GHL

GHL SYSTEMS BERHAD
(Company No: 293040-D)

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

B1. Review of Performance

Performance of current quarter (4Q 2019) vs corresponding quarter (4Q 2018) by segment

GHL's 4Q19 group revenue was up 4.1% yoy to RM87.6 million as compared to RM84.2 million for the corresponding quarter in 4Q18. 4Q19 pre-tax profits were down 14.4% at RM8.8 million compared to 4Q18 mainly due to higher depreciation expenses. Profit after tax and minority interest was up 10.8% at RM7.9 million (4Q18 RM7.1 million). The group's revenue in this quarter was driven by the TPA division but was tempered by declines from the Shared and Solutions Services compared to 4Q18. 4Q19 Shared Services recorded a decline of 12.9% yoy in revenue on the back of lower rental income in the current quarter. Contribution from Paysys (M) Sdn Bhd is reflected in both the current 4Q19 and corresponding quarter in 4Q18. The group's balance sheet remains healthy with a net cash position of RM111.8 million (31.12.2018 – Net cash RM110.5 million).

The performances of the individual segments are as follows: -

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") and e-wallet 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 43,500 acceptance points nationwide, encompassing all petrol chains, large convenience store chains and 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 payment value (TPV) by e-pay grew by 16.2% with a dip in gross profit margins to 103 basis points due to the change in product mix during the quarter under review.

Table 1

e-pay *(All stated in RM'millions unless stated otherwise)*	**4Q 2018**	**4Q 2019**	**% change**
Transaction Payment Value	946.5	1,099.9	16.2%
Gross Revenue	31.3	31.6	0.8%
Gross Revenue / Transaction Payment Value (Note 1)	3.31%	2.87%	-13.3%
Gross Profit	10.9	11.3	3.8%
Gross Profit / Transaction Payment Value (Note 1)	1.15%	1.03%	-10.6%
Merchant Footprint - e-pay Only (Thousands)	38.0	43.5	14.4%

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

GHL SYSTEMS BERHAD
(Company No: 293040-D)

B1. Review of Performance (continued)
Transaction Payment Acquisition (TPA)

(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 providers which is expanding into Asean and local e-wallet providers in their respective countries. The existing GHL TPA data as shown in Table 2 comprises the following activities;

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

A summary of key data relating to the e-payment business is found in the Table 2 below. The transaction payment value continued to grow strongly by 70.1%, and gross profit/transaction payment value margins declined to 30 basis points (4Q18 - 37 basis points) due to 1) change in payment type mix, 2) change in merchant segment mix. Absolute gross profits showed a very healthy 40% yoy growth to RM9.0 million (4Q18 RM6.4 million). Over the longer term, 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 *(All stated in RM'millions unless stated otherwise)*	**4Q 2018 (Restated)**	**4Q 2019**	**% change**
Transaction Payment Value (Note 1)	1,764.4	3,000.7	70.1%
Gross Revenue	15.5	21.8	40.8%
Gross Revenue / Transaction Payment Value (Note 2)	0.88%	0.73%	-17.2%
Gross Profit (Note 3)	6.4	9.0	39.9%
Gross Profit / Transaction Payment Value (Note 2)	0.37%	0.30%	-17.7%
Merchant Footprint - TPA Only (Thousands)	58.7	95.3	62.5%

Note 1 - Gross Revenue or Gross Profit respectively divided by the Transaction Payment Value 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 14.6% yoy in 4Q19 to hit RM53.4 million (4Q18 – RM46.6m) driven by both revenue growths from payments TPA and e-pay revenue. e-pay revenues were up 0.8% yoy due to 16.2% yoy growth in e-pay TPV. Payments TPA on the other hand also showed a 40.8% yoy improvement in revenue generated. e-pay remains the larger contributor in the TPA segment but the GHL electronic payments TPA (encompassing card, online, mobile and nextgen payments) are growing at a faster rate.

Shared Services

Shared Services revenue in 4Q19 declined by -7.7% to RM31.0 million (4Q18 – RM33.6 million) due to lower rental & maintenance revenue from Malaysia when compared to the same period a year ago.

B1. Review of Performance (continued)

Solutions Services

Solutions Services gross revenue was down by -20.5% in 4Q19 to RM3.2 million (4Q18 – RM4.0 million) due to lower network hardware sales in in Malaysia and Philippines.

Performance of current quarter (4Q 2019) vs corresponding quarter (4Q 2018) by geographical segment

GHL's 4Q19 group revenue was up 4.1% yoy to RM87.6 million as compared to RM84.2 million in the corresponding quarter in 4Q18. The group's revenue in this quarter was driven by the TPA division but was tempered by declines from the Shared and Solutions Services compared to 4Q18. All the 3 main geographical markets contributed positively to the net profit except for the new markets of Cambodia and Indonesia. Group wise, 4Q19 pre-tax profits were down 14.4% yoy at RM8.8 million compared 4Q18 primarily due to higher depreciation charges.

Malaysia operations accounted for 77.8% of the group revenue in 4Q19 with a 3.2% yoy decline due to lower revenue from Shared and Solutions Services but was mitigated by growth in the TPA segment which was up due to higher transaction fees.

The Philippines operations was the second largest contributor, accounting for 15.0% yoy of 4Q19 group revenue. This 4th quarter saw revenue grew by 26.9% yoy to RM13.2 million (4Q18 – RM10.4m) supported by growth in Solutions Services and TPA. Shared Services was flat and saw a small decline in revenue of RM0.04 million yoy.

Thailand operations' 4Q19 revenue contributed 6.8% to the group total and grew 11% yoy to RM6.0 million (4Q18 RM5.4 million) due to growth in Shared Services and TPA. The growth was offset by a decline in its Solutions Services which saw lower software sales in 4Q19. TPA revenues saw higher transactional fees which contributed to a 26.6% yoy growth for the Thai TPA segment.

The group's other geographical operations recorded 4Q19 revenues of RM0.30 million (4Q18 – RM0.31 million) on an ongoing maintenance projects in Australia in its Solutions Service division. There were no Shared Services 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 and Indonesian operations.

Performance of current quarter (4Q19) vs preceding quarter (3Q19) by segment

Revenue (RM million)	**3Q19**	**4Q19**
TPA	52.7	53.4
Shared Services	32.4	31.0
Solutions Services	2.6	3.2
Group revenue	**87.7**	**87.6**
Profit Before Tax	**10.8**	**8.8**

For the 4Q19 ended 31 December 2019, the group recorded revenues of RM87.6 million slightly lower as compared to RM87.7 million recorded in 3Q19. The marginal decline was due to a better performing in TPA (Malaysia, Philippines and Thailand) in 4Q19 and Solutions Services but was dragged by a lower Shared Services (stronger Malaysia hardware sales in 3Q19). TPA transaction value showed qoq improvement in all three countries. In line with the marginal decline in group revenue, 4Q19 pre-tax profit was also down by 18.5% qoq due to higher depreciation charges in 4Q vs 3Q.

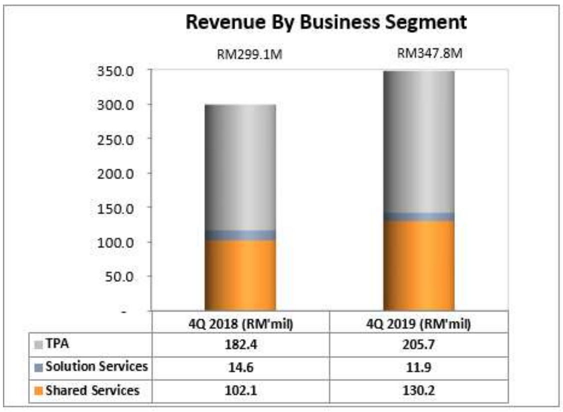
GHL SYSTEMS BERHAD
(Company No: 293040-D)

Performance of year to date (4Q19) vs corresponding year(4Q18) by segment

Group revenue for the twelve-months of 2019 was up 16.3% yoy to RM347.8 million (2018 – RM299.1 million) with growth registered in Malaysia and Philippines but Thailand was down due to its higher hardware sales in 2018. The segment performance was as follows (TPA 12.8% yoy; Shared Services 27.4% yoy; and Solutions Services, -17.9% yoy;).

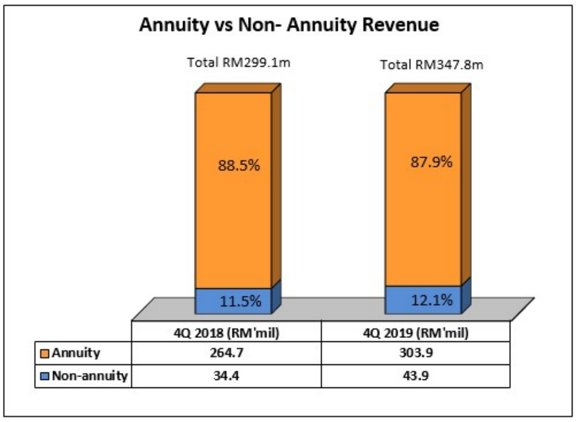
Pre-tax profit was up by 16.1% yoy to RM38.9 million compared to RM33.5 million a year ago and pre-tax margin maintain at 11.2%.

Net profit after tax and minority interest grew by 17% yoy at RM28.7 million (2018 – RM24.5 million). Net profit growth was higher as compared to the pre-tax profit growth due to a higher minority interest credit for 2019 which resulted from losses in the new markets of Cambodia.



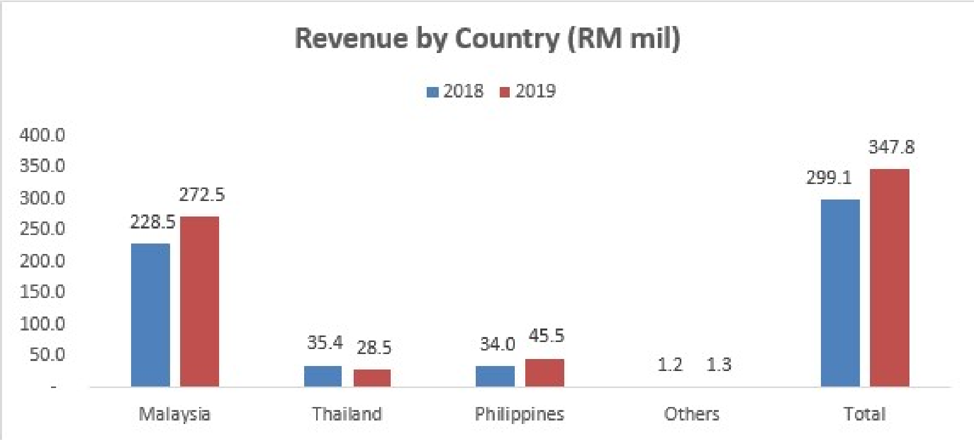
Shared Services and TPA recorded improved performance due to higher rental/maintenance and EDC sales revenue in the twelve-months to 31 December 2019 and higher TPA transaction fees collected. The Shared Services improved performance in 2019 YTD was partly due to the inclusion of revenue contribution from Paysys (M) Sdn Bhd which was not consolidated in the first 6 months in the corresponding period in 2018. Solutions Services performance was however down by -17.9% yoy as compared to the same period last year due to softer hardware and software sales in Malaysia.

Although Solutions Services in the Philippines were up marginally for the year under review but it was insufficient to offset the lower sales recorded in Malaysia and Thailand.



The annuity based revenue component within the group's total revenue remains high at 87.9% and this compared to 88.5% achieved in the previous year. Annuity based income continued to grow in absolute terms, and 2018 saw higher hardware sales in the Thai market which resulted in higher non annuity based income in the previous year. 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 (4Q19) vs corresponding period (4Q18) by country



Year to date group revenue was higher by 16.3% yoy to hit RM347.8 million (2018 – RM299.1m) with growth delivered by Malaysia and Philippines, but a decline in Thailand due to higher hardware sales in the previous 2018 year. Pre-tax profits were up by 16.1% yoy to RM38.9 million compared to RM33.5 million a year ago and net profit after tax and minority interest grew by 17.0% yoy to RM28.7 million (2018 – RM24.5 million).

Malaysian operations contributed 78.3% (2018 – 76.4%) of group revenue and the 19.2% yoy increase was due to stronger rental and maintenance revenue as well as TPA revenues whereas Solutions Services revenue showed a decline of 27.4% in the twelve-months of 2019. However, EBITDA margins was higher at 27.3% for 2019 (2018 - 20.4%).

Philippines revenue was 34.2% yoy higher at RM45.6 million (2018 – RM34.0m) with EBITDA margins at 39.0% from 38.9% on the corresponding year. All three divisions, TPA, Shared Services and Solutions Services registered yoy growth in line with the growth in the revenue.

Thailand recorded a decline in revenue of -19.4% to RM28.5 million from RM35.4 million previously dragged by lower Shared Services revenue as 2018 saw strong hardware sales from a Thai bank customer which was not repeated in 2019. TPA segment however saw revenue grew to RM12.4 million vs 2018 of RM8.4 million due to the ongoing merchant acquiring for the Chinese based e-wallet as well as domestic e-wallets. EBITDA margins remains positive at 21.5% compared to 17.2% in 2018.

Other countries remain the smallest contributor to group operations at RM1.3 million or 0.4% of group turnover compared to 2018 turnover of RM1.2 million. The EBITDA contribution loss of RM2.9 million compared to RM0.5 million profit in the same period of the previous year was due to operational and investment costs incurred in our new market, Cambodia and Indonesia.

For the year ended 31 December 2019, the group has continued its growth in revenue (16.3% yoy), EBITDA (27.6% yoy), pretax profits (16.1%) and profit after tax and minority interest (PATMI) (17.0% yoy). These improvements in its financial performance was achieved concurrently whilst investing in new merchant touchpoints which as at end December 2019, stood at 397,500 points, a 10% yoy growth. This large merchant touchpoint base has enabled the group to process a TPV of RM13.9 billion in payment transactions (39% yoy growth).

During this twelve-month period, the group has invested approximately RM11.9 million in growing our merchant touchpoints across all our 5 ASEAN markets namely, Malaysia, Philippines, Thailand, Cambodia and Indonesia. This investment will further strengthen the group's positioning as ASEAN's leading small merchant acquirer for all the various e-payment types, from card schemes to e-wallets, online to offline.

The group strives to maintain its strategy of a sustainable growth in its financial performance whilst maintaining the same growth trajectory in strengthening its ASEAN presence.

B2. Current Year's Prospects (FY 2020)

The Group continues to focus on merchant acquisition across the five 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 spurned growth of domestic e-wallet players in 2019 saw the accelerated deployment and launch of several local players in this space, especially in Malaysia. This bodes well for GHL, as it increases our competitive edge in offering our merchants an integrated omni-channel payment solution.

In 2020, the Group will be focussing on strengthening its positioning in Malaysia, Philippines and Thailand. The Group will also be commencing acquiring at a stronger pace in Indonesia and Cambodia.

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 2020 and beyond remains optimistic.

At the start of 2020, there is an outbreak of Covid-19 coronavirus in China which has affected many countries globally. This has impacted the tourism industry as well as the general retail industry. We are continuously assessing the impact of this situation and putting in place required Business Continuity Processes (BCP) to ensure our operations would not be impacted. Our company strategy remains the same and we believe the continuous growth of cashless payment adoption will continue to drive the growth of the company.

B3. Profit before Taxation

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

	Current Quarter 31.12.2019 RM'000	**Preceding Year Corresponding Quarter 31.12.2018 RM'000**	**Current Year To Date 31.12.2019 RM'000**	**Preceding Year To Date 31.12.2018 RM'000**
Amortisation of intangible asset	66	63	265	253
Bad Debt written off	748	(15)	951	1,369
Depreciation of property, plant and equipment	9,367	4,648	32,223	22,700
Fixed assets written off	1,281	40	1,454	49
(Gain)/Loss on foreign exchange:				
Realised	(382)	(17)	(220)	136
Unrealised	55	(316)	(63)	(392)
(Gain)/loss on disposal of fixed Assets	628	407	(1,084)	158
Gain on disposal of other investment	-	(669)	-	(841)
Impairment loss on receivables	5,129	2,360	5,684	2,860
Impairment loss on investment	(2,118)	2,118	(2,118)	2,118
Interest income	(720)	(1,159)	(3,094)	(2,679)
Interest expenses	857	509	2,780	1,914
Inventory written off/(back)	793	237	850	302
Rental expenses	162	490	889	1,512
Reversal of allowance for doubtful debts	(92)	(2,545)	(1,283)	(4,079)
Share based payment	664	247	1,518	1,019

B4. Tax expense

	Current Quarter 31.12.2019 RM'000	Year To Date 31.12.2019 RM'000
Current tax expenses based on profit for the financial quarter:		
Malaysian income tax	(1,305)	(8,830)
Foreign income tax	(889)	(2,935)
Deferred tax:		
Relating to origination and reversal of temporary differences	630	(10)
Under provision in prior year	(82)	(82)
Total	(1,646)	(11,857)

The Group's effective tax rate for the current quarter and for the year to date ended 31 December 2019 was higher than the statutory tax rate mainly due to certain disallowable expenses for tax purposes.

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 31 December 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						
Bank borrowings						
- Ringgit Malaysia	-	2,680	-	3,546	-	6,226
- Philippine Peso	-	-	9,607	776	9,607	776
Hire purchase						
- Ringgit Malaysia	-	943	-	357	-	1,300
- Philippine Peso	64,957	5,249	63,755	5,152	128,712	10,401
Unsecured						
Bank borrowings						
- Ringgit Malaysia	-	16,694	-	2,509	-	19,203
-Thai Baht	-	-	-	-	-	-
		25,566		**12,340**		**37,906**

B7. Material Litigation

KUALA LUMPUR HIGH COURT NO. WA-22NCvC-692-09/2019
BESTINET SDN BHD v GHL EPAYMENTS SDN BHD

On 5 September 2019, GHL Epayments Sdn Bhd ("Defendant"), a wholly-owned subsidiary of GHL Systems Berhad was served with a Writ and Statement of Claim from Bestinet Sdn Bhd ("Plaintiff") for claims arising from alleged misrepresentation and breach of the contract in respect to the development, management and maintenance of digital wallet.

On 30 October 2019, the Defendant has filed Statement of Defence and Counterclaim against the Plaintiff by averring, amongst others, that:

(a) there was no misrepresentation made by the Defendant to the Plaintiff that it is an e-wallet issuer;
(b) there was no delay on the part of the Defendant in completing the project under the contract;
(c) the Plaintiff breached the contract by way of non-payment or failure of payment to the Defendant.

The Defendant has counterclaimed against the Plaintiff for the following:

(a) A declaration that the termination of the contract between the Plaintiff and the Defendant (through the fee quotation dated 5.4.2017 which was accepted by the Plaintiff dated 18.4.2017) by the Plaintiff was unlawful;
(b) The outstanding invoice no. 10000867 dated 31.12.2018 and invoice no. 2019000225 dated 31.5.2019 be paid by the Plaintiff to the Defendant;
(c) Interest on the sum of RM92,750.00 at the rate of 2% per month from 30.1.2019 to the date of judgment;
(d) Interest on the sum of RM92,750.00 at the rate of 2% per month from 30.6.2019 to the date of judgment;
(e) Loss of profits in the sum of RM1,855,000.00 or alternatively loss of profits and/or loss of future profits and/or loss of opportunity to be assessed by this Honourable Court;
(f) Post judgment interest;
(g) Costs;
(h) Such further and/or other reliefs deemed just and proper by this Honourable Court.

On 20 November 2019, the Plaintiff has served on eGHL with its Reply and Defence to Counterclaim. On 21 November 2019, the matter which was fixed for case management before the Registrar. The Registrar had directed the parties to file the following by 23 December 2019:
(1) Summary of Case;
(2) Bundle of Pleadings;
(3) Common Bundle of Documents;
(4) Statement of Agreed facts;
(5) Statement of Issues to be Tried; and
(6) List of Witnesses.

The Suit has been fixed for further case management on 6 February 2020 and for trial on 24 April 2020 and from 27 April 2020 to 29 April 2020.

As at the date of this report, there is no material financial and operational impact arising from the Suit on the Defendant and the Company.

Save as disclosed above, there are no other material litigations against the Company and its subsidiaries as at the date of this report.

B8. Dividend

No dividend has been declared for the financial year ended 31 December 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.

	Current Quarter 31.12.2019	**Preceding Year Corresponding Quarter 31.12.2018**	**Current Year To Date 31.12.2019**	**Preceding Year To Date 31.12.2018**
Basic				
Profit attributable to owners of the Company (RM'000)	7,877	7,108	28,724	24,543
Weighted average number of ordinary shares in issue and issuable (Unit'000)	742,830	737,306	742,098	703,160
Basic earnings per ordinary share (Sen)	1.06	0.96	3.87	3.49
Diluted				
Profit attributable to owners of the Company (RM'000)	7,877	7,108	28,724	24,543
Weighted average number of ordinary shares in issue and issuable (Unit'000)	745,187	741,466	744,783	707,247
Diluted earnings per ordinary share (Sen)	1.06	0.96	3.86	3.47