



GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT QUARTER	CORRESPONDING QUARTER	CUMULATIVE YEAR TO DATE	CUMULATIVE YEAR TO DATE
		30.06.2019	30.06.2018	30.06.2019	30.06.2018
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	85,895	67,724	172,433	127,475
Cost of sales		(49,287)	(40,402)	(99,553)	(73,926)
Gross profit		36,608	27,322	72,880	53,549
Other operating income		2,164	1,819	4,337	2,846
Administration expenses		(21,043)	(21,285)	(42,977)	(31,479)
Distribution costs		(5,228)	(1,332)	(10,995)	(10,355)
Other expenses		(1,333)	374	(2,318)	(296)
Finance cost		(729)	(464)	(1,336)	(858)
Share of results of associated companies		(149)	(239)	(319)	512
Profit before taxation		10,290	6,195	19,272	13,919
Income tax expense		(3,496)	(922)	(6,359)	(2,775)
Profit for the period		6,794	5,273	12,913	11,144
Attributable to:					
Owners of the Company		7,166	5,264	13,512	11,130
Non-controlling interest		(372)	9	(599)	14
		6,794	5,273	12,913	11,144
Earnings Per Ordinary Share					
- Basic (sen)	B9	0.97	0.72	1.83	1.66
- Diluted (sen)	B9	0.96	0.72	1.82	1.66
Profit for the period		6,794	5,273	12,913	11,144
Other comprehensive income, net of tax					
Foreign currency translation differences		(1,395)	(1,486)	(1,395)	(1,486)
Total comprehensive income for the period		5,399	3,787	11,518	9,658
Total comprehensive income attributable to:					
Owners of the Company		5,771	3,778	12,117	9,644
Non-controlling interest		(372)	9	(599)	14
		5,399	3,787	11,518	9,658

(The condensed consolidated statement of 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 statements)



GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

		AS AT 30.06.2019 (Unaudited) RM'000	AS AT 31.12.2018 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		105,008	93,100
Right of use assets		2,121	-
Goodwill on consolidation		179,971	168,639
Intangible assets		1,566	1,697
Other investment		224	226
Deferred tax assets		2,616	2,101
		<u>291,506</u>	<u>265,763</u>
Current assets			
Inventories		85,442	79,088
Trade receivables		52,589	64,969
Other receivables		71,219	73,494
Tax recoverable		8,115	8,660
Fixed deposits placed with licensed banks		29,515	25,420
Cash and bank balances		104,160	119,723
		<u>351,040</u>	<u>371,354</u>
TOTAL ASSETS		<u>642,546</u>	<u>637,117</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		329,966	314,344
Reserves		104,349	91,882
Equity attributable to equity holders of the parent		<u>434,315</u>	<u>406,226</u>
Non controlling interest		7,588	170
Total equity		<u>441,903</u>	<u>406,396</u>
Non-current liabilities			
Hire purchase payables	B6	6,958	5,629
Bank borrowing	B6	12,095	11,194
Lease liabilities		1,249	-
Deferred tax liability		617	4,156
Other payables		-	14,951
		<u>20,919</u>	<u>35,930</u>
Current liabilities			
Trade payables		51,305	40,258
Other payables		101,567	130,679
Lease liabilities		1,070	-
Deferred income		1,726	1,537
Hire purchase payables	B6	5,380	4,436
Bank borrowings	B6	8,612	13,408
Tax payable		10,064	4,473
		<u>179,724</u>	<u>194,791</u>
Total liabilities		<u>200,643</u>	<u>230,721</u>
TOTAL EQUITY AND LIABILITIES		<u>642,546</u>	<u>637,117</u>
Net assets per share (sen)		57.97	55.05

(The condensed consolidated 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 statements)



GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	Share Capital RM'000	Exchange Reserve RM'000	Share Options Reserve RM'000	Treasury Shares RM'000	Retained Profits / (Accumulated Losses) RM'000	Total Attributable To Owners Of The Parent RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 January 2018	208,110	(3,919)	-	(306)	70,311	274,196	129	274,325
Effects of MFRS 9	-	-	-	-	(2,518)	(2,518)	-	(2,518)
At 1 January 2018 (Restated)	208,110	(3,919)	-	(306)	67,793	271,678	129	271,807
Issuance of ordinary shares	100,502	-	-	-	-	100,502	-	100,502
Issuance of ordinary shares pursuant to ESS	30	-	-	-	-	30	-	30
Additional non-controlling interests arising on business combination	-	-	-	-	-	-	2	2
Share options granted under ESS	-	-	257	-	-	257	-	257
Total comprehensive income for the year	-	(1,486)	-	-	11,130	9,644	14	9,658
At 30 June 2018	<u>308,642</u>	<u>(5,405)</u>	<u>257</u>	<u>(306)</u>	<u>78,923</u>	<u>382,111</u>	<u>145</u>	<u>382,256</u>
At 1 January 2019	314,344	(1,455)	1,001	-	92,336	406,226	170	406,396
Effects of MFRS 16	-	-	-	-	(218)	(218)	-	(218)
At 1 January 2019 (Restated)	314,344	(1,456)	1,001	-	92,118	406,007	170	406,177
Issuance of ordinary shares	14,388	-	-	-	-	14,388	-	14,388
Issuance of ordinary shares pursuant to ESS	-	-	-	-	-	-	-	-
Resale of ordinary shares in open market	-	-	-	-	-	-	-	-
Share option granted under ESS	1,234	-	569	-	-	1,803	-	1,803
Revaluation reserve - allocated goodwill	-	-	-	-	-	-	8,017	8,017
Total comprehensive income for the year	-	(1,395)	-	-	13,512	12,117	(599)	11,518
At 30 June 2019	<u>329,966</u>	<u>(2,851)</u>	<u>1,570</u>	<u>-</u>	<u>105,630</u>	<u>434,315</u>	<u>7,588</u>	<u>441,903</u>

(The 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 statements)



GHL SYSTEMS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	CURRENT YEAR TO DATE 30.06.2019 RM'000	PRECEDING YEAR TO DATE 30.06.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	19,272	13,919
Adjustment for:-		
Amortisation of development cost	132	127
Amortisation of deferred income	(1,038)	(1,916)
Bad debts written-off	-	1,194
Depreciation of property, plant and equipment	14,567	10,618
Impairment loss on receivables	460	198
Interest expense	1,336	858
Interest income	(1,634)	(713)
Inventories written off/ (back)	15	(26)
Loss/(Gain) on disposal of property, plant and equipment	(1,512)	(1)
Gain on disposal of other investment	-	(172)
Property, plant and equipment written-off	173	9
Reversal of impairment on trade receivables	(145)	(1,228)
Share options granted under ESS	569	257
Share of gain from an associate	319	(512)
Unrealised loss/ (gain) on foreign exchange	(135)	(309)
Operating profit before working capital changes	32,379	22,303
(Increase)/Decrease in working capital		
Inventories	(6,408)	(14,755)
Trade and other receivables	16,332	7,941
Trade and other payables	(20,376)	(10,767)
Lease liabilities	(302)	-
Advance receipt from deferred income	1,228	2,377
	(9,526)	(15,204)
Cash generated from operations	22,853	7,099
Interest received	1,634	713
Interest paid	(1,336)	(858)
Tax paid	1,008	(3,737)
	1,306	(3,882)
Net cash from operating activities	24,159	3,217
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(23,702)	(2,796)
Purchase of other investment	(318)	(2,118)
Proceeds from disposal of property, plant and equipment	3,108	258
Proceeds from disposal of other investments	-	8,172
Addition in intangible assets	(1)	(10)
Acquisition of subsidiary for cash, net cash acquired	(8,345)	(56,000)
Net cash used in investing activities	(29,258)	(52,494)
Cash Flows From Financing Activities		
Proceeds from issuance of shares	-	100,500
Proceeds from issuance of shares-ESOS	1,234	32
(Increase)/Decrease in fixed deposits pledged	(769)	(8,122)
Drawdown of hire purchase	4,172	5,121
Repayment of hire purchase payables	(1,391)	(2,032)
Drawdown of bank borrowings	5,156	4,450
Repayment of bank borrowings	(10,010)	(4,858)
Net cash used in financing activities	(1,608)	95,091
Net increase/(decrease) in cash and cash equivalents	(6,707)	45,814
Effect of exchange rate fluctuation	(5,225)	5,665
Cash and cash equivalents at beginning of the finance period	133,123	99,945
Cash and cash equivalents at end of the finance period	121,191	151,424
Cash and cash equivalents at end of the finance year:-		
Cash and bank balances	104,160	132,685
Fixed deposits with licensed banks	29,515	34,098
	133,675	166,783
Less: Fixed deposits pledged to licensed banks	(12,484)	(15,359)
	121,191	151,424

(The condensed consolidated statement of cash flows 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 statements)



GHL SYSTEMS BERHAD
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Part A: Explanatory notes on consolidated results for the quarter ended 30 June 2019

A1. Basis of Preparation

The interim financial report has been prepared in accordance with MFRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The results for this interim period are unaudited and should be read in conjunction with the Group’s audited consolidated financial statements and the accompanying notes for the year ended 31 December 2018.

A2. Significant Accounting Policies

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2018.

As of 1 January 2019, the Group and the Company have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

Effective for annual periods beginning on or after 1 January 2019

Title	Effective Date
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 3 Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 11 Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 112 Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 123 Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019

The adoption of these MFRSs does not have any material impact on the Group’s results and financial position except for:

MFRS 16 Leases

MFRS 16 eliminates the distinction between finance and operating leases. All leases will be brought onto the statement of financial position except for short-term and low value asset leases. On the adoption of this standard, the Group has capitalised its rented premises on the statements of financial position by recognising them as ‘right-of-use’ assets and their corresponding lease liabilities for the present value for future lease payments.

On the date of initial recognition, the Group applied the transition approach and did not restate comparative amounts for the periods prior to first adoption. Right-of-use assets were measured on transition as if the new rules had always been applied.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019, comparative is not restated. The Group recognised right-of use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

A2. Significant Accounting Policies (continued)
MFRS 16 Leases (continued)

Impact on financial statements

a) Impact on transition

The financial effects due to the changes in accounting policies have been adjusted to the statements of financial position of the Group as at 1 January 2019. There are no changes to the comparatives in the statements of profit or loss and statement of cash flows of the Group. A reconciliation of these changes is summarized in the following table:

	As at 31.12.2018 RM'000	Remeasurement RM'000	As at 01.01.2019 RM'000
Non-current assets			
Right-of-use asset	-	2,088	2,088
Liabilities			
Lease liabilities - Non-current liabilities	-	1,479	1,479
Lease liabilities - Current liabilities	-	834	834

b) Impact for the period

As a result of initially applying MFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized RM2,121,000 of right-of-use assets and RM2,319,000 of lease liabilities as at 30 June 2019.

Also, in relation to those leases under MFRS 16, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognized RM563,000 of depreciation charges and RM54,000 of interest costs from these leases.

MFRSs and Amendments to MFRS issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group and the Company.

Title	Effective Date
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Definition of Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group does not expect the adoption of the above Standards to have a significant impact on the financial statements.

A3. Audit Report of Preceding Annual Financial Statements

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2018 was not subject to any audit qualification.

A4. Seasonal or Cyclical Factors

The business of the Group is not affected by any significant seasonal or cyclical factors, other than the general economic environment in which the Group operates.



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A5. Unusual Items

There were no items or events affecting assets, liabilities, equity, net income or cash flow of the Group that are unusual of their nature, size or incidence during the current quarter.

A6. Changes in Estimates

There were no changes in estimates that have had any material effect during the current quarter.

A7. Changes in Debts and Equity Securities

During the current quarter, the Company:

- (i) Issued 30,000 new ordinary shares at average exercise price of RM1.08 pursuant to the Executives' Share Scheme ("ESS").
- (ii) Issued 10,061,206 new ordinary shares at the issue price of RM1.1927 being the Tranche 2 GHL Consideration Shares for acquisition of Paysys (M) Sdn Bhd.

Saved as disclosed above, there were no other issuance and repayment of debt and equity securities, share buy-backs and share cancellations during the current quarter.

A8. Dividend Paid

There were no dividends paid during the quarter ended 30 June 2019.

A9. Segmental Reporting

The Group has four reportable segments, as described below, which are the Group's strategic business units of the Group. The strategic business units offer different geographical locations and are managed separately. The following summary describes the geographical locations units in each of the Group's reportable segments of the Group:

- (a) Malaysia
- (b) Philippines
- (c) Thailand
- (d) Others (Australia, Cambodia, Indonesia, Myanmar and Singapore)

The core revenue of the Group comprises; Shared Services, Solution Services and Transaction Payment Acquisition. The activities within each of these core businesses are explained below:

Shared Services comprises mainly revenue derived from the sales, rental and maintenance of Electronic Data Capture ("EDC") terminals and other card acceptance devices and the supply of cards to banks and other payment operators.

Solution Services comprises mainly revenue derived from the sales and services of payment solutions which include network devices and related software, outsourced payment networks, management/processing of payment and loyalty cards, internet payment processing, and the development of card management systems.

Transaction Payment Acquisition ("TPA") comprises revenue derived from two (2) distinct components: -

- i) e-pay services which provides Telco prepaid and other top-up facilities and, bill collection services for consumers ("reload and collection services") and
- ii) GHL's direct merchant acquiring and electronic payment services ("electronic payment services")



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A9. Segmental Reporting (continued)

Performance is measured based on core businesses revenue and geographical profit before tax and interest, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Core businesses revenue and geographical profit are used to measure performance as management believes that such information are the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.



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A9. Segmental Reporting (continued)

Quarter - 30 June	Malaysia		Philippines		Thailand		Others		Adjustment and Elimination		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CONTINUING OPERATIONS												
REVENUE												
External Sales												
Shared Services	21,923	5,879	6,333	4,568	3,105	8,629	58	-	9	(5)	31,428	19,071
Solution Services	1,768	2,227	674	492	400	212	297	310	-	-	3,139	3,242
Transaction Payment Acquisition	44,033	40,551	4,244	2,776	3,051	2,083	-	-	-	-	51,327	45,411
Inter-segment sales	5,763	6,765	-	-	-	-	-	-	(5,763)	(6,765)	-	-
	73,487	55,422	11,251	7,837	6,555	10,924	356	310	(5,754)	(6,770)	85,895	67,724
RESULTS												
EBITDA	14,144	7,612	5,470	2,502	1,309	1,616	(477)	149	(2,770)	(110)	17,676	11,769
Interest income	853	427	2	2	2	4	-	-	-	-	857	433
Interest expense	(470)	(384)	(256)	(60)	(27)	(20)	-	-	24	-	(729)	(464)
Depreciation	(5,565)	(3,181)	(2,201)	(1,725)	(832)	(573)	(218)	-	1,368	-	(7,448)	(5,479)
Amortisation of intangible assets	(66)	(64)	-	-	-	-	-	-	-	-	(66)	(64)
Profit before taxation	8,896	4,410	3,015	719	452	1,027	(695)	149	(1,378)	(110)	10,290	6,195
Taxation	(1,533)	(532)	(928)	(389)	(163)	(248)	-	(1)	(872)	248	(3,496)	(922)
Minority interest	-	-	-	-	-	-	-	-	372	(9)	372	(9)
Segment profit/ (loss) for the financial period after non-controlling interest	7,363	3,878	2,087	330	289	779	(695)	148	(1,878)	129	7,166	5,264
Segmental assets	789,138	583,681	66,390	39,043	37,150	33,303	5,626	403	(255,758)	(115,599)	642,546	540,831
Segmental liabilities	482,725	293,818	39,858	19,968	19,378	19,505	1,535	794	(342,853)	(178,028)	200,643	156,056



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A9. Segmental Reporting (continued)

Cumulative - 30 June	Malaysia		Philippines		Thailand		Others		Adjustment and Elimination		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CONTINUING OPERATIONS												
REVENUE												
External Sales												
Shared Services	45,978	12,103	12,018	8,849	9,050	10,419	61	-	(313)	(13)	66,793	31,358
Solution Services	3,516	4,763	1,343	903	615	819	601	536	-	-	6,075	7,021
Transaction Payment Acquisition	85,209	80,049	7,649	4,915	6,699	4,132	8	-	-	-	99,565	89,096
Inter-segment sales	13,583	13,777	-	-	-	-	-	-	(13,583)	(13,777)	-	-
	148,286	110,692	21,010	14,667	16,364	15,370	669	536	(13,896)	(13,790)	172,433	127,475
RESULTS												
EBITDA	28,943	16,893	9,571	4,903	3,132	2,789	(957)	223	(7,016)	-	33,673	24,808
Interest income	1,629	704	4	5	2	4	-	-	-	-	1,634	713
Interest expense	(816)	(720)	(445)	(118)	(75)	(20)	-	-	-	-	(1,336)	(858)
Depreciation	(10,344)	(6,226)	(4,473)	(3,293)	(1,512)	(1,098)	(429)	(1)	2,192	-	(14,567)	(10,618)
Amortisation of intangible assets	(132)	(127)	-	-	-	-	-	-	-	-	(132)	(127)
Profit before taxation	19,280	10,524	4,656	1,497	1,546	1,675	(1,386)	222	(4,825)	-	19,272	13,918
Taxation	(2,999)	(1,295)	(1,422)	(782)	(258)	(248)	-	(1)	(1,680)	(449)	(6,359)	(2,775)
Minority interest	-	-	-	-	-	-	-	-	599	(13)	599	(13)
Segment profit/ (loss) for the financial period after non-controlling interest	16,281	9,229	3,235	715	1,288	1,427	(1,386)	221	(5,906)	(462)	13,512	11,130
Segmental assets	789,138	583,681	66,390	39,043	37,150	33,303	5,626	403	(255,758)	(115,599)	642,546	540,831
Segmental liabilities	482,725	293,818	39,858	19,968	19,378	19,505	1,535	794	(342,853)	(178,028)	200,643	156,056



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A10. Valuation of Property, Plant and Equipment

The property, plant and equipment are stated at cost/valuation less accumulated depreciation and impairment losses. There was no revaluation of property, plant and equipment for the current quarter and financial year to date. The valuation of property, plant and equipment of the Group have been brought forward without amendment from the financial statements for the year ended 31 December 2018.

A11. Material Subsequent Events to the end of Current Quarter

There was no material event subsequent to end of the current quarter.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial quarter under review.

A13. Contingent Liabilities and Contingent Assets

The Group does not have any contingent liabilities or contingent assets as at the date of this report other than the following:

	RM'000
Banker's guarantee in favour of third parties	
- Secured	<u>21,196</u>

A14. Capital Commitments

Capital commitments for purchase of property, plant and equipment not provided for as at 30 June 2019 are as follows:

	RM'000
Approved but not contracted for	<u>93</u>



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PART B: ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of Performance

Performance of current quarter (2Q 2019) vs corresponding quarter (2Q 2018) by segment

GHL's 2Q19 group revenue grew by a healthy 26.8% yoy to RM85.9 million as compared to RM67.7 million for the corresponding period in 2Q18. 2Q19 pre-tax profits were also 66.1% higher at RM10.3 million compared to RM6.2 million in 2Q18. Profit after tax and minority interest growth was up 36.1% at RM7.2 million (2Q18 RM5.3 million), despite a higher effective taxation rate in the current quarter under review. The group's topline improvement in this quarter was due primarily to both the Shared Services and TPA divisions but the Solutions Services registered a small decline yoy over 2Q18. 2Q19 Shared Services recorded higher revenue with contribution from Paysys (M) Sdn Bhd which was not included in the corresponding period in 2Q18. The group's balance sheet remains healthy with a net cash position of RM100.6 million (31.12.2018 – Net cash RM110.5 million).

The performances of the individual segments are as follows :-

Shared Services

Shared services revenue in 2Q19 grew by 64.8% to RM31.4 million (2Q18 – RM19.1 million) driven by higher rental and maintenance revenue. Hardware sales were down compared to the same period a year ago.

Solutions Services

Solutions services gross revenue was down by 3.1% in 2Q19 to RM3.1 million (2Q18 – RM3.2 million) due to lower network software sales in 2Q19.

Transaction Payment Acquisition (TPA)

The TPA business has two distinct components, each in a different stage of development. These are; i) e-pay's direct contractual relationships with merchants to provide Telco prepaid and other top-up facilities and, bill collection services for consumers ("reload and collection services") and ii) GHL's direct contractual relationships with merchants to provide international and domestic card payment services ("card payment services"). Each of these is described in more detail as follows: -

(i) e-pay (reload and collection services)

e-pay is the largest provider of reload and collection services in Malaysia. It has approximately 40,230 acceptance points nationwide, encompassing all petrol chains, large convenience store chains and over 8,000 general stores. The e-pay brand is well known to consumers who use the service. With over 20 years' experience, e-pay is clearly the market leader in Malaysia within this industry segment. A summary of key data relating to the e-pay business is found in the Table 1 below. As can be seen, the transaction value processed by e-pay grew by 8.6% with stable gross profit margins of 114 basis points.



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B1. Review of Performance (continued)

(i) e-pay (reload and collection services)

Table 1

e-pay <i>(All stated in RM'millions unless stated otherwise)</i>	2Q 2018	2Q 2019	% change
Transaction Value Processed	921.1	1,000.7	8.6%
Gross Revenue	31.7	32.3	1.8%
Gross Revenue / Transaction Value (Note 1)	3.4%	3.2%	-6.3%
Gross Profit	11.1	11.4	2.8%
Gross Profit / Transaction Value (Note 1)	1.2%	1.1%	-5.4%
Merchant Footprint - e-pay Only (Thousands)	36.2	40.2	11.2%

Note 1 - Gross Revenue or Gross Profit respectively divided by the Transaction Value Processed expressed as a %.

(ii) GHL (e-payment services)

This TPA electronic payment services business is driven by our TPA arrangements with leading domestic banks in our respective markets as well as a leading China e-wallet provider which is expanding into Asean. The existing GHL TPA data as shown in Table 2 comprises the following activities;

- Various Merchant Discount Rate ("MDR") revenue sharing arrangements under direct contracts with merchants and banks in Malaysia, Thailand and Philippines
- Domestic debit card merchant acquisition in Malaysia, Thailand and Philippines.
- Internet TPA ("eGHL") in Malaysia, Indonesia, Thailand and Philippines.
- e-wallet providers in Malaysia, Thailand and Philippines

A summary of key data relating to the card payment business is found in the Table 2 below. While the transaction value processed grew strongly by 49.7%, Gross profit/transaction margins declined due to ongoing competition in the market in terms of MDR and monthly rental. Over the longer term, however, margins should stabilise as more merchants are on-boarded and a larger portfolio is built as well as our overseas TPA in Philippines and Thailand gather momentum. The introduction of e-wallets in all three markets in 2018 is expected to continue to contribute positively in the near future.

Table 2

GHL Electronic payments TPA <i>(All stated in RM'millions unless stated otherwise)</i>	2Q 2018 (Restated)	2Q 2019	% change
Transaction Value Processed (Note 1)	1,488.5	2,228.9	49.7%
Gross Revenue	13.7	19.0	38.8%
Gross Revenue / Transaction Value (Note 2)	0.9%	0.9%	-7.3%
Gross Profit (Note 3)	5.8	7.2	24.4%
Gross Profit / Transaction Value (Note 2)	0.39%	0.3%	-16.9%
Merchant Footprint - TPA Only (Thousands)	39.8	85.0	113.4%



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(ii) GHL (e-payment services) (continued)
Table 2 (continued)

Note 1 - Gross Revenue or Gross Profit respectively divided by the Transaction Value Processed expressed as a %.

Note 2 - The gross profit has been restated as a result of changes in indirect costs allocation basis due to required improvements to our internal business processes to include certain network service and compliance fees, as well as support expenses relating to the TPA business that were previously included in the administrative OPEX expenses. This reclassification from OPEX to COGS is intended to more accurately reflect the gross margins of this e-payment TPA segment

TPA division's revenues was up by 11.1% yoy in 2Q19 to hit RM51.3 million (2Q18 – RM45.4m) due to revenue growth from both e-pay and payments TPA. e-pay revenues showed a turnaround with a 1.8% yoy improvement in contribution from telco prepaid top-ups as well as bill collections. Payments TPA on the other hand also showed a 38.8% yoy improvement in revenue earned. e-pay remains the major contributor in the TPA segment but the GHL electronic payments TPA (encompassing card, online, mobile and nextgen payments) are growing at a faster rate.

Performance of current quarter (2Q 2019) vs corresponding quarter (2Q 2018) by geographical segment

GHL's 2Q19 group revenue grew by 26.8% yoy to RM85.9 million as compared to RM67.7 million for the corresponding period in 2Q18 with revenue growth being recorded in Malaysia and Philippines but a decline from the Thailand market given that its 2Q18 which saw a strong hardware sales. All the geographical markets contributed positively to the EBITDA line. Group wise, 2Q19 pre-tax profits were also 66.1% higher at RM10.3 million compared to RM6.2 million in 2Q18 due to a strong performance from the shared services division and TPA division.

Malaysia operations accounted for 78.8% of the group revenues in 2Q19 with a 39.2% yoy growth driven by Shared Services' rental and maintenance revenue growth. The TPA segment contribution was also up by 6.7% yoy due to higher transaction fees from payments TPA. Solutions services was down yoy mainly due to lower network software sales revenue.

The Philippines operations was the second largest contributor, accounting for 13.1% yoy of 2Q19 group revenues. This 2nd quarter saw revenues grew by 43.6% yoy to RM11.3 million (2Q18 – RM7.8m) supported by growth in all three segments, Shared services, Solutions services and TPA.

Thailand operations' 2Q19 revenue contributed 7.6% to the group total and declined 40.0% yoy to RM6.6 million (2Q18 RM10.9 million) due primarily to a decline in hardware sales. In the corresponding period in 2018, Thailand saw strong EDC growth sales due to the implementation of a government project for the welfare card. The decline was offset by the growth in its Solutions Services and TPA divisions. TPA revenues saw higher transactional fee whereas the Solutions Services saw higher rental and maintenance revenue collected.

The group's other geographical operations recorded 2Q19 revenues of RM0.36 million (2Q18 – RM0.31 million) on an ongoing maintenance projects in Australia in its Solutions Service division. There were no Shared solutions and TPA revenues recorded by our Australian operations for the quarter under review. This geographical grouping saw negative contributions at the EBITDA level due to ongoing investments in our Cambodian operations.

Performance of current quarter (2Q19) vs preceding quarter (1Q19) by segment

Revenue (RM million)	1Q19	2Q19
Shared Services	35.4	31.5
Solutions Services	2.9	3.1
TPA	48.2	51.3
Group revenue	86.5	85.9
Profit Before Tax	9.0	10.3



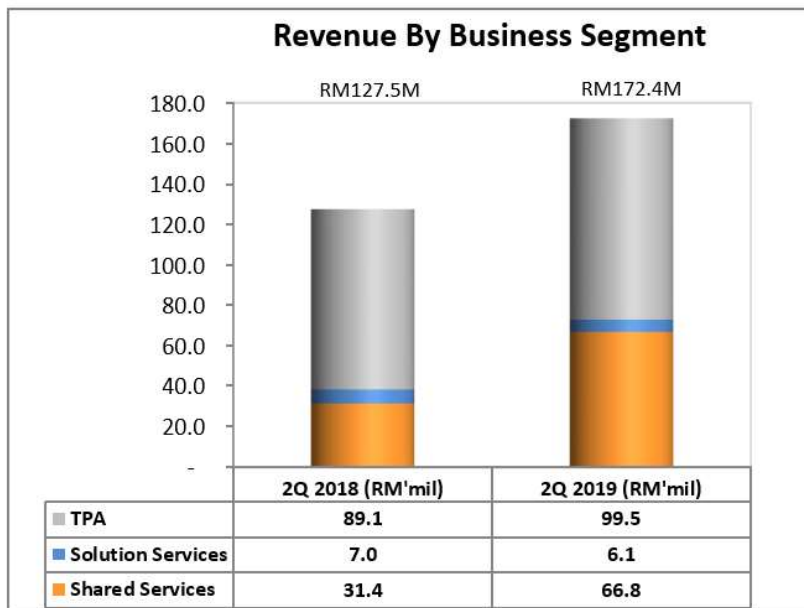
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Performance of current quarter (2Q19) vs preceding quarter (1Q19) by segment (continued)

For the 2Q19 ended 30 June 2019, the group recorded revenues of RM85.9 million, a 0.1% qoq decline over RM86.5 million recorded in 1Q19. The flat topline was due to a better performing Solution services and TPA in 2Q19 with a positive performance by our Philippines and Malaysian operations but was offset by slower Thailand revenues on the back of lower qoq hardware sales as well as seasonally higher TPA revenues in 1Q19 due to the festive lunar holidays. 2Q19 pre-tax profit however grew by 14.5% qoq despite the flat revenue mainly due to lower distribution costs in 2Q19.

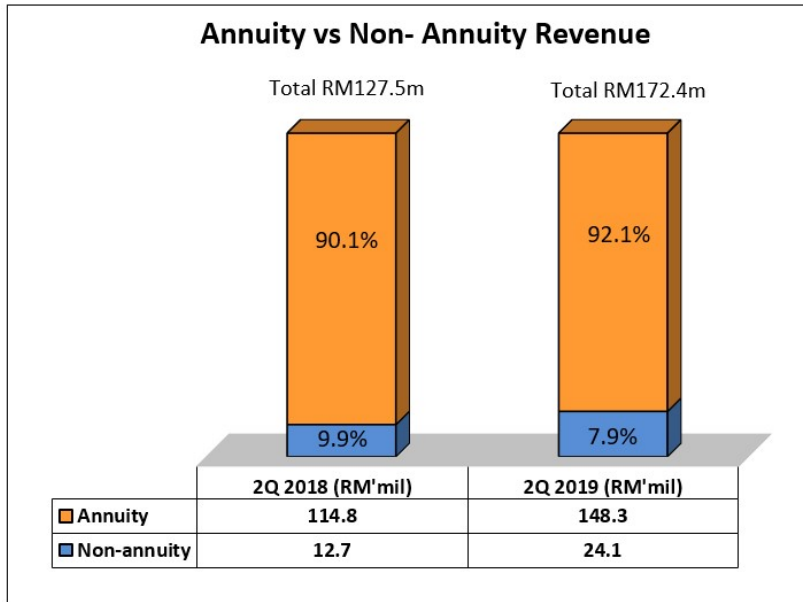
Performance of year to date period (2Q19) vs corresponding period (2Q18) by segment

Group revenue for the first six months of 2019 was up 35.2% yoy to RM172.4 million (2Q18 – RM127.5 million) with growth registered by all the geographical markets. The segment performance was as follows (Shared Services, 113.0% yoy; Solutions Services, -13.5% yoy; TPA, 11.8% yoy). Pre-tax profit was up by 38.5% yoy to RM19.3 million compared to RM13.9 million a year ago and pre-tax margin was higher at 11.2%, compared to 2Q18’s pre-tax margin of 10.9%. Net profit after tax and minority interest grew by 21.4% yoy to RM13.5 million (2Q18 – RM11.1 million). Net profit growth was lower as compared to pre-tax profit growth due to higher effective taxation rate for in 2Q19.



Shared Services and TPA recorded improved performance due to higher rental revenue collected and hardware sales in the six months to 30 June 2019 and higher TPA transaction fees collected. The Shared Services improved performance in 1H19 was due to the inclusion of revenue contribution from Paysys (M) Sdn Bhd which was not consolidated in the corresponding period in 1H18. Solutions Services performance was however down by 13.5% yoy as compared to the same period last year due to softer hardware and software sales in Malaysia and Thailand. Although Solutions services in the Philippines were up during this period but it was insufficient to offset the lower sales recorded in Malaysia and Thailand.

Performance of year to date period (2Q19) vs corresponding period (2Q18) by segment (continued)



The annuity based revenue component within the group's total revenue remains high at 92.1% and this compared to 90.1% achieved in the previous year. Annuity based income continued to grow in absolute terms, and 2Q18 saw higher hardware sales in the Thai market which resulted in higher non annuity based income in the previous period. The group's strategy is to grow the TPA and other businesses that have a strong recurring annuity-based revenue and at the same time to continue to support our main bank customers with their hardware and software requirements. As TPA gathers momentum in all three geographical markets, we expect annuity revenues to remain strong.

Performance of year to date period (2Q19) vs corresponding period (2Q18) by country



2Q19 group revenue was up 35.2% yoy to RM172.4 million (2Q18 – RM127.5m) with growth registered by all three territories Malaysia, Philippines, and Thailand. Pre-tax profits were up by 38.5% yoy to RM19.3 million compared to RM13.9 million a year ago and net profit after tax grew by 21.4% yoy to RM13.5 million (2Q18 – RM11.1 million).



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Performance of year to date (2Q19) vs corresponding period (2Q18) by country (continued)

Malaysian operations contributed 77.9% (2Q18 – 76.1%) of group revenue and the 38.6% yoy increase was due to stronger rental and maintenance revenue as well as TPA revenues whereas Solutions services revenue showed a decline of 26.2% in the first 6 months of 2019. However, EBITDA margin was higher at 21.5% for 2Q19, (2Q18 17.4%).

Philippines revenue was 43.2% yoy higher at RM21.0m (2Q18 – RM14.7m) with EBITDA margin at 45.6% from 33.4% on the corresponding period. All three segments registered yoy growth in line with the growth in the revenue.

Thailand recorded a growth in revenue of 6.5% on the back of improved TPA performance but was dragged by lower Shared services revenue as 2018 saw strong hardware sales from Thai bank customer. TPA saw 2Q19 revenue of RM6.6 million vs 2Q18 revenues of RM4.1 million due to the ongoing merchant acquiring for the Chinese based e-wallet. EBITDA remains positive at 19.1% compared to 18.1% in 2Q18.

Others remains the smallest contributor to group operations at RM0.7 million or 0.4% of group turnover compared to 2Q18 turnover of RM0.5 million. The EBITDA contribution loss of RM1.0 million compared to RM223,000 gain in the same period of the previous year was due to operational and investment costs incurred in our new market, Cambodia.

B2. Current Year's Prospects (FY 2019)

The Group continues to focus on merchant acquisition across the three markets by offering our clients, payments options ranging from credit/debit acceptance, mobile payments as well as internet payments. The emergence QR based e-wallets have spurred growth of domestic e-wallet players in all three markets and 2018 saw the launch of several local players in this space. This bodes well for GHL, as it increases our competitive edge in offering our merchants an integrated omni-channel payment solution.

In the six-month period to 30 June 2019, the group processed RM6.2 billion (31.5% yoy) of transaction payment value (TPV) across its TPA merchant touchpoints in ASEAN which also grew to 125,229 points (64.8% yoy) as the group remains focused on strengthening its position as the leading payments player in ASEAN.

The group in 2018 partnered a major Malaysia domestic bank to enable its existing Electronic Data Capture ("EDC") terminal base to capture all 10 e-wallets currently available in the Malaysian market. This trend will be replicated in Philippines and Thailand where similar plans to partner with the respective domestic banks will commence in 3Q 2019.

In 2018, the group completed two corporate exercises which will contribute from 2019 onwards. One of these was a new market in Cambodia and in 1Q19, the group announced a TPA tie up with Bank Nagara Indonesia (BNI) which marks our foray into merchant acquiring in Indonesia. The group is optimistic about these two new markets but is cognizant on the need to first invest to develop the infrastructure and marketing network which will lead to additional operating costs before the revenue streams are crystallised.

Although TPA is a key focus, the group's recognises that the payment infrastructure within the markets it operates in remains under developed. Opportunities remain in the traditional space of EDC hardware sales and payment network infrastructure and GHL remains well positioned to capitalise on this growth area. The outlook for 2019 and beyond remains optimistic.



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B3. Profit before Taxation

Profit before tax is arrived at after charging/(crediting) the following items:

	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible asset	66	64	132	127
Bad Debt written off	-	1,194	-	1,194
Depreciation of property, plant and equipment	7,448	5,479	14,567	10,618
Fixed assets written off	169	-	173	9
(Gain)/Loss on foreign exchange:				
Realised	2	78	153	95
Unrealised	(219)	(1,723)	(135)	(309)
(Gain)/loss on disposal of fixed Assets	(1,476)	(1)	(1,512)	(1)
Impairment loss on receivables	170	197	460	198
Interest income	(857)	(433)	(1,634)	(713)
Interest expenses	729	464	1,336	858
Inventory written off/(back)	-	6	15	(26)
Rental expenses	(18)	371	435	711
Reversal of allowance for doubtful debts	(94)	(1,173)	(145)	(1,228)
Share based payment	286	257	569	257

B4. Tax expense

	Current Quarter	Current Year To Date
	30.06.2019	30.06.2019
	RM'000	RM'000
Current tax expenses based on profit for the financial quarter:		
Malaysian income tax	(2,241)	(4,190)
Foreign income tax	(1,092)	(1,680)
Deferred tax:		
Relating to origination and reversal of temporary differences	(163)	(490)
Total	(3,496)	(6,359)

The Group's effective tax rate for the current quarter and for the year to date ended 30 June 2019 was higher than the statutory tax rate mainly due to certain disallowable expenses for tax purposes.



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B5. Status of Corporate Proposals

There was no corporate proposal announced but not completed as at the reporting date.

B6. Group Borrowings and Debt Securities

The Group's borrowings and debt securities as at 30 June 2019 are as follows:

	Long-term Borrowings		Short-term Borrowings		Total Borrowings	
	Foreign '000	RM'000	Foreign '000	RM'000	Foreign '000	RM'000
Secured						
<i>Bank borrowings</i>						
- Ringgit Malaysia	-	4,180	-	5,180	-	9,360
- Philippine Peso			12,228	986	12,228	986
<i>Hire purchase</i>						
- Ringgit Malaysia	-	1,128	-	513	-	1,641
- Philippine Peso	72,370	5,830	60,420	4,867	132,790	10,697
Unsecured						
<i>Bank borrowings</i>						
- Ringgit Malaysia	-	7,915	-	2,446	-	10,361
		19,053		13,992		33,045

B7. Material Litigation

As at the date of this report, the Group is not engaged in any material litigation, claims, arbitration or prosecution, either as plaintiff or defendant, and the Board is not aware of any proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group.

B8. Dividend

No dividend has been declared for the financial period ended 30 June 2019.

B9. Earnings Per Share

a) Basic earnings per share

Basic earnings per ordinary share for the financial period is calculated by dividing the profit for the financial period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the financial period.

b) Diluted earnings per share

Diluted earnings per ordinary share for the financial period is calculated by dividing the profit for the financial period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the financial period adjusted for the effects of dilutive potential ordinary shares.



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B9. Earnings Per Share (continued)

	Current Quarter 30.06.2019	Preceding Year Corresponding Quarter 30.06.2018	Current Year To Date 30.06.2019	Preceding Year To Date 30.06.2018
<u>Basic</u>				
Profit attributable to owners of the Company (RM'000)	7,166	5,264	13,512	11,130
Weighted average number of ordinary shares in issue and issuable (Unit'000)	742,017	726,368	740,016	669,673
Basic earnings per ordinary share (Sen)	0.97	0.72	1.83	1.66
<u>Diluted</u>				
Profit attributable to owners of the Company (RM'000)	7,166	5,264	13,512	11,130
Weighted average number of ordinary shares in issue and issuable (Unit'000)	745,758	728,990	743,818	672,295
Diluted earnings per ordinary share (Sen)	0.96	0.72	1.82	1.66