GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		31.03.2019	31.03.2018	31.03.2019	31.03.2018
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	86,537	59,751	86,537	59,751
Cost of sales		(50,267)	(33,524)	(50,267)	(33,524)
Gross profit		**36,270**	**26,227**	**36,270**	**26,227**
Other operating income		2,174	1,027	2,174	1,027
Administration expenses		(21,933)	(14,349)	(21,933)	(14,349)
Distribution expenses		(5,766)	(4,867)	(5,766)	(4,867)
Other operating expenses		(986)	(671)	(986)	(671)
Finance costs		(607)	(394)	(607)	(394)
Share of (loss)/profit of joint ventures and associates		(170)	751	(170)	751
Profit before tax		8,982	7,724	8,982	7,724
Tax expense	B4	(2,863)	(1,853)	(2,863)	(1,853)
Profit for the period		**6,119**	**5,871**	**6,119**	**5,871**
Profit attributable to:					
Owners of the Company		6,346	5,866	6,346	5,866
Non-controlling interests		(227)	5	(227)	5
		6,119	**5,871**	**6,119**	**5,871**
Earnings per ordinary share attributable to owners of the Company:					
- Basic (sen)	B8	0.86	0.89	0.86	0.89
- Diluted (sen)	B8	0.85	0.89	0.85	0.89
Profit for the period		6,119	5,871	6,119	5,871
Other comprehensive income, net of tax					
Foreign currency translations		(3,881)	(4,293)	(3,881)	(4,293)
Total comprehensive income for the period		**2,238**	**1,578**	**2,238**	**1,578**
Total comprehensive income attributable to:					
Owners of the Company		2,465	1,574	2,465	1,574
Non-controlling interests		(227)	4	(227)	4
		2,238	**1,578**	**2,238**	**1,578**

(The condensed consolidated statement of comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	AS AT 31.03.2019 (Unaudited) RM'000	AS AT 31.12.2018 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		97,851	93,100
Right of use assets		2,070	-
Goodwill on consolidation		179,856	168,639
Intangible assets		1,632	1,697
Other investment		373	226
Deferred tax assets		2,094	2,101
		283,876	265,763
Current assets			
Inventories		46,665	79,088
Trade receivables		72,443	64,969
Other receivables		68,993	73,494
Tax recoverable		7,600	8,660
Fixed deposits placed with licensed banks		30,595	25,420
Cash and bank balances		122,114	119,723
		348,410	371,354
TOTAL ASSETS		632,286	637,117
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		314,376	314,344
Reserves		94,419	91,882
Treasury Shares		-	-
Equity attributable to equity holders of the parent		408,795	406,226
Non controlling interest		7,960	170
Total equity		416,755	406,396
Non-current liabilities			
Hire purchase payables	B6	6,118	5,629
Bank borrowing	B6	13,397	11,194
Lease liabilities		1,479	-
Deferred tax liability		454	4,156
Other payables		-	14,951
		21,448	35,930
Current liabilities			
Trade payables		56,301	40,258
Other payables		114,519	130,679
Lease liabilities		831	-
Deferred income		1,356	1,537
Hire purchase payables	B6	3,995	4,436
Bank borrowings	B6	8,535	13,408
Tax payable		8,546	4,473
		194,083	194,791
Total liabilities		215,531	230,721
TOTAL EQUITY AND LIABILITIES		632,286	637,117
Net assets per share (sen)		55.39	55.05

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	Share Capital RM'000	Exchange Reserve RM'000	Share Options Reserve RM'000	Treasury Shares RM'000	Retained Profits / (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 2018	208,110	(3,919)	-	(306)	70,311	274,196	129	274,325
Effects of MFRS 9	-	-	-	-	(2,518)	(2,518)	-	(2,518)
At 1 January 2018 (Restated)	208,110	(3,919)	-	(306)	67,793	271,678	129	271,807
Additional non-controlling interests arising on business co	-	-	-	-	-	-	2	2
Total comprehensive income for the year	-	(4,293)	-	-	5,866	1,573	5	1,578
At 31 March 2018	208,110	(8,212)	-	(306)	73,659	273,251	136	273,387
At 1 January 2019	314,344	(1,455)	1,001	-	92,336	406,226	170	406,396
Effects of MFRS 16	-	-	-	-	(212)	(212)	-	(212)
At 1 January 2019 (Restated)	314,344	(1,455)	1,001	-	92,124	406,014	170	406,184
Share option granted under ESS	32	-	284	-	-	316	-	316
Revaluation 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	(5,336)	1,285	-	98,470	408,795	7,960	416,755

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	CURRENT YEAR TO DATE 31.03.2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.03.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	8,982	7,724
Adjustments for:-		
Amortisation of development cost	66	63
Amortisation of deferred income	(330)	(612)
Depreciation	7,119	5,139
Impairment loss on receivables	290	1
Interest expense	607	394
Interest income	(777)	(280)
Inventories written off/ (back)	15	(32)
Loss/(Gain) on disposal of property, plant and equipment	(36)	-
Property, plant and equipment written-off	4	9
Reversal of impairment on trade receivables	(51)	(54)
Share options granted under ESS	284	-
Share of gain from an associate	170	(751)
Unrealised loss/ (gain) on foreign exchange	83	1,414
Operating profit before working capital changes	16,426	13,015
(Increase)/Decrease in working capital		
Inventories	26,609	(6,376)
Trade and other receivables	(2,610)	11,228
Trade and other payables	(15,821)	(10,768)
Lease liabilities	(312)	-
Advance receipt from deferred income	150	811
	8,016	(5,105)
Cash generated from operations	24,442	7,910
Interest received	777	280
Interest paid	(607)	(394)
Tax paid	(2,329)	(2,141)
	(2,159)	(2,255)
Net cash from operating activities	22,283	5,655
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(3,848)	(1,799)
Purchase of other investment	(318)	-
Proceeds from disposal of property , plant and equipment	583	2,171
Addition in intangible assets	(1)	(4)
Acquisition of subsidiary for cash, net cash acquired	(8,345)	-
Net cash (used in)/from investing activities	(11,929)	368
Cash Flows From Financing Activities		
Proceeds from issuance of shares-ESOS	32	-
(Increase)/Decrease in fixed deposits pledged	(495)	(60)
Drawndown of hire purchase	722	-
Repayment of hire purchase payables	(262)	(216)
Drawdown of bank borrowings	4,247	4,212
Repayment of bank borrowings	(7,420)	(11,414)
Net cash used in financing activities	(3,176)	(7,478)
Net increase/(decrease) in cash and cash equivalents	7,178	(1,455)
Effect of exchange rate changes on cash and cash equivalents	245	(1,645)
Cash and cash equivalents at beginning of the finance period	133,123	95,945
Cash and cash equivalents at end of the finance period	140,546	92,845
	-	

Cash and cash equivalents at end of the finance period:		
Cash and bank balances	122,114	82,252
Fixed deposits with licensed banks	30,595	17,890
	152,709	100,142
Less: Fixed deposits pledged to licensed banks	(12,163)	(7,297)
	140,546	92,845

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

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

A1. Basis of Preparation

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

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

A2. Significant Accounting Policies

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

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

Effective for annual periods beginning on or after 1 January 2019

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

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

MFRS 16 Leases

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

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

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

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

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

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

b) Impact for the period
As a result of initially applying MFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized RM2,070,000 of right-of-use assets and RM2,310,000 of lease liabilities as at 31 March 2019.

Also, in relation to those leases under MFRS 16, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the three months ended 31 March 2019, the Group recognized RM306,000 of depreciation charges and RM22,000 of interest costs from these leases.

MFRSs and Amendments to MFRS issued but not yet effective

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

Title	Effective Date
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Definition of Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 *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 2018 was not subject to any audit qualification.

A4. Seasonal or Cyclical Factors

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

A5. Unusual Items

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

A6. Changes in Estimates

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

A7. Changes in Debts and Equity Securities

During the current quarter, the Company issued 30,000 new ordinary shares at average exercise price of RM1.08 pursuant to the Executives' Share Scheme ("ESS").

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

A8. Dividend Paid

There were no dividends paid during the quarter ended 31 March 2019.

A9. Segmental Reporting

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

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

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

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

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

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

i) e-pay services which provides Telco prepaid and other top-up facilities and, bill collection services for consumers ("reload and collection services") and

ii) GHL's direct merchant acquiring and electronic payment services ("electronic payment services")

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 Cumulative - 31 Mar	Malaysia		Philippines		Thailand		Others		Adjustment and Elimination		Consolidated	
CONTINUING OPERATIONS	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
REVENUE												
External Sales												
Shared Services	24,054	6,224	5,685	4,281	5,945	1,790	3	-	(322)	(8)	35,365	12,287
Solution Services	1,748	2,535	669	411	215	607	302	226	-	-	2,934	3,779
Transaction Payment Acquisition	41,176	39,498	3,405	2,139	3,649	2,049	8	-	-	-	48,238	43,685
Inter-segment sales	7,820	7,013		-		-		-	(7,820)	(7,013)	-	-
	74,798	**55,269**	**9,759**	**6,830**	**9,809**	**4,446**	**313**	**226**	**(8,142)**	**(7,021)**	**86,537**	**59,751**
RESULTS												
EBITDA	**14,798**	**9,282**	**4,103**	**2,401**	**1,823**	**1,175**	**(480)**	**74**	**(4,247)**	**110**	**15,997**	**13,042**
Interest income	775	277	2	3	-	-	-	-	-	-	777	280
Interest expense	(346)	(336)	(189)	(58)	(48)	-	-	-	(24)	-	(607)	(394)
Depreciation	(4,779)	(3,045)	(2,272)	(1,568)	(680)	(527)	(211)	(1)	824	-	(7,119)	(5,141)
Amortisation of intangible assets	(66)	(63)	-	-	-	-	-	-	-	-	(66)	(63)
Profit before taxation	**10,382**	**6,115**	**1,644**	**778**	**1,095**	**648**	**(691)**	**73**	**(3,448)**	**110**	**8,982**	**7,724**
Taxation	(1,468)	(763)	(492)	(393)	(95)	-	-	-	(808)	(697)	(2,863)	(1,853)
Minority interest	-	-	-	-	-	-	-	-	227	(5)	227	(5)
Segment profit/ (loss) for the financial period after non-controlling interest	**8,914**	**5,352**	**1,152**	**385**	**1,000**	**648**	**(691)**	**73**	**(4,029)**	**(592)**	**6,346**	**5,866**
Segmental assets	**697,669**	**546,126**	**48,576**	**53,904**	**39,831**	**34,099**	**6,334**	**886**	**(160,125)**	**2,102**	**632,286**	**637,117**
Segmental liabilities	**414,160**	**190,978**	**25,297**	**17,644**	**23,108**	**17,858**	**1,605**	**85**	**(248,639)**	**4,157**	**215,531**	**230,721**

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 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, other than the following:

(i) On 22 January 2019, the Company announced that the Proposed Speed Pay acquisition had been completed and Speed Pay is now a 51.0% owned subsidiary of the GHL Group.

(ii) GHL Epayments Sdn. Bhd. had on 18 January 2019 incorporated a 99.99% owned subsidiary in the Philippines, namely GHL Electronic Payments Inc. The Certificate of Incorporation was received on 21 January 2019.

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	24,526

A14. Capital Commitments

Capital commitments for purchase of property, plant and equipment not provided for as at 31 March 2019 are as follows:

	RM'000
Approved but not contracted for	661

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

B1. Review of Performance

Performance of current quarter (1Q 2019) vs corresponding quarter (1Q 2018) by segment

GHL group's 1Q19 profit after tax and minority interests ("PATAMI") for the quarter ended 31 March 2019 was RM6.3 million, a +8.5% yoy improvement compared to RM5.8 million achieved in 1Q18. The profitability improvement was achieved on a +44.8% yoy growth in group revenue to RM86.5 million vs RM59.8 million in 1Q18. The improved PATAMI in this quarter was achieved due to better performance from solutions services and TPA divisions whereas shared services were down 22.3%. Net margins however declined to 7.4% (1Q18 – 9.8%) mainly due to higher operating and administrative expenses as the group increases its investments in growing its footprint in the region. PATAMI margins were impacted by the higher investment costs the group has undertaken to grow its merchant touchpoints in the three key markets as well as the initial expenditure in Cambodia which it entered last year. The group's balance sheet remains healthy with a net cash position of RM120.7 million (31.12.2018 – Net cash RM110.5 million).

The performances of the individual segments are as follows.

Shared Services

The shared services division revenue registered a strong performance in 1Q19, growing +187.8% yoy to RM35.4 million (1Q18 – RM12.3 million). The better performance was due to consolidation of Paysys (M) Sdn Bhd which the group acquired in mid-2018. Shared services revenue in the Philippines and Thailand was also similarly up year on year.

Solutions Services

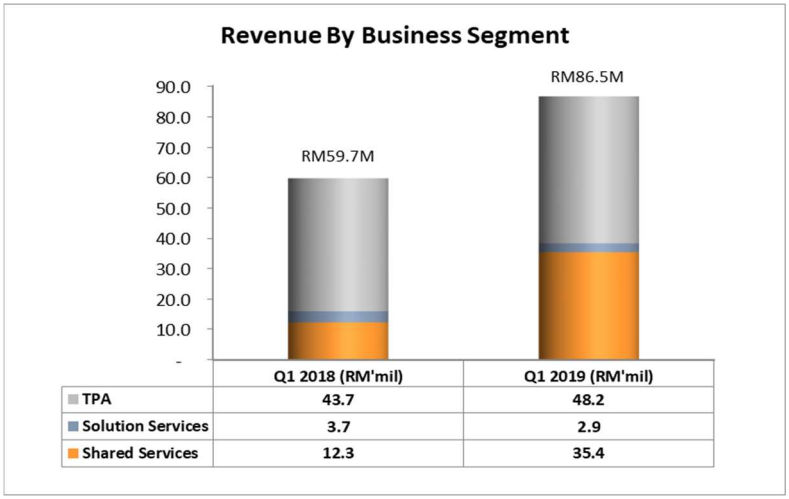
Solution services division contributed only 3.4% of total 1Q19 group revenue and was down -22.3% yoy to RM2.9 million (1Q18 RM3.8 million). The softer results for this division in 2019's first quarter was due to weaker hardware and software sales in Malaysia and Thailand although Philippines recorded an improvement, which was insufficient to mitigate the lower sales from the former two countries.

Transaction Payment Acquisition (TPA)

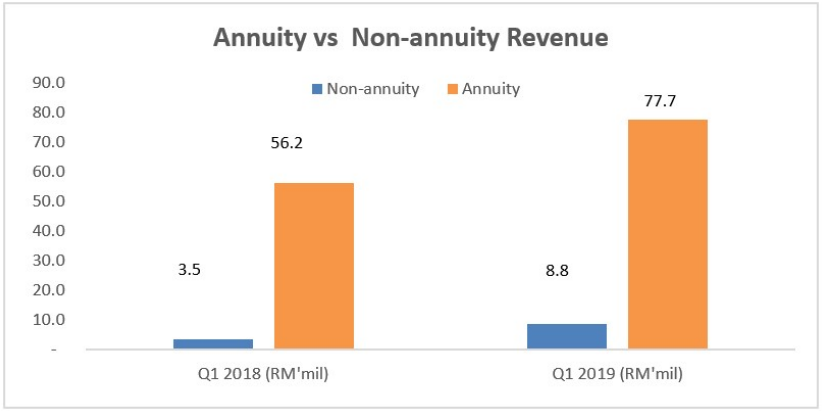
TPA revenues overall grew by +10.4% to RM48.2 million (1Q18 – RM43.7 million) with the improvement coming from better e-pay transactions as well as merchant discount rate ("MDR") transaction fees. Improvements were recorded at all the three key markets Thailand. Philippine and Malaysia in terms of better collection of MDR fees. e-pay transaction volumes and revenue improved due to higher transaction count. Merchant footprint grew 127% yoy and 10.9% yoy for e-payments and e-pay respectively.

B1. Review of Performance (continued)

Transaction Payment Acquisition (TPA) (continued)



GHL group's annuity based recurring revenues remain strong at 90% (1Q19) vs 94% (1Q18) due to higher hardware sales in 1Q19 captured in both Malaysia and Thailand. On a year on year basis, both annuity and non annuity based revenue registered growth. The Group's strategy of continually reducing non-annuity lumpy based revenues has been broadly successful and is expected to further strengthen when the group's TPA arrangements contribute more in the coming quarters, especially the non-bank TPA tie-ups.



The TPA business has two (2) distinct components, each in a different stage of development and growth profile. These are;

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

e-pay is the largest provider of reload and bill collection services in Malaysia. It has approximately 39,750 acceptance points nationwide, encompassing all petrol chains, the largest convenience store chains and general retail stores. The e-pay brand is well known to consumers who use the service. With over 18 years' experience, e-pay is 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. 1Q19 transaction value processed by e-pay improved +10.9% due to the improvements in both prepaid mobile reloads and bill collections and margins saw changes due to product mix changes during the quarter.

B1. Review of Performance (continued)
Performance of current quarter (1Q 2019) vs corresponding quarter (1Q 2018) by segment (continued)

Table 1

e-pay *(All stated in RM'millions unless stated otherwise)*	**1Q 2018**	**1Q 2019**	**% change**
Transaction Value Processed	**858.8**	**952.6**	**10.9%**
Gross Revenue	**29.6**	**30.7**	**3.9%**
Gross Revenue / Transaction Value (Note 1)	**3.4%**	**3.2%**	**-6.4%**
Gross Profit	**10.2**	**10.9**	**6.5%**
Gross Profit / Transaction Value (Note 1)	**1.2%**	**1.1%**	**-4.0%**
Merchant Footprint - e-pay Only (Thousands)	**35.8**	**39.7**	**10.9%**

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

(ii) GHL (e-payment services)

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

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

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 39.7% yoy, GP/transaction margins declined yoy due to ongoing competition in the market 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. The introduction of e-wallets in all three markets in 2018 is expected to contribute positively going forward.

Table 2

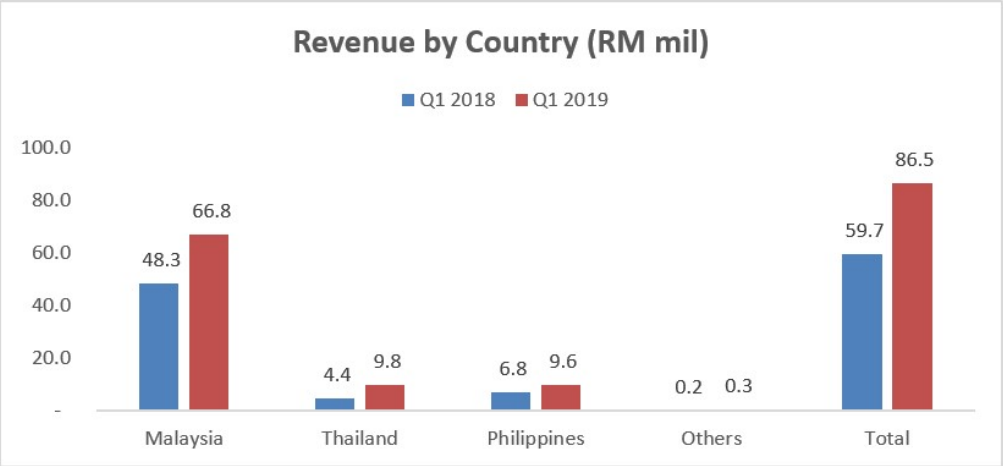
GHL Electronic payments TPA *(All stated in RM'millions unless stated otherwise)*	**1Q 2018 (Restated)**	**1Q 2019**	**% change**
Transaction Value Processed (Note 1)	**1,435.0**	**2,004.4**	**39.7%**
Gross Revenue	**14.1**	**18.0**	**27.4%**
Gross Revenue / Transaction Value (Note 2)	**1.0%**	**0.9%**	**-8.8%**
Gross Profit (Note 3)	**6.2**	**7.6**	**23.1%**
Gross Profit / Transaction Value (Note 2)	**0.4%**	**0.4%**	**-11.8%**
Merchant Footprint - TPA Only (Thousands)	**36.**	**81.9**	**127.4%**

Performance of current quarter (1Q 2019) vs corresponding quarter (1Q 2018) by segment (continued)
Table 2 (continued)

Note 1 – The 1Q 2018 Transaction Value Processed includes transactions relating to Philippine's Bancnet tranactions which were previously omitted in 2017 which has been restated. Bancnet inclusion commenced only in 2017 due to regulatory changes.
Note 2 - Gross Revenue or Gross Profit respectively divided by the Transaction Value Processed expressed as a %.
Note 3 – 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 epayment TPA segment.

Performance of current quarter (1Q 2019) vs corresponding quarter (1Q 2018) by geographical segment

1Q19 revenue grew +44.8% yoy to RM86.5 million (1Q18 – RM59.7m) mainly due to the revenue growth in Malaysia, Philippines, and Thailand markets. Malaysia was up +38.3% yoy, Philippines operations was up +42.9% yoy, and the revenue contribution from Thailand was up +120.6% yoy. All geographical segments were EBITDA profitable in 1Q19 with the exception of other regions which saw an EBITDA loss of RM0.5 million.



Malaysia was the largest contributor to Group revenue accounted for 77.1% (1Q18 – 80.7%) with the main contribution coming from e-pay, whose operations are solely based in Malaysia. Shared services division in Malaysia registered strong yoy growth in 1Q19 with the inclusion of contribution from Paysys which was not present in 1Q18 as the acquisition was only completed on 26 June 2018. Solution services for Malaysia was down due to lower hardware and software sales in 1Q19. TPA revenue grew due to both e-pay and TPA epayment with higher MDR transaction fees collected. Overall, Malaysia recorded EBITDA of RM14.8 million which was 59.4% higher yoy compared to RM9.2 million in 1 Q 18

Thailand came in 2nd largest contributor and recorded sales of RM9.8 million in 1Q19 (1Q18 – RM4.4 million) driven by its shared services and TPA segments. Shared services had better rental collection as well as higher hardware sales. Solutions services revenue were lower due to higher software and hardware sales. Thailand's TPA segment recorded a +78.0% improvement in MDR transaction fees collected. Thailand's 1Q19 EBITDA of RM1.8 million was a 55.1% yoy improvement as compared to 1Q18's EBITDA of RM1.2 million.

Performance of current quarter (1Q 2019) vs corresponding quarter (1Q 2018) by geographical segment (continued)

Philippines' revenue contribution was 11.3% of group 1Q19 revenue. Philippines recorded RM9.8 million revenue (+42.9% yoy), driven by all its three (3) division which all showed yoy improvements. Philippines EBITDA was higher at RM4.1 million compared to RM2.4 million a year ago.

Other regional operations remain small and recorded sales of RM0.3 million from network rental and maintenance fees. The other regions recorded an EBITDA loss of RM0.5 million compared to RM0.1 million gain in the corresponding quarter last year. The loss was mainly due to the startup operating cost in Cambodia.

Performance of current quarter (1Q19) vs preceding quarter (4Q18) by segment

Revenue (RM million)	**4Q18**	**1Q19**
Shared Services	29.7	35.4
Solutions Services	4.0	2.9
TPA	46.7	48.2
Group revenue	**80.5**	**86.5**
Profit Before Tax	**10.8**	**9.0**

For the 1Q19 ended 31 March 2019, the group recorded revenues of RM86.5 million, a 7.4% qoq improvement over RM80.5 million recorded in 4Q18. The topline improvement was due to a stronger 1Q19 performance driven by Shared services in our Malaysian and Thai operations which saw higher hardware sales and rental collected. 1Q19 pre-tax profits however declined 16.7% qoq despite the revenue improvement due to slightly lower gross margins achieved in 1Q19 and higher administrative and distribution costs.

B2. Current Year's Prospects (FY 2019)

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

The group in 2018 partnered a major Malaysia domestic bank to enable its existing EDC terminal base to capture all 6 e-wallets currently available in the Malaysia market. This trend will be replicated across Philippines and Thailand where similar plans to partner with the domestic banks to enable the same will commence in 2019.

In 2018, the group completed two acquisitions which will contribute from 2019 onwards. One of these was a new market in the Cambodia and in 1Q19, the group announced a TPA tieup with Bank Nagara Indonesia which marks our foray into merchant acquiring in Indonesia. The group is optimistic about these two new markets but is cognizant on the need to invest in the development of the infrastructure and marketing network which will lead to incurrence of operating costs before the revenue streams are crystalised.

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

B3. Profit before Taxation

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

	Quarter and Year-To-Date ended	
	31.03.2019 RM'000	31.03.2018 RM'000
Amortisation of intangible asset	66	63
Depreciation of property, plant and equipment	7,119	5,139
Fixed assets written off	4	9
(Gain)/Loss on foreign exchange:		
Realised	150	17
Unrealised	83	1,414
(Gain)/loss on disposal of fixed Assets	(36)	-
Impairment loss on receivables	290	1
Interest income	(777)	(280)
Interest expenses	607	394
Inventory written off/(back)	15	(32)
Rental expenses	452	361
Reversal of allowance for doubtful debts	(51)	(54)
Share based payment	284	-

B4. Tax expense

	Current Quarter 31.03.2019 RM'000	Current Year To Date 31.03.2019 RM'000
Current tax expenses based on profit for the financial quarter:		
Malaysian income tax	(1,949)	(1,949)
Foreign income tax	(588)	(588)
Deferred tax:		
Relating to origination and reversal of temporary differences	(326)	(326)
Total	(2,863)	(2,863)

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

B5. Status of Corporate Proposals

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

B6. Group Borrowings and Debt Securities

The Group's borrowings and debt securities as at 31 March 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	-	4,929	-	5,061	-	9,990
- Philippine Peso			13,349	1,038	13,349	1,038
Hire purchase						
- Ringgit Malaysia	-	828	-	1,264	-	2,092
- Philippine Peso	68,060	5,290	35,115	2,731	103,175	8,021
Unsecured						
Bank borrowings						
- Ringgit Malaysia	-	8,468	-	2,436	-	10,904
		19,515		**12,530**		**32,045**

B7. Material Litigation

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

B8. 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.

B8. Earnings Per Share (continued)

	Quarter and Year-To-Date ended	
	31.03.2019	**31.03.2018**
Basic		
Profit attributable to owners of the Company (RM'000)	6,346	5,866
Weighted average number of ordinary shares in issue and issuable (Unit'000)	737,992	658,766
Basic earnings per ordinary share (Sen)	0.86	0.89
Diluted		
Profit attributable to owners of the Company (RM'000)	6,346	5,866
Weighted average number of ordinary shares in issue and issuable (Unit'000)	742,275	658,766
Diluted earnings per ordinary share (Sen)	0.85	0.89