



GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2017
(THE FIGURES HAVE NOT BEEN AUDITED)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/6/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/6/2016 RM'000	CURRENT YEAR TO DATE 30/6/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2016 RM'000
			-		-
Revenue	A9	60,751	62,449	128,752	118,328
Cost of sales		(36,634)	(38,825)	(78,236)	(71,427)
Gross profit		24,117	23,624	50,516	46,901
Other operating income		4,463	1,487	6,340	2,394
Payroll expenses		(12,316)	(11,815)	(25,037)	(23,021)
Administration expenses		(6,572)	(3,223)	(12,315)	(6,007)
Distribution costs		(1,249)	(1,524)	(2,308)	(3,345)
Other expenses		(835)	(289)	(985)	(1,028)
Profit before interest, taxation, amortisation & depreciation		7,608	8,260	16,211	15,894
Depreciation expenses		(1,291)	(1,201)	(2,573)	(2,420)
Finance cost		(444)	(505)	(1,053)	(1,153)
Share of results of associated companies		(10)	(27)	(30)	(84)
Profit before taxation		5,863	6,527	12,555	12,237
Income tax expense		(629)	(1,824)	(1,984)	(3,203)
Profit for the period		5,234	4,703	10,571	9,034
Attributable to:					
Owners of the Company		5,232	4,693	10,558	9,020
Non-controlling interest		2	10	13	14
		5,234	4,703	10,571	9,034
Earnings Per Ordinary Share					
- Basic (sen)	B13	0.80	0.72	1.61	1.39
- Diluted (sen)	B13	0.80	0.72	1.61	1.38
Profit for the period		5,234	4,703	10,571	9,034
Other comprehensive income, net of tax					
Foreign currency translation differences		(2,914)	(1,357)	(1,659)	(1,357)
Total comprehensive income for the period		2,320	3,346	8,912	7,677
Total comprehensive income attributable to:					
Owners of the Company		2,318	3,336	8,899	7,663
Non-controlling interest		2	10	13	14
		2,320	3,346	8,912	7,677

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2016)



GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 30 JUNE 2017
(THE FIGURES HAVE NOT BEEN AUDITED)

	Note	AS AT CURRENT YEAR QUARTER 30/6/2017 (Unaudited) RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2016 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		57,428	59,568
Goodwill on consolidation		105,630	105,630
Intangible assets		2,067	2,405
Other investment		8,133	8,114
Deferred tax assets		1,155	1,207
		<u>174,413</u>	<u>176,924</u>
Current assets			
Inventories		72,795	83,493
Trade receivables		27,226	31,607
Other receivables		18,924	20,010
Tax recoverable		3,400	1,321
Fixed deposits placed with licensed banks		16,364	13,004
Cash and bank balances		64,394	70,860
		<u>203,103</u>	<u>220,295</u>
TOTAL ASSETS		<u>377,516</u>	<u>397,219</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		206,994	130,945
Reserves		58,783	128,838
Treasury Shares		(638)	(638)
Equity attributable to equity holders of the parent		<u>265,139</u>	<u>259,145</u>
Non controlling interest		89	76
Total equity		<u>265,228</u>	<u>259,221</u>
Non-current liabilities			
Hire purchase payables	B9	858	966
Bank borrowing	B9	14,416	16,714
Deferred tax liability		2,099	2,135
Deferred income		12	-
		<u>17,385</u>	<u>19,815</u>
Current liabilities			
Trade payables		5,524	16,641
Other payables		65,698	79,198
Deferred income		544	619
Hire purchase payables	B9	1,878	3,445
Bank borrowings	B9	18,738	16,999
Tax payable		2,521	1,281
		<u>94,903</u>	<u>118,183</u>
Total liabilities		<u>112,288</u>	<u>137,998</u>
TOTAL EQUITY AND LIABILITIES		<u>377,516</u>	<u>397,219</u>
 Net assets per share (sen)		 40.29	 39.67

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2016)



GHL SYSTEMS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2017
(THE FIGURES HAVE NOT BEEN AUDITED)

	Share Capital RM'000	Share Premium RM'000	Exchange Translation 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 2016	129,969	71,077	1,047	492	(638)	34,993	236,940	42	236,982
Share capital reduction	-	-	-	-	-	-	-	-	-
Share swap to acquire a subsidiary	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to ESS	976	1,748	-	-	-	-	2,724	-	2,724
ESS lapsed	-	-	-	-	-	-	-	-	-
Share options granted under ESS	-	-	-	(330)	-	-	(330)	-	(330)
Total comprehensive income for the year	-	-	1,678	-	-	18,133	19,811	34	19,845
Forex exchange differences	-	-	-	-	-	-	-	-	-
At 31 December 2016	<u>130,945</u>	<u>72,825</u>	<u>2,725</u>	<u>162</u>	<u>(638)</u>	<u>53,126</u>	<u>259,145</u>	<u>76</u>	<u>259,221</u>
At 1 January 2017	130,945	72,825	2,725	162	(638)	53,126	259,145	76	259,221
Issuance of ordinary shares pursuant to ESS	944	2,280	-	-	-	-	3,224	-	3,224
Adjustments for effects of Companies Act 2016 (Note a)	75,105	(75,105)	-	-	-	-	-	-	-
Share option granted under ESS	-	-	-	303	-	-	303	-	303
Reclassification adjustments of exchange translation reserve	-	-	(3,166)	-	-	-	(3,166)	-	(3,166)
Total comprehensive income for the year	-	-	(1,659)	-	-	10,558	8,899	13	8,912
Forex exchange differences	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(3,266)	(3,266)	-	(3,266)
At 30 June 2017	<u>206,994</u>	<u>-</u>	<u>(2,100)</u>	<u>465</u>	<u>(638)</u>	<u>60,418</u>	<u>265,139</u>	<u>89</u>	<u>265,228</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2016)

Note a

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium of RM75,105,000, has been transferred to the share capital account. Pursuant to subsection 618 (3) and 618 (4) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017
(THE FIGURES HAVE NOT BEEN AUDITED)

	CURRENT YEAR TO DATE 30/6/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,555	12,237
Adjustment for:-		
Amortisation of development cost	182	410
Amortisation of deferred income	(448)	(386)
Bad debts written-off	1,094	-
Depreciation of property, plant and equipment	10,034	8,617
Impairment loss on receivables	615	467
Interest expense	1,053	1,153
Interest income	(390)	(372)
Inventories written off	19	287
Loss/(Gain) on disposal of property, plant and equipment	(238)	(52)
Property, plant and equipment written-off	2	166
Reversal of impairment on trade receivables	(1,075)	(74)
Share options granted under ESS	13	82
Share of gain from an associate	30	84
Unrealised gain on foreign exchange	201	222
Operating profit before working capital changes	23,647	22,841
(Increase)/Decrease in working capital		
Inventories	6,288	(17,297)
Trade and other receivables	4,136	23,022
Trade and other payables	(24,275)	(28,948)
Advance receipt from deferred income	387	1,024
	(13,464)	(22,199)
Cash generated from operations	10,183	642
Interest received	390	372
Interest paid	(1,053)	(1,153)
Tax paid	(6,470)	(4,173)
	(7,133)	(4,954)
Net cash from operating activities	3,050	(4,312)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(5,396)	(1,154)
Purchase of other investment	(49)	(90)
Proceeds from disposal of property, plant and equipment	1,089	79
Addition in intangible assets	156	(744)
Net cash used in investing activities	(4,200)	(1,909)
Cash Flows From Financing Activities		
Proceeds from issuance of shares-ESOS	3,224	925
(Increase)/Decrease in fixed deposits pledged	(137)	(124)
Drawdown of hire purchase	350	180
Repayment of hire purchase payables	(2,186)	(1,054)
Drawdown of bank borrowings	12,500	-
Repayment of bank borrowings	(13,295)	(10,973)
Net cash used in financing activities	456	(11,046)
Net increase/(decrease) in cash and cash equivalents	(694)	(17,267)
Effect of exchange rate fluctuation	(2,549)	1,821
Cash and cash equivalents at beginning of the finance period	76,887	52,305
Cash and cash equivalents at end of the finance period	73,644	36,859
Cash and cash equivalents at end of the finance year:-		
Cash and bank balances	64,394	36,393
Fixed deposits with licensed banks	16,364	7,364
	80,758	43,757
Less: Fixed deposits pledged to licensed banks	(7,114)	(6,898)
	73,644	36,859

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2016)

Part A: Explanatory notes on consolidated results for the quarter ended 30 June 2017

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 2016.

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 2017 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2016.

As of 1 January 2017, the Group and the Corporation have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

MFRS and amendments effective for annual periods beginning on or after 1 January 2017:
Amendments to MFRS 12: Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)
Amendments to MFRS 107: Statement of Cash Flows: Disclosure Initiative
Amendments to MFRS 112: Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above pronouncements has no material financial impact to the Group and the Corporation.

A3. Audit Report

The audited report for the annual financial statements of the Group for the financial year ended 31 December 2016 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.

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, share cancellations, shares held as treasury shares and resale of treasury shares during the current quarter.



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A8. Dividend Paid

There were no dividends paid for the current quarter and year to date ended 30 June 2016.

A9. Segmental Reporting

The Group has four reportable segments for continuing operations, as described below, which are the Group's strategic business units. 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.

- (a) Malaysia
- (b) Philippines
- (c) Thailand
- (d) Australia

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 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 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 card payment services ("card payment services")

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		Australia		Adjustment and Elimination		Consolidated	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CONTINUING OPERATIONS												
REVENUE												
<u>External Sales</u>												
Shared Services	6,020	9,010	4,662	3,814	1,243	847	-	-	-	-	11,925	13,671
Solution Services	1,856	1,660	441	510	323	1,362	297	240	-	-	2,917	3,772
Transaction Payment Acquisition	43,667	43,083	1,564	1,575	678	348	-	-	-	-	45,909	45,006
Inter-segment sales	6,109	9,890	-	-	-	-	-	-	(6,109)	(9,890)	-	-
	57,652	63,643	6,667	5,899	2,244	2,557	297	240	(6,109)	(9,890)	60,751	62,449
RESULTS												
EBITDA	8,227	9,117	2,415	1,735	529	618	90	45	-	-	11,261	11,515
Interest income	193	189	1	2	2	-	-	-	-	-	196	192
Interest expense	(351)	(374)	(93)	(131)	-	-	-	-	-	-	(444)	(505)
Depreciation of PPE	(2,786)	(2,270)	(1,824)	(1,799)	(444)	(393)	-	(1)	-	-	(5,054)	(4,463)
Amortisation of intangible assets	(89)	(186)	-	-	-	-	-	-	-	-	(89)	(186)
Share of results of associate company	(10)	(27)	-	-	-	-	-	-	-	-	(10)	(27)
Taxation	(430)	(1,761)	(196)	(11)	-	-	-	-	-	(51)	(626)	(1,823)
Segment profit/ (loss) for the financial period	4,754	4,688	303	(204)	87	225	90	44	-	(51)	5,234	4,703
Minority interest	-	-	-	-	-	-	-	-	(2)	(10)	(2)	(10)
Segment profit/ (loss) for the financial period after non-controlling interest	4,754	4,688	303	(204)	87	225	90	44	(2)	(61)	5,232	4,693

Cumulative - 30 June	Malaysia		Philippines		Thailand		Australia		Adjustment and Elimination		Consolidated	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CONTINUING OPERATIONS												
REVENUE												
<u>External Sales</u>												
Shared Services	19,560	15,711	9,010	8,256	2,625	1,602	-	-	-	-	31,195	25,569
Solution Services	3,574	3,002	735	1,254	583	1,480	435	505	-	-	5,327	6,241
Transaction Payment Acquisition	88,161	83,015	2,900	2,806	1,169	698	-	-	-	-	92,230	86,519
Inter-segment sales	11,447	15,162	-	-	-	-	-	-	(11,447)	(15,162)	-	-
	122,742	116,891	12,645	12,316	4,377	3,780	435	505	(11,447)	(15,162)	128,752	118,329
RESULTS												
EBITDA	17,376	16,832	4,872	4,217	1,202	976	16	82	-	-	23,466	22,107
Interest income	386	367	2	4	2	-	-	-	-	-	390	371
Interest expense	(800)	(874)	(253)	(279)	-	-	-	-	-	-	(1,053)	(1,153)
Depreciation of PPE	(5,559)	(4,461)	(3,619)	(3,478)	(859)	(675)	(1)	(2)	-	-	(10,038)	(8,616)
Amortisation of intangible assets	(182)	(388)	-	-	-	-	-	-	-	-	(182)	(388)
Share of results of associate company	(30)	(84)	-	-	-	-	-	-	-	-	(30)	(84)
Taxation	(1,619)	(2,974)	(363)	(178)	-	-	-	-	-	(51)	(1,982)	(3,203)
Segment profit/ (loss) for the financial period	9,572	8,418	639	286	345	301	15	80	-	(51)	10,571	9,034
Minority interest	-	-	-	-	-	-	-	-	(13)	(14)	(13)	(14)
Segment profit/ (loss) for the financial period after non-controlling interest	9,572	8,418	639	286	345	301	15	80	(13)	(65)	10,558	9,020



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A10. Valuation of Property, Plant and Equipment

There were no changes or amendments to the valuation of property, plant and equipment from the previous annual financial statements.

A11. Material Subsequent Events to the end of Current Quarter

There were no material events subsequent to the end of the current quarter that have not been reflected in this interim report.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial year to date under review.

A13. Contingent Liabilities

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

	RM'000
(a) Banker's guarantee in favour of third parties	
- Secured	26,513
(b) Corporate guarantee – Financial Institution and trade suppliers	92,617
	<u>119,130</u>

A14. Capital Commitment

The amount of capital commitment for purchase property, plant and equipment not provided for as at 30 June 2017 are as follows:

	RM'000
Approved but not contracted for	<u>828</u>

A15. Significant Related Party Transactions

Significant related party transactions for the current quarter and year to date under review are as follows:

Related Party:	Current Quarter 30/6/2017 RM'000	Preceding Year Corresponding Quarter 30/6/2016 RM'000	Current Year To Date 30/6/2017 RM'000	Preceding Year Corresponding Period 30/6/2016 RM'000
@ Office rental paid to Telemas Corporation Sdn Bhd ("Telemas") and Global Voice Corporation Sdn Bhd *	140	120	270	234

@ Mr Loh Wee Hian also has direct interest in Telemas Corporation Sdn Bhd and Global Voice Corporation Sdn Bhd.

* The Board of Directors is of the opinion that all the transaction above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transaction with unrelated parties.



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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 (2Q2017) vs corresponding quarter (2Q2016) by segment

GHL's 2Q17 group turnover declined -2.7% yoy to RM 60.8 million as compared to RM62.5 million for the corresponding period in 2Q16. 2Q17 pre-tax profits were also -10.2% lower at RM5.9 million compared to RM6.5 million in 2Q16 and but net profits grew +11.3% to RM5.2 million (2Q16 RM4.7m), due to a lower taxation charge. The group's topline decline in this quarter were due primarily to both the Shared Services and Solutions Services but the TPA division registered a small yoy improvement over 2Q16. Net profit margins during this quarter improved to 8.7% (2Q16 – 7.5%) due to lower tax rate from the utilisation of unabsorbed capital allowances. The group's balance sheet remains healthy with a net cash position of RM47.6 million (31.3.2017 – Net cash RM36.9 million).

The performance of the individual segments are as follows.

Shared Services

Shared services division gross revenue in 2Q17 declined by -12.8% yoy to RM11.93 million (2Q16 – RM13.67m) due to stronger EDC hardware sales in 2Q16. This decline was partly offset by higher rental/maintenance fees collected in 2Q17.

Solution Services

Solutions services gross revenue was down -22.7% in 2Q17 to RM2.92 million (2Q16 – RM3.77m) due to better non-recurrent hardware and software sales in the previous corresponding 2Q16. Recurring rental and maintenance revenues were however higher in 2Q17.

Transaction Payment Acquisition (TPA)

The TPA business has 2 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:-

e-pay (reload and collection services)

e-pay is the largest provider of reload and collection services in Malaysia. It has approximately 35,640 acceptance points nationwide, encompassing all petrol chains, the largest convenience store chains and over 14,600 general stores. The e-pay brand is well known to consumers who use the service. With over 18 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 has grown strongly with an increase of +8.1% yoy underpinned by growth in both mobile reload as well bill payments. The Gross Revenue/Transaction Value declined by 48bps due to the product mix.



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B1. Review of Performance (continued)

Table 1

e-pay <i>(All stated in RM'millions unless stated otherwise)</i>	2Q 2016 (Restated)	2Q 2017	% change
Transaction Value Processed	885.83	957.81	8.1%
Gross Revenue	37.04	35.47	-4.2%
Gross Revenue / Transaction Value (Note 1)	4.18%	3.70%	-11.4%
Gross Profit	11.18	10.87	-2.8%
Gross Profit / Transaction Value (Note 1)	1.26%	1.13%	-10.1%
Merchant Footprint - e-pay Only (Thousands) (Note 2)	26.86	35.64	32.7%

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

Note 2 – Q2 2016 figures have been restated to reflect the absolute number of POS terminals deployed at merchant outlets contracted by e-pay to accept e-pay products and services. This includes EDC Terminals, ePOS (Integrated POS) as well as PayHere (Registered Mobile Application Users). Previously, we reported the total number of acceptance points which included EDC Terminals, ePOS (Integrated POS) and an estimated number of Bank ATMs/CDMs that accept e-pay services.

GHL (card payment services)

This TPA card payment services business is relatively new and is mainly driven by our TPA arrangement with a leading Malaysian domestic bank. The existing GHL TPA data as shown in Table 2 comprises of the following activities (listed in order of size) ; (i) Various revenue sharing arrangements under direct contracts with merchants and banks in Malaysia, Thailand and Philippines (ii) Malaysian domestic debit card (“MyDebit”) merchant acquisition (iii) Internet TPA (“eGHL”) in Malaysia and Thailand

A summary of key data relating to the card payment business is found in Table 2 below. While the transaction value processed grew strongly at 51%, transaction margins declined yoy due to ongoing competition in the market for merchant acquiring as banks compete 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.



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B1. Review of Performance (continued)

Table 2

GHL Electronic payments TPA <i>(All stated in RM'millions unless stated otherwise)</i>	2Q 2016 (Restated)	2Q 2017	% change
Transaction Value Processed	639.58	963.62	50.7%
Gross Revenue	7.99	9.97	24.8%
Gross Revenue / Transaction Value (Note 2)	1.25%	1.03%	-17.1%
Gross Profit	5.33	5.63	5.7%
Gross Profit / Transaction Value (Note 2)	0.83%	0.58%	-29.9%
Merchant Footprint - TPA Only (Thousands) (Note 4)	21.70	30.16	39.0%

Note 1 – The Q2 2016 figure has been restated to be consistent with re-classifications in Q2 2017

Note 2 - Gross Revenue or Gross Profit respectively divided by the Transaction Value Processed expressed as a %.

Note 3 – The Q2 gross profit has been restated to reflect certain processing and maintenance fees relating to the TPA business that were previously excluded and which have now been appropriately re-classified.

Note 4 – This has been restated to reflect the absolute number of POS terminals deployed at merchant outlets contracted by GHL to accept card payment products and services. Previously, we reported the total number of acceptance points for each of the various payment products that GHL offers its merchants e.g. credit cards, MyDebit, etc.

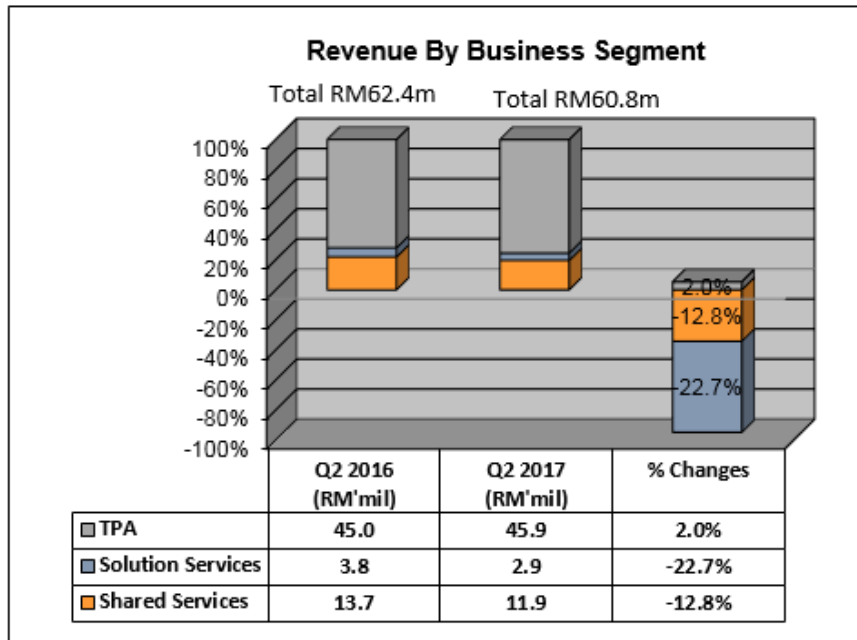
TPA division's gross revenues grew marginally at +1% in 2Q17 to hit RM45.4 million (2Q16 – RM45.0m) due to revenue growth from e-pay as well as bank TPA but this was tempered by a decline in rental revenues collected. E-pay remains the major contributor in the TPA segment but the GHL electronic payments TPA (encompassing card, online, mobile and next-gen payments) are growing at a faster rate.

Performance of current quarter (2Q 2017) vs corresponding quarter (2Q 2016) by geographical segment

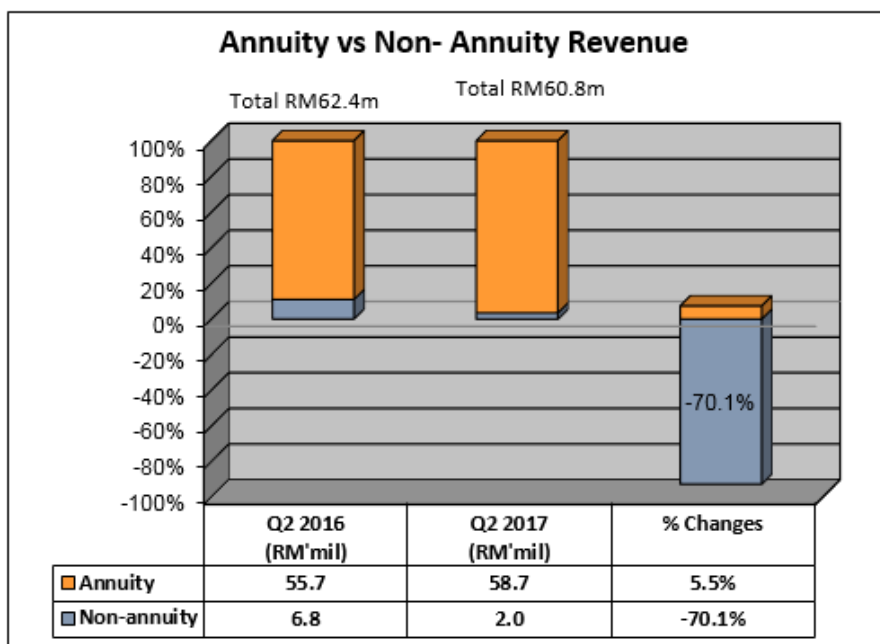
Group turnover for the first 6 months of 2017 grew +8.8% yoy to RM128.8 million (1H16 – RM118.3m) with growth registered by the operating segments (except Solutions Services, -15% yoy) and in all geographical markets. Pre-tax profits was up marginally +2.6% yoy to RM12.6 million compared to RM12.2 million a year ago and pre-tax margins were 9.8%, compared to 2Q16's pre-tax margins of 10.3%.

Net profit after tax grew +17.0% yoy to RM10.6 million (1H16 – RM9.0 million) driven by lower effective tax. Net profit growth was stronger as compared to pre-tax profit growth due higher taxation rates in 1H16 (lower effective tax in 2Q17).

Performance of current quarter (2Q 2017) vs corresponding quarter (2Q 2016) by geographical segment (continued)

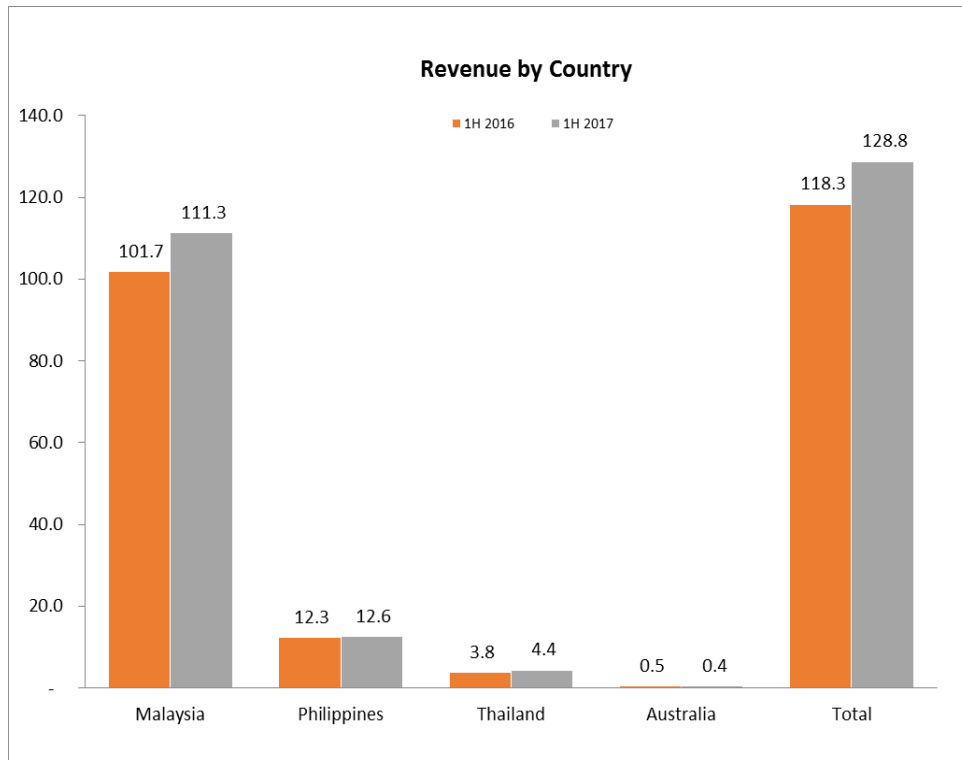


Shared Services and Solutions Services recorded lower sales due to higher hardware and software sales in 1H16. TPA was flat yoy in the first 6 months of 2017 as compared to the same period last year where lower rental collected were offset by higher transaction revenue collected.



The annuity based revenue component within the group's total revenue remains high at 97% but was lower at 89% in 1H16 due to the higher hardware and software sales in that period. The group's strategy is to grow the TPA and other businesses that have a strong annuity based revenue and de-prioritise non-recurrent hardware and software sales. As TPA gathers momentum in all 3 geographical markets, we expect annuity revenues will grow even stronger.

Performance of year to date period (2Q 2017) vs corresponding period (2Q 2016) by country



1H17 group turnover grew +8.8% yoy to RM128.8 million (1H16 – RM118.3m). Pre-tax profits grew 2.6% to RM12.6 million compared to RM12.2 million a year ago and pre-tax margins were 9.8%, an improvement over 2Q16's pre-tax margins of 10.3%.

Malaysian operations contributed 86% (1H16 – 86%) of group turnover with EBITDA margins remaining at 14%.

Philippines turnover was +2.7% yoy higher at RM12.6m (1H16 - RM12.3m) with EBITDA margins up at 3.8% from 3.4% of the corresponding period. Solutions Services registered yoy decline but TPA and Shared Services saw growth driven by higher transaction fees and higher rental fees collected.

Thailand recorded a growth in topline revenue of +15.8% due to higher rental revenue from its Shared Services segment. TPA saw 1H17 revenue of RM1.169 vs 1H16 revenues of RM698,000 due to ongoing the commencement of merchant acquiring for Alipay. EBITDA increased by +2.7% compared to 2.6% in 1H16.

Australia remains the smallest contributor to group operations at RM435,000 or 0.33% of group turnover compared to 1H16 turnover of RM505,000.



GHL SYSTEMS BERHAD
(Company No: 293040-D)

CURRENT YEAR'S PROSPECTS (FY2017)

The Group has successfully deployed since 2015, its TPA merchant acquiring tieups with CIMB (physical merchants) and Global Payments (online and physical merchants) and in 2016, additional tie-ups with Alipay (Thailand) and RCBC group (Philippines). GHL group has commenced merchant acquiring for Alipay in Malaysia in 2Q17 and AFPI (Beep card) in Philippines for merchant acquiring in 4Q17. The group remains optimistic of further developing TPA as a key growth engine for the group given the changes in the payment landscape as e-payments gain further traction as driven by not only regulatory directives but also positive changes in consumer preferences towards e-payments.

GHL Group expects 2017 prospects to be positive given the recent tie-ups announced last year as well as in 2017. The investments made in growing new businesses this year will also strengthen our position overall in the years ahead as the e-payments space gain more prominence.

B3. Profit Forecast and Profit Guarantee

The Company has not issued any profit forecast or profit guarantee for the current quarter.

B4. Profit Before Taxation

	Current Quarter 30/6/2017 RM'000	Preceding Year Corresponding Quarter 30/6/2016 RM'000	Current Year To Date 30/6/2017 RM'000	Corresponding Period 30/6/2016 RM'000
Amortisation of intangible asset	88	186	182	410
Bad Debt written off	1,084	-	1,094	-
Depreciation of property, plant and equipment	5,050	4,484	10,034	8,617
Fixed assets written off	2	104	2	166
(Gain)/Loss on foreign exchange				
Realised	(930)	302	(940)	224
Unrealised	54	410	201	222
Gain on disposal of fixed Assets	159	(52)	(238)	(52)
Loss on liquidation of subsidiaries		-		
Impairment loss on receivables	(239)	45	615	467
Interest income	(199)	(192)	(390)	(372)
Interest expenses	444	505	1,053	1,153
Inventory written off/(back)	(584)	-	19	287
Rental expenses	(81)	473	235	922
Reversal of allowance for doubtful debts	(1,075)	(74)	(1,075)	(74)
Share based payment	6	42	13	82



GHL SYSTEMS BERHAD
(Company No: 293040-D)

B5. Taxation

	Current Quarter 30/6/2017 RM'000	Preceding Year Corresponding Quarter 30/6/2016 RM'000	Current Year To Date 30/6/2017 RM'000	Preceding Year Corresponding Period 30/6/2016 RM'000
Current tax expenses based on based on profit for the financial year:				
Malaysian income tax	(431)	(1,363)	(1,620)	(2,567)
Foreign income tax	(198)	(11)	(364)	(186)
Deferred tax		(450)	-	(450)
Total	(629)	(1,824)	(1,984)	(3,203)

The Group's tax rate is disproportionate to the statutory tax rate due to unabsorbed tax loss and unutilised tax allowances and deferred tax benefits of certain companies within the Group.

B6. Profit on Sale of Unquoted Investment and/or Properties

There was no disposal of unquoted investment or properties for the current quarter.

B7. Purchase and Disposal of Quoted Securities

There was no purchase or disposal of quoted securities for the current quarter.

B8. Status of Corporate Proposals

There were no corporate proposals announced and not completed as at the date of this report.

B9. Group Borrowings and Debt Securities

The Group's borrowings and debt securities as at 30 June 2017 are as follows:-

(a) Bank Borrowings

	Long-term Borrowings RM'000	Short-term Borrowings RM'000	Total RM'000
Ringgit Malaysia	13,000	18,069	31,069
Philippine peso	1,416	669	2,085
	14,416	18,738	33,154



GHL SYSTEMS BERHAD
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B9. Group Borrowings and Debt Securities (continued)

The Bankers' Acceptance, Islamic facility and Term Loan are secured by way of:

	2017 RM'000	2016 RM'000
(i) term deposits of the Group	7,114	6,898
(ii) structured investment of the Group	8,000	8,000
(iii) a Corporate Guarantee by parent entity	63,950	74,000
	<u>79,064</u>	<u>88,898</u>

The term loans are secured by way of:

- (i) negative pledge from e-pay (M) Sdn Bhd
- (ii) first party charge over cash deposits by the Company over Escrow Account solely operated by the Bank
- (iii) Undertaking from the Company to assign 100% dividend from the subsidiaries throughout the duration of the Term Loan facilities to the Bank's Escrow Account

(b) Hire Purchase

	Long-term Hire Purchase RM'000	Short-term Hire Purchase RM'000	Total RM'000
Ringgit Malaysia	462	170	632
Philippine peso	396	1,708	2,104
	858	1,878	2,736

The hire purchase payables of the Group as at 30 June 2017 are for the Group's motor vehicles and EDC equipment. The portion of the hire purchase due within one (1) year is classified as current liabilities.

B10. Realised and Unrealised Profit

	As at 30/6/2017	As at 30/6/2016
	RM'000	RM'000
Total retained profit of the Group:-		
- Realised	61,507	44,842
- Unrealised	(922)	(120)
	<u>60,585</u>	<u>44,722</u>
Less: Consolidation adjustment	(167)	(709)
Total group retained	<u>60,418</u>	<u>44,013</u>



GHL SYSTEMS BERHAD
(Company No: 293040-D)

B11. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at the date of this report.

B12. 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.

B13. 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.

<u>Basic</u>	Current Quarter 30/6/2017 RM'000	Preceding Year Corresponding Quarter 30/6/2016 RM'000	Current Year To Date 30/6/2017 RM'000	Preceding Year Corresponding Period 30/6/2016 RM'000
Profit attributable to owners of the Company (RM'000)	5,231	4,693	10,558	9,020
Weighted average number of ordinary shares in issue and issuable (Unit'000)	657,270	649,725	654,871	649,155
Basic earnings per share (Sen)	0.80	0.72	1.61	1.39

<u>Diluted</u>	Current Quarter 30/6/2017 RM'000	Preceding Year Corresponding Quarter 30/6/2016 RM'000	Current Year To Date 30/6/2017 RM'000	Preceding Year Corresponding Period 30/6/2016 RM'000
Profit attributable to owners of the Company (RM'000)	5,231	4,693	10,558	9,020
Weighted average number of ordinary shares in issue and issuable (Unit'000)	657,270	653,160	654,871	652,597
Diluted earnings per share (Sen)	0.80	0.72	1.61	1.38