017/1.1.2018 (Audited)		95,444	250,712	346,156	4,117	350,273
Profit for the financial period, representing total comprehensive income for the financial period		-	28,009	28,009	(129)	27,880
Balance at 30.9.2018 (Unaudited)		95,444	278,721	374,165	3,988	378,153

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus dated 13 December 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding year's corresponding period available as no interim financial report was prepared for the comparative financial period concerned.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE THIRD (3RD) QUARTER FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018⁽¹⁾

	Year-To-Date Ended	
	30.9.2018 RM'000	30.9.2017 ⁽²⁾ RM'000
Cash flows from operating activities		
Profit before taxation	37,987	N/A
Adjustments for:-		
Accretion of fair value on non-current trade receivables	(23,416)	N/A
Depreciation of property, plant and equipment	1,632	N/A
Gain on disposal of property, plant and equipment	(160)	N/A
Property, plant and equipment written off	20	N/A
Reversal of allowance for impairment losses under MFRS 9	(2,098)	N/A
Interest income	(1,214)	N/A
Interest expense	14,749	N/A
Operating profit before working capital changes	<u>27,500</u>	<u>N/A</u>
Increase in contract assets	(20,632)	N/A
Decrease in trade and other receivables	20,577	N/A
Increase in trade and other payables	27,094	N/A
Cash from operating activities	<u>54,539</u>	<u>N/A</u>
Tax paid	<u>(6,133)</u>	<u>N/A</u>
Net cash from operating activities	<u>48,406</u>	<u>N/A</u>
Cash flows from investing activities		
Interest received	1,213	N/A
Uplift of deposits pledged and with original maturity periods of more than three months	3,457	N/A
Purchase of properties held for future development	(1,209)	N/A
Addition of property development expenditure	151	N/A
Purchase of property, plant and equipment	(3,256)	N/A
Net cash from investing activities	<u>356</u>	<u>N/A</u>



CONSOLIDATED STATEMENT OF CASH FLOW FOR THE THIRD (3RD) QUARTER FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018⁽¹⁾ (CONT'D)

	Year-To-Date Ended	
	30.9.2018	30.9.2017 ⁽²⁾
	RM	RM
Cash flows from financing activities		
Interest paid	(14,749)	N/A
Repayment of hire purchase obligations	(480)	N/A
Repayment of bonds	(20,000)	N/A
Repayment of term loans	(13,932)	N/A
Net cash used in financing activities	<u>(49,161)</u>	<u>N/A</u>
Net decrease in cash and cash equivalents	(399)	N/A
Allowance for impairment losses under MFRS 9	(165)	N/A
Cash and cash equivalents at beginning of financial period	<u>44,249</u>	<u>N/A</u>
Cash and cash equivalents at end of financial period	<u>43,685</u>	<u>N/A</u>
Cash and cash equivalents comprise:		
Fixed deposit placed with licensed banks	42,190	N/A
Cash in hand and at bank	27,856	N/A
	<u>70,046</u>	<u>N/A</u>
Less: Fixed Deposit pledged with licensed banks	<u>(26,361)</u>	<u>N/A</u>
	<u>43,685</u>	<u>N/A</u>

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flow are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus dated 13 December 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding year's corresponding period available as no interim financial report was prepared for the comparative financial period concerned.

N/A – Not applicable



A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

The interim financial report of Gagasan Nadi Cergas Berhad (“Gagasan Nadi” or “the Company”) and its subsidiaries (collectively known as “the Group”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) No. 134: Interim Financial Reporting and Rule 9.22 of Listing Requirements of Bursa Securities.

This is the first interim financial statements on the Company’s unaudited condensed consolidated financial results for the third (3rd) quarter ended 30 September 2018 announced by the Company in compliance with the Listing Requirements of Bursa Securities and as such, there are no comparative figures for the preceding year’s corresponding period.

This interim financial report should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus of the Company dated 13 December 2018 and the accompanying notes attached to this interim financial report.

A2. Summary of Significant Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted as disclosed in the Accountants’ Report in the Prospectus of the Group dated 13 December 2018.

During the current financial period, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective date
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2021
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4	1 January 2019
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	1 January 2018
- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	1 January 2019
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	Deferred

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group’s financial statements except that the Group has adopted MFRS 9 Financial Instruments during the current financial period.



A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A3. Auditors' report on preceding annual financial statements

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2017.

A4. Seasonal or cyclical factors

The Group's performance have not been materially affected by any seasonal or cyclical factors during the current quarter and year-to-date.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting the assets, liabilities, equity, net income and cash flows during the current quarter and year-to-date.

A6. Changes in estimates

There were no material changes in estimates for the current quarter and year-to-date.

A7. Debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current quarter and year-to-date.

A8. Dividends paid

There was no payment of dividend during the current quarter and previous corresponding financial year-to-date.

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)
A9. Segmental information

The Group's segmental information for the current financial period ended 30 September 2018 is as follows:

	Construction	Facility Management	Utility Services	Property Development	Others	Consolidation Adjustments	Total
9 months period ended 30.9.2018⁽¹⁾	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External revenue	194,966	11,877	3,090	990	-	-	210,923
Inter-segment revenue	-	-	-	-	6,390	(6,390)	-
	<u>194,966</u>	<u>11,877</u>	<u>3,090</u>	<u>990</u>	<u>6,390</u>	<u>(6,390)</u>	<u>210,923</u>
Results							
Segment results	23,349	2,793	1,425	(436)	1,167	(638)	27,660
Accretion of fair value on non-current trade receivables	23,416	-	-	-	-	-	23,416
Allowance for impairment losses under MFRS 9	(8)	#	(256)	(1)	#	-	(265)
Depreciation	(922)	(248)	(285)	(1)	-	(176)	(1,632)
Interest income	942	1,002	74	7	44	(856)	1,213
Finance costs	(13,574)	-	(2)	-	(1,736)	563	(14,749)
Property, plant and equipment written off	(20)	-	-	-	-	-	(20)
Reversal of allowance for impairment losses under MFRS 9	2,286	44	24	-	10	-	2,364
Profit/(Loss) before taxation	<u>35,469</u>	<u>3,591</u>	<u>980</u>	<u>(431)</u>	<u>(515)</u>	<u>(1,107)</u>	<u>37,987</u>
Income tax expense	<u>(8,480)</u>	<u>(862)</u>	<u>(22)</u>	<u>-</u>	<u>(124)</u>	<u>(619)</u>	<u>(10,107)</u>
Profit/(Loss) after taxation	<u>26,989</u>	<u>2,729</u>	<u>958</u>	<u>(431)</u>	<u>(639)</u>	<u>(1,726)</u>	<u>27,880</u>



A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A9. Segmental information (Cont'd)

The Group's segmental information for the current financial period ended 30 September 2018 is as follows (Cont'd):

	Construction	Facility Management	Utility Services	Property Development	Others	Consolidation Adjustments	Total
Period-to-date⁽¹⁾	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	762,984	37,192	11,515	14,539	72,716	(4,318)	894,628
Unallocated asset:							
- Tax refundable							629
Consolidated total assets							<u>895,257</u>
Additions to non-current assets other than financial instruments:							
- Property, plant and equipment	1,056	-	2,906	14	-	-	3,976
- Properties held for future development	392	-	-	1,110	-	(293)	1,209
Liabilities							
Segment liabilities	395,795	5,565	129	28,135	5,963	(100)	435,487
Unallocated liabilities:							
- Deferred tax liabilities							80,847
- Provision for taxation							770
Consolidated total liabilities							<u>517,104</u>

Notes:

(1) This is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding year's quarter and financial year-to-date available as no interim financial report was prepared for the comparative financial period concerned.

Amount below RM1,000



A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A10. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment during the current quarter and year-to-date.

A11. Significant Events Subsequent to the End of the Interim Financial Period

Save as disclosed in Note B5 "Status of corporate proposals" below, there were no other material events subsequent to the end of the current quarter that have not been reflected in this interim financial report.

A12. Changes in the composition of the Group

Save as disclosed in the Company's prospectus dated 13 December 2018, there were no material changes in the composition of the Group during the current financial year-to-date.

A13. Contingent assets and contingent liabilities

Save as disclosed below, there were no other contingent assets and contingent liabilities as at the date of this interim report.

**Unaudited
As at 30.9.2018
RM'000**

Financial guarantee contract in relation to corporate guarantee given to third parties in the ordinary course of business.

69,855

A14. Capital commitments

There were no capital commitments as at the end of the current and previous corresponding financial periods.

A15. Related party transactions

Save as disclosed below, there were no other significant related party transactions as at the date of this interim report.

**Quarter Ended
30.9.2018
RM'000**

**Year-To-Date
30.9.2018
RM'000**

Related Parties

- Progress billing income

654

41,891



B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Group Performance

(a) Results for current quarter

The Group recorded revenue of RM89.28 million and profit before tax of RM14.40 million for the current quarter ended 30 September 2018. The Group's revenue contributed by the construction, facility management, utility services and property development segments were approximately 93.2%, 4.4%, 1.3% and 1.1% respectively. The profit before tax derived from these segments were approximately 93.3%, 8.9%, 2.7% and 3.1% respectively.

(b) Results for financial year-to-date

For the financial year-to-date, the Group recorded revenue of RM210.92 million and profit before tax of RM37.99 million. The Group's revenue contributed by the construction, facility management, utility services and property development segments were approximately 92.4%, 5.6%, 1.5% and 0.5% respectively. The profit before tax derived from these segments were approximately 93.4%, 9.5%, 2.6% and -1.1% respectively. The property development segment has yet to contribute meaningfully to the Group's financial results for the current financial year-to-date as the Group which made its first foray into the property development in March 2017 when it obtained the development order for the ASEAN Football Federation (AFF) mixed development, only had its soft launch of its AFF Serviced Apartment project in February 2018.

There are no comparative figures for the immediate preceding quarter and preceding year's corresponding financial period available as this is the first interim financial report being announced by the Group in compliance with the Listing Requirements.

B2. Comparison with immediate preceding quarter's results

There are no comparative figures for the immediate preceding quarter available as this is the first interim financial report for the third quarter ended 30 September 2018.

B3. Commentary on prospects

The Group's order book stood at RM682.86 million as at 15 November 2018 and with the continuous tendering for new jobs, the Board expects the performance of the construction segment for the current financial year to be sustainable. The performance of the Group's facility management for the concession projects and the utility services segment are also expected to be maintained for the rest of the current financial year. For the property development segment, its performance is expected to improve for the current financial year in line with the progress of the AFF Serviced Apartment project.

B4. Profit Forecast or Profit Guarantee

The Group did not issue any profit forecast or profit guarantee during the quarter under review.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B5. Status of corporate proposals

On 13 December 2018, the Company issued its prospectus in relation to the public issue of 140.0 million new Ordinary Shares ("Public Issue") and Offer for Sale of 60.0 million existing Ordinary Shares ("Offer for Sale") at an issue/offer price of RM0.30 per public issue share/offer share in conjunction with the Company's listing on the ACE Market of Bursa Malaysia Securities Berhad. The listing exercise is still pending completion as the Company's enlarged share capital of 753,000,000 shares are expected to be listed on 8 January 2019.

B6. Income tax expenses

	Current Quarter 30.9.2018 RM'000	Year-To-Date 30.9.2018 RM'000
Current tax expense	2,888	6,405
Deferred tax expense	956	3,702
	<u>3,844</u>	<u>10,107</u>
Effective tax rates ⁽¹⁾	26.69%	26.61%

Note:

(1) The Group's effective tax rate for the current quarter and financial year-to-date is higher than the statutory tax rate of 24.00% and it is mainly attributed to under provision of income tax expense of RM0.84 million on taxable income relating to availability charges, which were not received in the Financial Year Ended 31 December 2017.

B7. Utilisation of proceeds from the Initial Public Offer ("IPO")

As explained in Note B5 above, the gross proceeds of RM42.0 million to be raised from the Public Issue are intended to be used in the following manner:-

No.	Purpose	Time frame for utilisation from the date of listing	%	Proposed utilisation RM'000
(a)	Funding for the AFF Mixed Development	Within 30 months	33.3	14,000
(b)	Capital expenditures for the district cooling system for the supply of chilled water to a shopping mall under the Datum Jelatek development	Within 12 months	15.5	6,500
(c)	Working capital for a construction project	Within 24 months	39.3	16,500
(d)	Estimated listing expenses	Within 3 months	11.9	5,000
Gross proceeds			<u>100.0</u>	<u>42,000</u>



B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B7. Utilisation of proceeds from the Initial Public Offer ("IPO") (Cont'd)

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 13 December 2018.

However, as at the date of this report, the IPO is pending completion and hence there is no utilisation of the proceeds.

B8. Bank borrowings

The Group's bank borrowings as at 30 September 2018 are as follows:

	Unaudited As at 30.9.2018 RM'000
Current:	
Hire purchase payable	518
Term loan	12,787
Bonds	20,000
	<u>33,305</u>
Non-current:	
Hire purchase payable	847
Term loan	159,009
Bonds	160,000
	<u>319,856</u>
Total	<u>353,161</u>

All the borrowings are secured and denominated in Ringgit Malaysia.

B9. Material litigation

There were no material litigation involving the Group as at the date of this report.



B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B10. Dividend

The Board of Directors did not recommend any dividend for the current quarter under review.

B11. Earnings per share

The basic earnings per share ("EPS") are calculated by dividing the profit for the period attributable to owners of the Company by weighted average number of ordinary shares of the Company during the financial periods are as follows:

	Quarter Ended		Year-To-Date	
	30.9.2018 RM'000	30.9.2017 ⁽¹⁾ RM'000	30.9.2018 RM'000	30.9.2017 ⁽¹⁾ RM'000
Profit attribute to owners of the Company (RM'000)	10,764	N/A	28,149	N/A
Number of share ('000)	613,000	N/A	613,000	N/A
Basic EPS (sen)	1.76	N/A	4.59	N/A
Diluted EPS (sen) ⁽²⁾	<u>1.76</u>	<u>N/A</u>	<u>4.59</u>	<u>N/A</u>

Notes:

(1) This is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding quarter available as no interim financial report was prepared for the comparative financial period concerned.

(2) Diluted earnings per share of the Company for the individual quarter ended 30 September 2018 and period-to-date ended 30 September 2018 is equivalent to the basic earnings per share as the Company does not have any convertible options as at the end of the reporting period.

N/A - Not Applicable



B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B12. Disclosure on selected expense/income items as required by the Listing Requirements

	Current Quarter 30.9.2018 RM'000	Year-To-Date 30.9.2018 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Depreciation of property, plant and equipment	566	1,632
Impairment losses under MFRS 9	-	9
Interest expenses	4,963	14,749
Property, plant and equipment written off	-	20
Accretion of fair value on non-current trade receivables	(7,726)	(23,416)
Gain on disposal of property, plant and equipment	(160)	(160)
Interest income	(484)	(1,214)
Reversal of impairment losses under MFRS 9	(563)	(2,341)

Other disclosure items pursuant to Appendix 9B, Note 16 of the Listing Requirements of Bursa Securities are not applicable.