GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020
(THE FIGURES HAVE NOT BEEN AUDITED)

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	CURRENT QUARTER 31.03.2020	CORRESPONDING QUARTER 31.03.2019	CUMULATIVE YEAR TO DATE 31.03.2020	CUMULATIVE YEAR TO DATE 31.03.2019
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	85,098	86,537	85,098	86,537
Cost of sales		(48,484)	(50,267)	(48,484)	(50,267)
Gross profit		**36,614**	**36,270**	**36,614**	**36,270**
Other operating income		1,391	2,174	1,391	2,174
Administration expenses		(28,974)	(21,933)	(28,974)	(21,933)
Distribution costs		(3,346)	(5,766)	(3,346)	(5,766)
Other expenses		(1,727)	(986)	(1,727)	(986)
Finance cost		(649)	(607)	(649)	(607)
Share of results of associated companies		2	(170)	2	(170)
Profit before taxation		3,311	8,982	3,311	8,982
Income tax expense		(2,227)	(2,863)	(2,227)	(2,863)
Profit for the period		**1,084**	**6,119**	**1,084**	**6,119**
Attributable to:					
Owners of the Company		1,314	6,346	1,314	6,346
Non-controlling interest		(230)	(227)	(230)	(227)
		1,084	**6,119**	**1,084**	**6,119**
Earnings Per Ordinary Share					
- Basic (sen)	B9	0.18	0.86	0.18	0.86
- Diluted (sen)	B9	0.18	0.86	0.18	0.85
Profit for the period		1,084	6,119	1,084	6,119
Other comprehensive income, net of tax					
Foreign currency translation differences		(3,881)	(3,881)	(3,881)	(3,881)
Total comprehensive income for the period		**(2,797)**	**2,238**	**(2,797)**	**2,238**
Total comprehensive income attributable to:					
Owners of the Company		(2,567)	2,465	(2,567)	2,465
Non-controlling interest		(230)	(227)	(230)	(227)
		(2,797)	**2,238**	**(2,797)**	**2,238**

(The condensed consolidated statement of comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 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 31 MARCH 2020
(THE FIGURES HAVE NOT BEEN AUDITED)

	Note	AS AT 31.03.2020 (Unaudited) RM'000	AS AT 31.12.2019 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		105,758	106,323
Goodwill on consolidation		179,971	179,971
Intangible assets		1,367	1,433
Other investment		308	307
Deferred tax assets		3,186	3,749
		290,590	291,783
Current assets			
Inventories		69,370	63,895
Trade receivables		45,526	54,676
Other receivables		65,279	56,496
Tax recoverable		7,726	4,473
Other investment		36,937	53,271
Cash and bank balances		111,559	138,627
		336,397	371,438
TOTAL ASSETS		626,987	663,221
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		330,200	330,200
Reserves		(11,582)	(8,639)
Retained earnings		122,145	120,889
Equity attributable to owners of the parent		440,763	442,450
Non controlling interest		6,183	6,413
Total equity		446,946	448,863
Non-current liabilities			
Bank borrowing	B6	17,684	19,624
Contract liabilities		147	-
Lease liabilities		5,818	8,402
Employee benefits obligation		1,530	1,396
Deferred tax liability		4,815	4,896
		29,994	34,318
Current liabilities			
Trade payables		20,038	34,989
Other payables		106,558	124,765
Contract liabilities		6,001	4,105
Lease liabilities		7,395	6,907
Bank borrowings	B6	6,854	6,580
Tax payable		3,201	2,694
		150,047	180,040
Total liabilities		180,041	214,358
TOTAL EQUITY AND LIABILITIES		626,987	663,221
Net assets per share (sen)		58.83	59.95

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 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 31 MARCH 2020
(THE FIGURES HAVE NOT BEEN AUDITED)

	Share Capital RM'000	Retirement benefit Reserve RM'000	ESS Shares RM'000	Exchange Reserve RM'000	Share Options Reserve RM'000	Treasury Shares RM'000	Retained Profits / (Accummulated Losses) RM'000	Total Attributable To Owners Of The Parent RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 January 2019	314,344	-	-	(1,456)	1,001	-	92,336	406,225	170	406,395
Effects of MFRS 16	-	-	-	-	-	-	(212)	(212)	-	(212)
At 1 January 2019 (Restated)	314,344	-	-	(1,456)	1,001	-	92,123	406,013	170	406,182
Share options granted under ESS	32	-	-	-	285	-	-	317	-	317
Acqusition reserve - allocated goodwill	-	-	-	-	-	-	-	-	8,017	8,017
Total comprehensive income for the year	-	-	-	(3,881)	-	-	6,346	2,465	(227)	2,238
At 31 March 2019	314,376	-	-	(5,337)	1,286	-	98,469	408,795	7,960	416,754
At 1 January 2020	330,200	59	(11,161)	261	2,202	-	120,889	442,450	6,413	448,863
Share option granted under ESS	-	-	838	-	100	-	(58)	880	-	880
Total comprehensive income for the year	-	-	-	(3,881)	-	-	1,314	(2,567)	(230)	(2,797)
At 31 March 2020	330,200	59	(10,323)	(3,620)	2,302	-	122,145	440,763	6,183	446,946

(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 2019 and the accompanying explanatory notes attached to the interim financial statements)

GHL

GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020
(THE FIGURES HAVE NOT BEEN AUDITED)

	CURRENT YEAR TO DATE 31.03.2020 RM'000	PRECEDING YEAR TO DATE 31.03.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,311	8,982
Adjustment for:-		
Amortisation of development cost	66	66
Amortisation of contract liabilities	(881)	(330)
Depreciation of property, plant and equipment	7,281	7,119
Impairment loss on receivables	425	290
Interest expense	649	607
Interest income	(630)	(777)
Inventories written off/ (back)	-	15
Loss/(Gain) on disposal of property, plant and equipment	(79)	(36)
Fair value loss on contingent consideration	3,842	-
Property, plant and equipment written-off	-	4
Reversal of impairment on trade receivables	(41)	(51)
Share options granted under ESS	215	284
Share of loss from an associate	(2)	170
Unrealised loss/ (gain) on foreign exchange	(126)	83
Operating profit before working capital changes	14,030	16,426
(Increase)/Decrease in working capital		
Inventories	(3,374)	26,609
Trade and other receivables	639	(2,610)
Trade and other payables	(37,180)	(15,821)
Lease liabilities	-	(312)
Advance receipt from contract liabilities	2,925	150
	(36,990)	8,016
Cash generated from operations	(22,960)	24,442
Interest received	630	777
Interest paid	(649)	(607)
Tax paid	(6,135)	(2,329)
	(6,154)	(2,159)
Net cash from operating activities	(29,114)	22,283
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(8,696)	(3,848)
Purchase of other investment	-	(318)
Proceeds from disposal of property , plant and equipment	604	583
Addition in intangible assets	-	(1)
Acquisition of subsidiary for cash, net cash acquired	-	(8,345)
Net cash used in investing activities	(8,092)	(11,929)
Cash Flows From Financing Activities		
Proceeds from issuance of shares-ESOS	-	32
(Increase)/Decrease in fixed deposits pledged	146	(495)
Drawndown of hire purchase	-	722
Repayment of hire purchase payables	-	(262)
Repayment of lease liabilities	(2,549)	-
Drawdown of bank borrowings	-	4,247
Repayment of bank borrowings	(2,148)	(7,420)
Net cash used in financing activities	(4,551)	(3,176)
Net increase/(decrease) in cash and cash equivalents	(41,757)	7,178
Effect of exchange rate fluctuation	(1,335)	245
Cash and cash equivalents at beginning of the finance period	179,401	133,123
Cash and cash equivalents at end of the finance period	136,309	140,546
	-	-

Cash and cash equivalents at end of the finance year:-		
Cash and bank balances	111,559	122,114
Other investments	36,937	-
Fixed deposits with licensed banks	-	30,595
	148,496	152,709
Less: Fixed deposits pledged to licensed banks	(12,187)	(12,163)
	136,309	140,546

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)

GHL SYSTEMS BERHAD
(Company No: 293040-D)

Part A: Explanatory notes on consolidated results for the quarter ended 31 December 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 2019.

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 2020 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2019.

As of 1 January 2020, 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 2020

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 7, 9 and 139 Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020

The adoption of these MFRSs does not have any material impact on the Group's results and financial position.

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**
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	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 2019 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.

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

There were no 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 31 March 2020.

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:

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")

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.

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.

GHL SYSTEMS BERHAD
(Company No: 293040-D)

A9. Segmental Reporting (continued)

Quarter and cummulative - 31 March	Malaysia		Philippines		Thailand		Others		Adjustment and Elimination		Consolidated	
CONTINUING OPERATIONS	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
REVENUE												
External Sales												
Transaction Payment Acquisition	42,550	41,177	5,015	3,405	2,146	3,648	9	8	(391)	-	49,329	48,238
Shared Services	23,907	24,054	6,486	5,685	2,792	5,945	-	3	-	(322)	33,185	35,365
Solution Services	1,408	1,747	671	669	226	216	279	302	-	-	2,584	2,934
Inter-segment sales	7,467	7,820		-		-		-	(7,467)	(7,820)	-	-
	75,332	**74,798**	**12,172**	**9,759**	**5,164**	**9,809**	**288**	**313**	**(7,858)**	**(8,142)**	**85,098**	**86,537**
RESULTS												
EBITDA	**11,898**	**14,798**	**4,430**	**4,103**	**410**	**1,823**	**(403)**	**(480)**	**(5,658)**	**(4,247)**	**10,677**	**15,997**
Interest income	625	775	5	2	-	-	-	-	-	-	630	777
Interest expense	(371)	(346)	(236)	(189)	(42)	(48)	-	-	-	(24)	(649)	(607)
Depreciation	(4,528)	(4,779)	(1,858)	(2,272)	(736)	(680)	(146)	(211)	(13)	823	(7,281)	(7,119)
Amortisation of intangible assets	(66)	(66)	-	-	-	-	-	-	-	-	(66)	(66)
Profit before taxation	**7,558**	**10,382**	**2,341**	**1,644**	**(368)**	**1,095**	**(549)**	**(691)**	**(5,671)**	**(3,448)**	**3,311**	**8,982**
Taxation	(1,813)	(1,468)	(702)	(492)	-	(95)	-	-	288	(808)	(2,227)	(2,863)
Minority interest	-	-	-	-	-	-	-	-	230	227	230	227
Segment profit/ (loss) for the financial period after non-controlling interest	**5,745**	**8,914**	**1,639**	**1,152**	**(368)**	**1,000**	**(549)**	**(691)**	**(5,153)**	**(4,029)**	**1,314**	**6,346**
Segmental assets	**886,530**	**697,669**	**66,976**	**48,576**	**33,748**	**39,831**	**4,054**	**6,334**	**(364,320)**	**(129,189)**	**626,987**	**663,221**
Segmental liabilities	**528,703**	**414,160**	**26,227**	**25,297**	**15,913**	**23,108**	**2,286**	**1,605**	**(393,090)**	**(249,812)**	**180,041**	**214,358**

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 2019.

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	18,980

A14. Capital Commitments

Capital commitments for purchase of property, plant and equipment not provided for as at 31 March 2020 are as follows:

	RM'000
Approved but not contracted for	10,262

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 (1Q 2020) vs corresponding quarter (1Q 2019) by segment

GHL's 1Q20 group revenue was down 1.7% yoy to RM85.1 million as compared to RM86.5 million for the corresponding period in 1Q19. 1Q20 pre-tax profits was down 63.1% at RM3.3 million compared to 1Q19 mainly due to higher operating expenses and a fair value loss on contingent consideration of RM3.8 million, a non cash item. Profit after tax and minority interest was down 79.3% at RM1.3 million (1Q19 RM6.3 million). The group's revenue in this quarter was led by a small growth from the TPA division but was tempered by yoy decline from the Shared and Solutions Services. 1Q20 Shared Services recorded a decline of 6.2% yoy in revenue on the back of lower rental income in the current quarter whereas Solutions Services were down due to lower software sales. The group's balance sheet remains healthy with a net cash position of RM73.8 million (31.12.2019 – Net cash RM97.1 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 by e-pay grew by 12.3% with a dip in gross profit margins to 98 basis points (1Q19 – 115 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)*	**1Q 2019**	**1Q 2020**	**% change**
Transaction Payment Value	952.6	1,070.1	12.3%
Gross Revenue	30.7	30.1	-2.1%
Gross Revenue / Transaction Value (Note 1)	3.2%	2.8%	-12.9%
Gross Profit	10.9	10.5	-4.1%
Gross Profit / Transaction Value (Note 1)	1.1%	1.0%	-14.7%
Merchant Footprint - e-pay Only (Thousands)	39.7	43.7	9.9%

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) (continued)

(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 TPA payments segment is found in Table 2 below. The transaction payment value continued to grow strongly by 56.5%, but gross profit/transaction margins declined to 21 basis points (1Q19 - 38 basis points due to 1) product mix change of payment types, 2) merchant footprint mix change where bigger merchants such as petrol stations, convenience stores and supermarkets remain open but the smaller retail merchants were closed and 3) Reduction in higher margin payment types due to the COVID 19 impact on tourism/leisure as well as temporary closure of Tier 3 and 4 retail shops. As a result, gross profits showed a decline of 14.2% yoy growth to RM6.6 million (1Q19 RM7.6 million). 1Q20 saw the COVID-19 impact of movement restrictions on foot traffic to many smaller retail merchants which normally yield better margins for the group.

Table 2

GHL Electronic payments TPA *(All stated in RM'millions unless stated otherwise)*	**1Q 2019 (Restated)**	**1Q 2020**	**% change**
Transaction Payment Value	2,004.4	3,136.3	56.5%
Gross Revenue	18.0	19.3	7.2%
Gross Revenue / Transaction Value (Note 1)	0.9%	0.6%	-31.5%
Gross Profit (Note 2)	7.6	6.6	-14.2%
Gross Profit / Transaction Value (Note 1)	0.4%	0.2%	-45.1%
Merchant Footprint - TPA Only (Thousands)	81.9	100.3	22.4%

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 1Q20 revenues was up 2.3% yoy to RM49.3 million (1Q19 – RM48.2m) driven by a 7% payments TPA growth but e-pay revenue saw a small 2.1% decline. e-pay revenues were flat yoy despite a 12.3% yoy growth in e-pay TPV processed due to lower contribution of prepaid mobile reloads which yields better revenue. Payments TPA on the other hand also showed a 7.2% yoy improvement in revenue generated but a decline in margin spread due to changes in the mix of product payment types as well as the merchant footprint mix. Lower tier but higher margin smaller merchants suffered low foot traffic due to COVID-19 movement restrictions and shop closures.

GHL SYSTEMS BERHAD
(Company No: 293040-D)

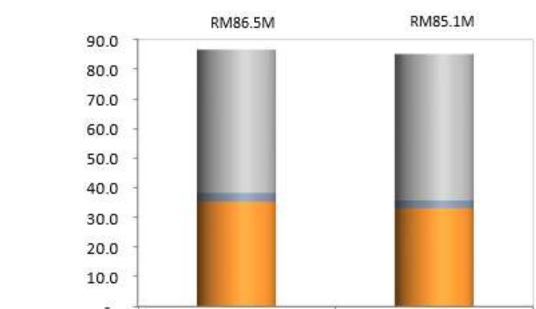
B1. Review of Performance (continued)

Shared Services

Shared services revenue in 1Q20 declined by -6.2% to RM33.2 million (1Q19 – RM35.4 million) driven by lower net rental and maintenance revenue from Malaysia and lower EDC hardware sale from Thailand when compared to the same period a year ago.

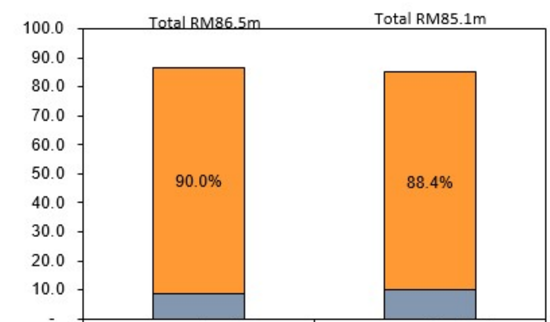
Solutions Services

Solutions services gross revenue was down by -11.9% in 1Q20 to RM2.6 million (1Q19 – RM2.9 million) due to lower software sales in in Malaysia.



	1Q 2019 (RM'mil)	1Q 2020 (RM'mil)
TPA	48.2	49.3
Solution Services	2.9	2.6
Shared Services	35.4	33.2

GHL group's annuity based recurring revenues remain strong at 88.4% (1Q20) vs 90.0% (1Q19) but was slightly down due to lower EDC rental revenue collected in the current quarter. On a year on year basis, non-annuity based revenue registered a small growth due to higher EDC hardware sales but annuity based revenue was impacted by lower EDC rental revenue collected. The Group's strategy of reducing non-annuity lumpy based revenues remains in place and focusing on recurring revenue is expected to further strengthen when the group's TPA arrangements contribute more in the coming quarters. The group's annuity-based revenue was also impacted by growing concerns from the COVID-19 pandemic which had begun to impact consumer sentiment in the first quarter of 2020.



	Q1 2019 (RM'mil)	Q1 2020 (RM'mil)
Annuity	77.7	75.2
Non-annuity	8.8	9.9

GHL SYSTEMS BERHAD
(Company No: 293040-D)

Performance of current quarter (1Q 2020) vs corresponding quarter (1Q 2019) by geographical segment

GHL's 1Q20 group revenue was down 1.7% yoy to RM85.1 million as compared to RM86.5 million for the corresponding period in 1Q19. The group's revenue in this quarter was led by a small growth from the TPA division but was tempered by yoy declines from the Shared and Solutions Services. Malaysia and Philippines contributed positively to the bottom line but Thailand and the new markets of Cambodia and Indonesia registered a small loss. Group wise, 1Q20 pre-tax profits of RM3.3million were down year on year compared to RM9.0million in 1Q19.

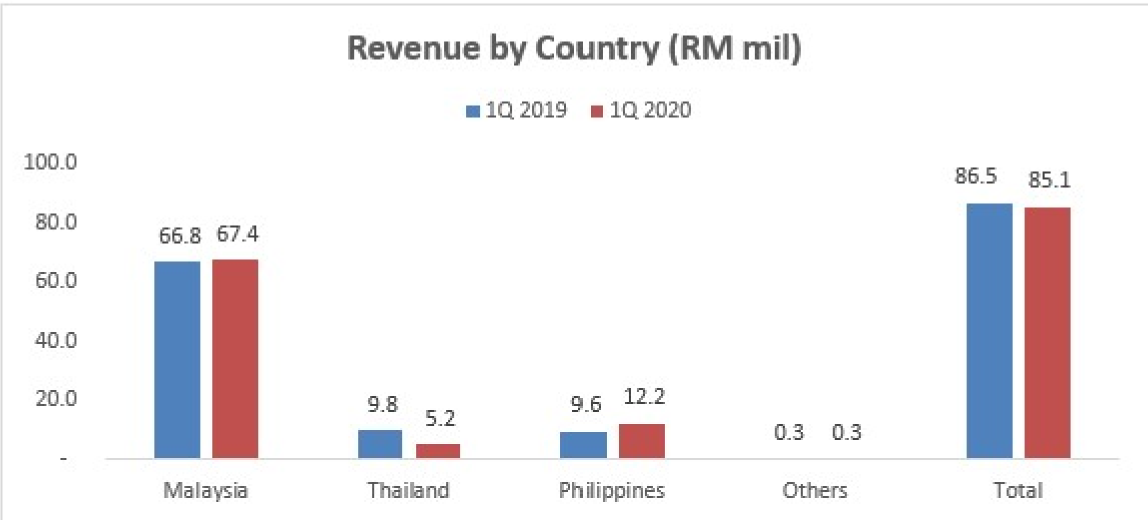
Malaysia operations accounted for 79.2% of the group revenues in 1Q20 with a 1.0% yoy improvement driven by its TPA division's higher transaction fees generated. There were however minor declines in Shared Services' and Solutions Services.

The Philippines operations was the second largest contributor, accounting for 14.3% yoy of 1Q20 group revenues. This 1st quarter saw revenues grew by 24.5% yoy to RM12.2 million (1Q19 – RM9.8m) supported by growth in Shared services and TPA. Solutions services' revenue was unchanged yoy.

Thailand operations' 1Q20 revenue contributed 6.1% to the group total and declined 46.9% yoy to RM5.2 million (1Q149 RM9.8 million) due to declines in Shared Services and TPA revenue. Shared services revenue was down yoy due to 1Q19 recording the tail-end of a EDC hardware contract which was secured in 2018. TPA revenues also saw lower transactional fees from a cross border e-wallet due to lower tourist arrivals as the result of the COVID-19.

The group's other geographical operations recorded 1Q20 revenues of RM0.29 million (1Q19 – RM0.31 million) driven primarily 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 operating expenses and investments in our Cambodian and Indonesian operations.

During the first three months of 2020, the group maintained its strategy to grow its regional merchant touchpoint footprint and had invested approximately RM2.7 million (1Q19 – RM3.1 million). The amount was scaled back as the COVID-19 situation deteriorated over 1Q20. The group will continue to monitor the situation on the ground and will make the appropriate right sizing of our investment spending plans going forward.



Performance of current quarter (1Q20) vs preceding quarter (4Q19) by segment

Revenue (RM million)	**4Q19**	**1Q20**
TPA	53.4	49.3
Shared Services	31.0	33.2
Solutions Services	3.2	2.6
Group revenue	**87.6**	**85.1**
Profit Before Tax	**8.8**	**3.3**

For the 1Q20, the group recorded revenues of RM85.1 million, a 2.9% qoq decline over RM87.6 million recorded in 4Q19. The marginal decline to topline revenue was due to slower performing TPA division arising from slower consumer transaction resulted from the COVID 19 movement restrictions and the temporary closure of businesses. In line with the decline in group revenue, 1Q20 pre-tax profit was also down by 62.5% qoq due to higher operating costs and a fair value loss on contingent consideration of RM3.8 million, a non cash item.

B2. Current Year's Prospects (FY 2020)

2020 started on a cautious footing with news of a flu like epidemic which eventually turned into COVID-19 with the World Health Organisation declaring a worldwide pandemic on 11 March 2020. ASEAN countries had seen the COVID-19 outbreak worsened towards the end of 1Q20 with governments initiating movement restrictions and border controls in March 2020. Movement Control Order to stay at home and the closure of most businesses and economic activities save for essential services had adversely impacted consumer spending.

Our Group's services are deemed to be essential services in the countries we operate in as we provide payment services for businesses and consumers. Our Group initiated its Business Continuity Processes (BCP plans) to enable our operations across the region to continue operating. Amidst this, the welfare and health of our Group's employees remain utmost importance in these unprecedented times.

Given our Group's diverse range of merchant base, some of our payment touchpoints such as convenience stores, pharmacies, medical facilities, supermarkets and petrol stations are still functioning throughout the movement control period. However, as most of the businesses in the retail, leisure, tourism and other sectors were closed, our Group's TPA business was adversely affected.

The brunt of the shutdowns and movement restrictions are expected to be felt in 2Q20 but a gradual recovery is expected in the second half of 2020. The speed and extent of the recovery in the individual countries the group operates are dependent on many factors, both global and localised. The group is monitoring the situation and will right size its plans accordingly, depending on the prevailing conditions in the coming quarters. The dates and severity of the closure is a moving target and many countries are reacting to conditions on the ground in real time. There are no hard and fixed dates when the restrictions will be lifted at present.

It is expected that the financial performance of the group in the coming quarters will be challenging given the factors mentioned above which could potentially lead to impairments and provisions. In 2018, GHL group acquired Paysys (M) Sdn. Bhd. for a consideration of RM80.0 million. The final tranche of consideration comprising 10.061 million new GHL shares will be issued to the vendors in the upcoming 2Q20. The fair value of these new GHL shares will be determined on the share issuance date and any difference as compared to its carrying value as at 31 March 2020 will be recognised as a fair value loss in the Group's 2Q20 profit or loss statement at the current prevailing market price.

Given the current uncertainties globally, the near-term outlook for most businesses and consumer sentiment are poor and the timing and extent of recovery, difficult to estimate. The group however remains positive in the long-term potential of the ASEAN e-payments industry and believes the trends of switching to e-payments and cashless channels will continue going forward.

B3. Profit before Taxation

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

	Quarter and Year-to-Date ended	
	31.03.2020 RM'000	31.03.2019 RM'000
Amortisation of intangible asset	66	66
Depreciation of property, plant and equipment	7,281	7,119
Fixed assets written off	-	4
(Gain)/Loss on foreign exchange:		
Realised	2	150
Unrealised	(126)	83
(Gain)/loss on disposal of fixed Assets	(79)	(36)
Fair value loss on contingent consideration	3,842	-
Impairment loss on receivables	425	290
Interest income	(630)	(777)
Interest expenses	649	607
Inventory written off/(back)	-	15
Rental expenses	104	452
Reversal of allowance for doubtful debts	(41)	(51)
Share based payment	215	284

B4. Tax expense

	Current Quarter 31.03.2020 RM'000	Year To Date 31.03.2020 RM'000
Current tax expenses based on profit for the financial quarter:		
Malaysian income tax	(1,524)	(1,524)
Foreign income tax	(703)	(703)
Total	(2,227)	(2,227)

The Group's effective tax rate for the current quarter and for the year to date ended 31 March 2020 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 March 2020 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	-	1,929	-	3,048	-	4,977
- Philippine Peso	-	-	9,607	812	9,607	812
Unsecured						
Bank borrowings						18,749
- Ringgit Malaysia	-	15,755	-	2,994	-	-
		17,684		**6,854**		**24,538**

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.

B7. Material Litigation (continued)

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.

Due to the recent Movement Control Order ("MCO") implemented by the Government of Malaysia, the Suit has been fixed for further case management on 7 July 2020 and this matter has been re-fixed for trial from 23 September 2020 to 25 September 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 quarter ended 31 March 2020.

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.

	Quarter and Year To Date ended	
	31.03.2020	**31.03.2019**
Basic		
Profit attributable to owners of the Company (RM'000)	1,314	6,346
Weighted average number of ordinary shares in issue and issuable (Unit'000)	741,716	737,992
Basic earnings per ordinary share (Sen)	0.18	0.86
Diluted		
Profit attributable to owners of the Company (RM'000)	1,314	6,346
Weighted average number of ordinary shares in issue and issuable (Unit'000)	744,884	742,275
Diluted earnings per ordinary share (Sen)	0.18	0.85