



GHL SYSTEMS BERHAD
(Company No: 293040-D)

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

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/9/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2016 RM'000	CURRENT YEAR TO DATE 30/9/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2016 RM'000
Note					
			-		-
Revenue	A9	63,379	60,440	192,130	178,768
Cost of sales		(37,174)	(37,274)	(115,411)	(108,701)
Gross profit		26,205	23,166	76,719	70,067
Other operating income		(538)	2,487	5,802	4,881
Payroll expenses		(12,181)	(12,086)	(37,217)	(35,107)
Administration expenses		(3,881)	(3,325)	(16,197)	(9,332)
Distribution costs		(1,358)	(1,642)	(3,666)	(4,985)
Other expenses		141	(632)	(844)	(1,660)
Profit before interest, taxation, amortisation & depreciation		8,388	7,969	24,597	23,864
Depreciation expenses		(1,370)	(1,221)	(3,942)	(3,641)
Finance cost		(386)	(386)	(1,439)	(1,538)
Share of results of associated companies		42	(29)	13	(113)
Profit before taxation		6,674	6,334	19,229	18,572
Income tax expense		(1,595)	(1,606)	(3,579)	(4,810)
Profit for the period		5,079	4,728	15,650	13,762
Attributable to:					
Owners of the Company		5,065	4,684	15,624	13,704
Non-controlling interest		14	44	26	57
		5,079	4,728	15,650	13,762
Earnings Per Ordinary Share					
- Basic (sen)	B13	0.77	0.72	2.38	2.11
- Diluted (sen)	B13	0.77	0.72	2.38	2.10
Profit for the period		5,079	4,728	15,650	13,762
Other comprehensive income, net of tax					
Foreign currency translation differences		(808)	34	(2,468)	(1,324)
Total comprehensive income for the period		4,271	4,762	13,182	12,438
Total comprehensive income attributable to:					
Owners of the Company		4,257	4,719	13,156	12,381
Non-controlling interest		14	44	26	57
		4,271	4,763	13,182	12,438

(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 SEPTEMBER 2017
(THE FIGURES HAVE NOT BEEN AUDITED)

	<u>Note</u>	AS AT CURRENT YEAR QUARTER 30/9/2017 (Unaudited) RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2016 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		57,446	59,568
Goodwill on consolidation		105,630	105,630
Intangible assets		1,997	2,405
Other investment		8,176	8,114
Deferred tax assets		1,514	1,207
		<u>174,763</u>	<u>176,924</u>
Current assets			
Inventories		76,345	83,493
Trade receivables		20,647	31,607
Other receivables		18,131	20,010
Tax recoverable		3,656	1,321
Fixed deposits placed with licensed banks		21,668	13,004
Cash and bank balances		76,364	70,860
		<u>216,811</u>	<u>220,295</u>
TOTAL ASSETS		<u>391,574</u>	<u>397,219</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		206,994	130,945
Reserves		62,906	128,838
Treasury Shares		(638)	(638)
Equity attributable to equity holders of the parent		<u>269,262</u>	<u>259,145</u>
Non controlling interest		103	76
Total equity		<u>269,365</u>	<u>259,221</u>
Non-current liabilities			
Hire purchase payables	B9	738	966
Bank borrowing	B9	17,290	16,714
Deferred tax liability		2,099	2,135
Deferred income		6	-
		<u>20,133</u>	<u>19,815</u>
Current liabilities			
Trade payables		13,915	16,641
Other payables		78,480	79,198
Deferred income		595	619
Hire purchase payables	B9	1,237	3,445
Bank borrowings	B9	5,075	16,999
Tax payable		2,774	1,281
		<u>102,076</u>	<u>118,183</u>
Total liabilities		<u>122,209</u>	<u>137,998</u>
TOTAL EQUITY AND LIABILITIES		<u>391,574</u>	<u>397,219</u>
Net assets per share (sen)		40.92	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
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 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	130,945	72,825	2,725	162	(638)	53,126	259,145	76	259,221
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	-	-	-	309	-	-	309	-	309
Reclassification adjustments of exchange translation reserve	-	-	(3,165)	-	-	-	(3,165)	-	(3,165)
Total comprehensive income for the year	-	-	(2,468)	-	-	15,483	13,015	27	13,042
Forex exchange differences	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(3,266)	(3,266)	-	(3,266)
At 30 September 2017	206,994	-	(2,908)	471	(638)	65,343	269,262	103	269,365

(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 SEPTEMBER 2017
(THE FIGURES HAVE NOT BEEN AUDITED)

	CURRENT YEAR TO DATE 30/9/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	19,229	18,572
Adjustment for:-		
Amortisation of development cost	257	588
Amortisation of deferred income	(1,214)	(761)
Bad debts written-off	1,191	21
Depreciation of property, plant and equipment	15,204	13,321
Impairment loss on receivables	740	1,092
Interest expense	1,439	1,538
Interest income	(646)	(544)
Inventories written off/ (back)	63	288
Loss/(Gain) on disposal of property, plant and equipment	(226)	(180)
Loss on liquidation of subsidiary	111	-
Property, plant and equipment written-off	2	243
Reversal of impairment on trade receivables	(1,642)	(328)
Share options granted under ESS	19	122
Share of gain from an associate	(13)	113
Unrealised gain on foreign exchange	(23)	(1,829)
Operating profit before working capital changes	34,491	32,256
(Increase)/Decrease in working capital		
Inventories	671	(12,578)
Trade and other receivables	11,524	28,649
Trade and other payables	(3,003)	(25,870)
Advance receipt from deferred income	1,199	1,266
	10,391	(8,533)
Cash generated from operations	44,882	23,723
Interest received	646	544
Interest paid	(1,439)	(1,538)
Tax paid	(4,773)	(7,565)
	(5,566)	(8,559)
Net cash from operating activities	39,316	15,164
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(9,284)	(2,354)
Purchase of other investment	(49)	(147)
Proceeds from disposal of property, plant and equipment	1,395	186
Addition in intangible assets	150	(744)
Net cash used in investing activities	(7,788)	(3,059)
Cash Flows From Financing Activities		
Proceeds from issuance of shares-ESOS	3,224	2,003
(Increase)/Decrease in fixed deposits pledged	(199)	(126)
Drawdown of hire purchase	350	-
Repayment of hire purchase payables	(2,551)	(1,574)
Drawdown of bank borrowings	12,500	-
Repayment of bank borrowings	(28,139)	(19,631)
Net cash used in financing activities	(14,815)	(19,328)
Net increase/(decrease) in cash and cash equivalents	16,713	(7,223)
Effect of exchange rate fluctuation	(2,743)	2,665
Cash and cash equivalents at beginning of the finance period	76,887	52,305
Cash and cash equivalents at end of the finance period	90,857	47,747

Cash and cash equivalents at end of the finance year:-

Cash and bank balances	76,364	47,420
Fixed deposits with licensed banks	21,668	7,252
	98,032	54,672
Less: Fixed deposits pledged to licensed banks	(7,175)	(6,925)
	90,857	47,747

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

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

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 Sept	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	4,939	6,173	4,362	4,282	1,803	1,464	-	-	-	-	11,104	11,919
Solution Services	3,099	1,931	716	1,312	301	540	233	241	-	-	4,349	4,024
Transaction Payment Acquisition	44,257	43,158	2,655	983	1,014	356	-	-	-	-	47,926	44,497
Inter-segment sales	7,240	4,942	-	-	-	-	-	-	(7,240)	(4,942)	-	-
	59,535	56,204	7,733	6,577	3,118	2,360	233	241	(7,240)	(4,942)	63,379	60,440
RESULTS												
EBITDA	8,510	7,757	2,566	2,355	942	1,328	(14)	19	-	-	12,004	11,459
Interest income	245	172	5	1	6	1	-	-	-	-	256	174
Interest expense	(319)	(265)	(67)	(120)	-	-	-	-	-	-	(386)	(385)
Depreciation of PPE	(2,832)	(2,466)	(1,849)	(1,856)	(485)	(382)	(1)	(1)	-	-	(5,167)	(4,705)
Amortisation of intangible assets	(75)	(179)	-	-	-	-	-	-	-	-	(75)	(179)
Share of results of associate company	42	(29)	-	-	-	-	-	-	-	-	42	(29)
Taxation	(2,020)	(1,477)	(258)	(178)	-	-	(1)	(3)	684	51	(1,595)	(1,607)
Segment profit/ (loss) for the financial period	3,551	3,513	397	202	463	947	(16)	15	684	51	5,079	4,728
Minority interest	-	-	-	-	-	-	-	-	(14)	(44)	(14)	(44)
Segment profit/ (loss) for the financial period after non-controlling interest	3,551	3,513	397	202	463	947	(16)	15	670	7	5,065	4,684
Segmental assets	344,614	282,481	41,945	39,689	16,760	12,828	295	753	(12,040)	(2,475)	391,574	333,276
Segmental liabilities	192,845	174,983	23,991	21,971	9,571	13,305	1,060	1,695	(105,397)	(130,222)	122,070	81,732



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A9. Segmental Reporting (continued)

Cumulative - 30 Sept	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	24,499	21,698	13,372	12,538	4,428	3,066	-	-	-	-	42,299	37,302
Solution Services	6,673	4,933	1,451	2,566	884	2,020	668	746	-	-	9,676	10,265
Transaction Payment Acquisition	132,417	126,358	5,555	3,789	2,183	1,054	-	-	-	-	140,155	131,201
Inter-segment sales	18,687	14,832	-	-	-	-	-	-	(18,687)	(14,832)	-	-
	182,276	167,821	20,378	18,893	7,495	6,140	668	746	(18,687)	(14,832)	192,130	178,768
RESULTS												
EBITDA (Note)	25,886	24,589	7,438	6,572	2,144	2,304	2	101	-	-	35,470	33,566
Interest income	631	539	7	5	8	1	-	-	-	-	646	545
Interest expense	(1,119)	(1,139)	(320)	(399)	-	-	-	-	-	-	(1,439)	(1,538)
Depreciation of PPE	(8,390)	(6,927)	(5,468)	(5,334)	(1,344)	(1,057)	(2)	(3)	-	-	(15,204)	(13,321)
Amortisation of intangible assets	(257)	(567)	-	-	-	-	-	-	-	-	(257)	(567)
Share of results of associate company	13	(113)	-	-	-	-	-	-	-	-	13	(113)
Taxation	(3,641)	(4,451)	(621)	(356)	-	-	(1)	(3)	684	-	(3,579)	(4,810)
Segment profit/ (loss) for the financial period	13,123	11,930	1,036	488	808	1,248	(1)	95	684	-	15,650	13,762
Minority interest	-	-	-	-	-	-	-	-	(26)	(57)	(26)	(57)
Segment profit/ (loss) for the financial period after non-controlling interest	13,123	11,930	1,036	488	808	1,248	(1)	95	658	(57)	15,624	13,705
Segmental assets	344,614	282,481	41,945	39,689	16,760	12,828	295	753	(12,040)	(2,475)	391,574	333,276
Segmental liabilities	192,845	174,983	23,991	21,971	9,571	13,305	1,060	1,695	(105,397)	(130,222)	122,070	81,732

Note : Includes a one-time professional fee incurred for a due diligence exercise.



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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	26,135
(b) Corporate guarantee – Financial Institution and trade suppliers	92,450
	<u>118,585</u>

A14. Capital Commitment

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

	RM'000
Approved but not contracted for	<u>843</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 30/9/2017 RM'000	Preceding Year Corresponding Quarter 30/9/2016 RM'000	Current Year To Date 30/9/2017 RM'000	Preceding Year Corresponding Period 30/9/2016 RM'000
@ Office rental paid to Telemas Corporation Sdn Bhd ("Telemas") and Global Voice Corporation Sdn Bhd *	140	120	411	354

@ 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 (3Q2017) vs corresponding quarter (3Q2016) by segment

GHL's 3Q17 group turnover grew +4.9% yoy to RM 63.4 million as compared to RM60.4 million for the corresponding period in 3Q16. 3Q17 pre-tax profits were also +5.4% higher at RM6.7 million compared to RM6.3 million in 3Q16 and net profits grew +7.4% to RM5.1 million (3Q16 RM4.7m). The group's top line improvement in this quarter were due primarily to both the TPA and Solutions Services but the Shared Services division registered a small -6.8% yoy decline over 3Q16. Net profit margins during this quarter were stable at 8.0% (3Q16 – 7.8%). The group's balance sheet remains healthy with a net cash position of RM73.7 million (31.9.2016 – Net cash RM45.7 million).

The performance of the individual segments are as follows.

Shared Services

Shared services division revenue in 3Q17 declined by -6.8% yoy to RM11.1 million (3Q16 – RM11.9m) due to softer EDC hardware sales in 3Q17 but was offset by higher rental/maintenance fees collected in 3Q17.

Solution Services

Solutions services gross revenue was up +8.0% in 3Q17 to RM4.3 million (3Q16 – RM4.0m) due to better rental/maintenance revenue but was tempered by lower non-recurrent hardware/software sales in the previous corresponding 3Q16.

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 ("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 over 35,000 acceptance points nationwide, encompassing all petrol chains, the largest convenience store chains and over 15,000 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 margins remaining relatively unchanged. 3Q17 top line transaction value processed was higher at +4.3% yoy underpinned by growth in both mobile reload as well bill payments.



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B1. Review of Performance (continued)

Table 1

e-pay <i>(All stated in RM'millions unless stated otherwise)</i>	3Q 2016 (Restated)	3Q 2017	% change
Transaction Value Processed	919.30	958.39	4.3%
Gross Revenue	36.52	34.86	-4.6%
Gross Revenue / Transaction Value (Note 1)	3.97%	3.64%	-8.4%
Gross Profit	11.43	11.74	2.7%
Gross Profit / Transaction Value (Note 1)	1.24%	1.22%	-1.5%
Merchant Footprint - e-pay Only (Thousands) (Note 2)	30.16	35.49	17.7%

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

Note 2 – Q3 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 (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) Domestic debit card merchant acquisition in Malaysia and Philippines (iii) Internet payment (“eGHL”) in Malaysia, Thailand and Philippines (iv) Next-Gen payment services (for example Alipay) 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 57%, 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>	3Q 2016 (Restated)	3Q 2017	% change
Transaction Value Processed (Note 1)	686.59	1,076.39	57%
Gross Revenue	7.97	12.57	58%
Gross Revenue / Transaction Value (Note 2)	1.16%	1.17%	1%
Gross Profit (Note 3)	4.78	6.40	34%
Gross Profit / Transaction Value (Note 2)	0.70%	0.59%	-15%
Merchant Footprint - TPA Only (Thousands) (Note 4)	23.96	33.34	39%

Note 1 – The Q3 2016 figure has been restated to be consistent with re-classifications in Q3 2017

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

Note 3 – The Q3 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 +6.6% in 3Q17 to hit RM47.4 million (3Q16 – RM44.5m) due to revenue growth from electronic payments TPA but this was tempered by a decline in e-pay 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 (3Q 2017) vs corresponding quarter (3Q 2016) by geographical segment

GHL's 3Q17 group turnover grew +4.9% yoy to RM 63.4 million as compared to RM60.4 million for the corresponding period in 3Q16 with revenue improvements being recorded in all the three main markets, Malaysia, Thailand and Philippines. All the three main markets contributed positively to the EBIT line. Group wise, 3Q17 pre-tax profit was up +5% higher at RM6.7 million (RM6.3 million pre-tax profit in 3Q16) due higher recurring revenues as compared to the same period in 3Q16.

Malaysia operations accounted for 83% of group revenues in 3Q17 with a -20% yoy decline in Shared Services due to lower EDC hardware sales but tempered by better rental revenue. The TPA segment was flat at +2.5% yoy electronic payments TPA business showing growth but e-pay showing a decline due to product mix and lower margins. Solutions services were also up +60% yoy due to improved rental/maintenance revenue.

The Philippines operations was the second largest contributor, accounting for 12% of 3Q17 group revenues. This 3rd quarter saw revenues grew +18% yoy to RM7.7 million (3Q16 – RM6.6m) supported by growth in TPA revenues Shared Services but declines in Solutions Services and an unchanged Shared Services. Overall shared Services segment were flat where better rental/maintenance revenue compensated for lower hardware EDC sales. Solutions services were down -45% due to lower hardware sales. The group which has been laying the ground work to expand TPA in the

Performance of current quarter (3Q 2017) vs corresponding quarter (3Q 2016) by geographical segment (continued)

Philippines increasing merchant acceptance points as well as increase merchant acquiring for the debit product under BancNet saw revenue contribution grow RM2.7m (3Q16 – RM1.0m).

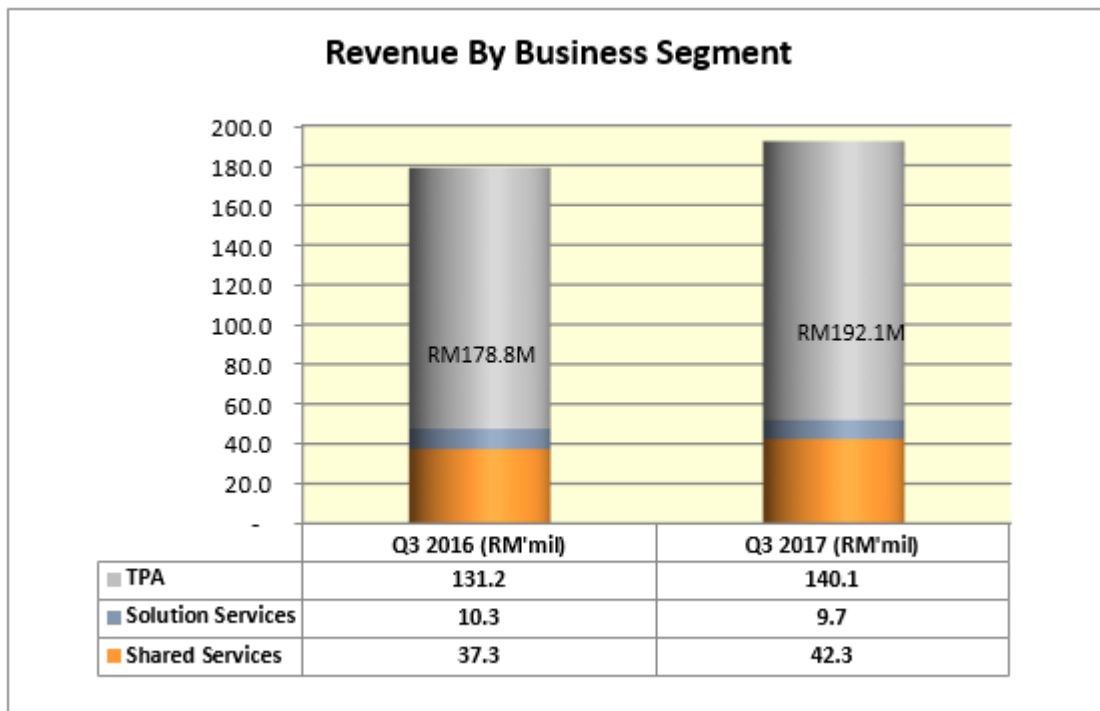
Thailand operations' 3Q17 revenue grew +32% to RM3.1 million (3Q16 RM2.4m) as the group recorded stronger rental/maintenance revenue in its Shared Services division whereas its Solutions Services saw a decline due to lower hardware sales. Thailand's 3Q17 TPA revenues saw an increase to RM1.0m (3Q16 – RM0.4m) from higher transactional fee revenue.

The group's Australian operations recorded 3Q17 revenues of RM233,000 (3Q16 – RM241,000) on an ongoing maintenance projects in Australia in its Solutions Service division. There are no Shared solutions and TPA revenues recorded by our Australian operations.

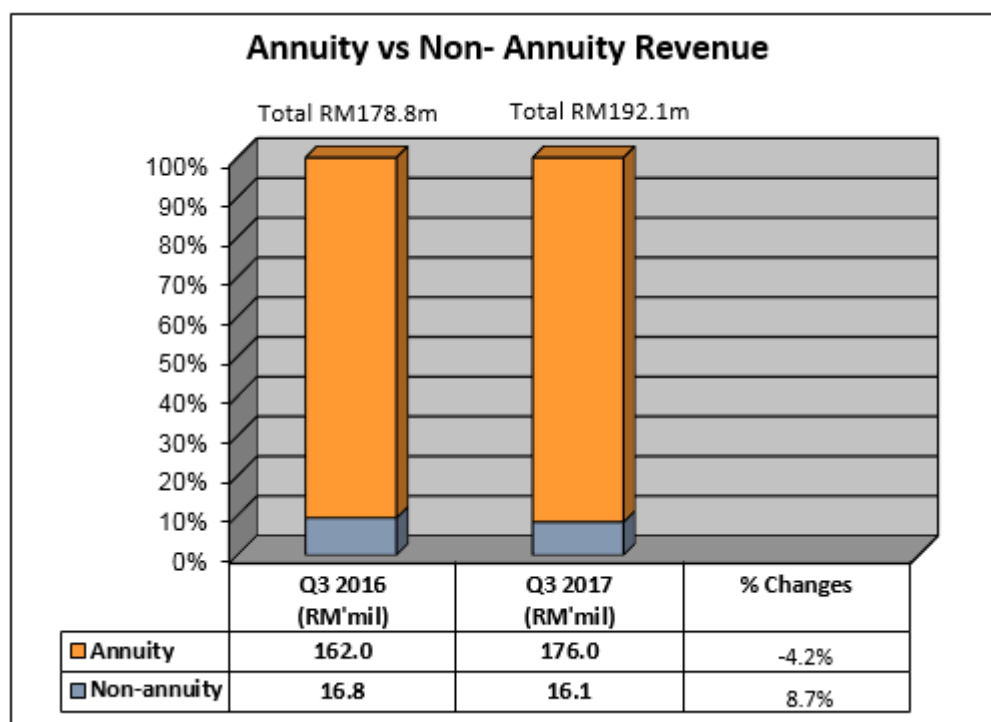
Performance of year to date period (3Q 2017) vs corresponding period (3Q 2016) by geographical segment

Group turnover for the first 9 months of 2017 grew +7% yoy to RM192.1 million (3Q16 YTD – RM178.8m) with growth registered by the Shared Services (+13%) and TPA (+7%) segments but Solutions Services declined -6% yoy and in all geographical markets. Pre-tax profits were up marginally +4% yoy to RM19.2 million compared to RM18.6 million a year ago and pre-tax margins were 10.0%, compared to 3Q16 YTD's pre-tax margins of 10.4%.

Net profit after tax grew +13% yoy to RM15.7 million (3Q16 YTD – RM13.8 million) driven by lower effective tax rate. Net profit growth was stronger as compared to pre-tax profit growth due higher taxation rates in 3Q16 YTD (lower effective tax rate in 3Q17).

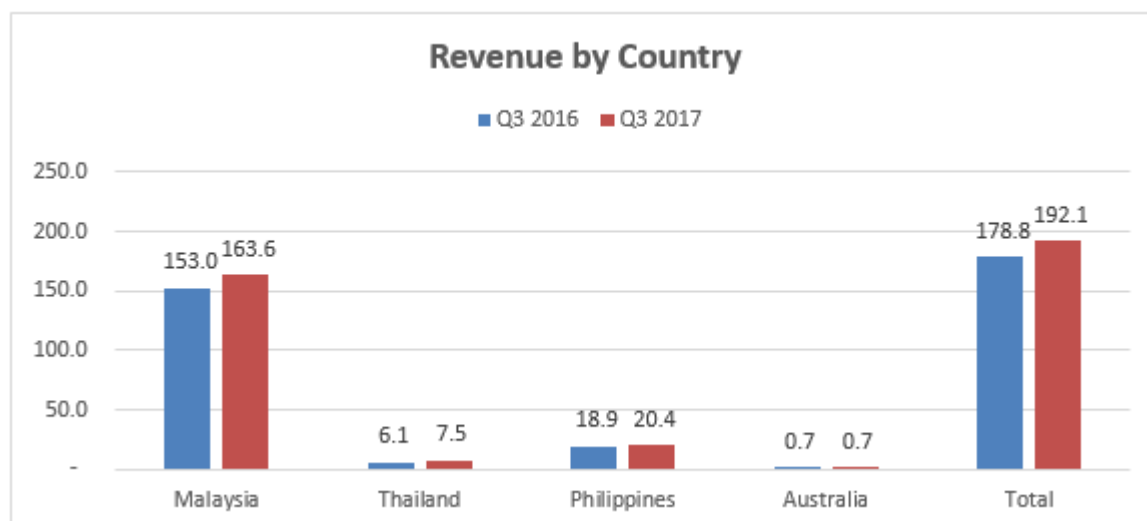


Shared Services and TPA recorded higher sales due to higher rental/maintenance income as well as transaction fee income. Solutions services were down -6% yoy in the first 9 months of 2017 due to lower hardware and software sales during the period.



The annuity based revenue component within the group's total revenue remains high at 92% when compared to 91% in 3Q16 YTD. The group's strategy is to grow the TPA and other businesses that have a strong recurring 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 (3Q 2017) vs corresponding period (3Q 2016) by country





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Performance of year to date period (3Q 2017) vs corresponding period (3Q 2016) by country (continued)

3Q17 YTD group turnover grew +7% yoy to RM192.1 million (3Q16 YTD – RM178.8m). Pre-tax profits were up marginally +4% yoy to RM19.2 million compared to RM18.6 million a year ago and pre-tax margins were 10.0%, compared to 3Q16 YTD's pre-tax margins of 10.4%.

Malaysian operations contributed 85% (3Q16 YTD – 86%) of group turnover and the increase was due to better performances from shared services, solutions services and TPA. EBIT margins 9% for 3Q17 YTD, a decline from 10% in 3Q16 YTD.

Philippines' turnover was +8% yoy higher at RM20.4m (3Q16 YTD – RM18.9m) with EBIT margins up at 8% from 7% over the corresponding period last year. Solutions Services registered yoy decline but Shared Services and TPA saw growth driven by higher rental fees and transaction fees collected.

Thailand recorded a growth in top line revenue of +22% to RM7.5m (3Q16 YTD RM6.1m) due higher rental revenue from its Shared Services segment and higher transaction revenue from its TPA segment. Solutions services were down due to higher hardware sales in the same period in 3Q16 YTD. EBIT remain positive at RM0.8m compared to RM1.2m in 3Q16 YTD as non-recurring hardware sales in the previous period enjoyed better margins.

Australia remains the smallest contributor to group operations at RM668,000 or 0.3% of group turnover compared to 3Q16 YTD turnover of RM746,000. This led to breakeven EBIT contribution of compared to RM99,000 in the same period of the previous year.

B2. CURRENT YEAR'S PROSPECTS (FY2017)

The Group has successfully deployed since 2015, its TPA merchant acquiring tie-ups 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 expected 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.



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B4. Profit before Taxation

	Current Quarter 30/9/2017 RM'000	Preceding Year Corresponding Quarter 30/9/2016 RM'000	Current Year To Date 30/9/2017 RM'000	Corresponding Period 30/9/2016 RM'000
Amortisation of intangible asset	75	179	257	588
Bad Debt written off	96	-	1,191	21
Depreciation of property, plant and equipment	5,167	4,705	15,204	13,321
Fixed assets written off	-	74	2	243
(Gain)/Loss on foreign exchange				
Realised	924	80	(15)	304
Unrealised	(224)	(2,051)	(23)	(1,829)
Gain on disposal of fixed Assets	12	(128)	(226)	(180)
Loss on liquidation of subsidiaries	111	-	111	-
Impairment loss on receivables	126	625	740	1,092
Interest income	(256)	(172)	(646)	(544)
Interest expenses	386	385	1,439	1,538
Inventory written off/(back)	46	-	63	288
Rental expenses	238	75	472	997
Reversal of allowance for doubtful debts	(567)	(253)	(1,642)	(328)
Share based payment	6	41	19	122

B5. Taxation

	Current Quarter 30/9/2017 RM'000	Preceding Year Corresponding Quarter 30/9/2016 RM'000	Current Year To Date 30/9/2017 RM'000	Preceding Year Corresponding Period 30/9/2016 RM'000
Current tax expenses based on based on profit for the financial year:				
Malaysian income tax	(1,040)	(497)	(2,660)	(3,064)
Foreign income tax	(258)	(178)	(622)	(364)
Deferred tax	-	(877)		(1,328)
Over/(Under) provision in prior year	(297)	(54)	(297)	(54)
Total	(1,595)	(1,606)	(3,579)	(4,810)

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.



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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

On 7 November 2017, GHL Systems Berhad ("GHL") announced the company has entered into the agreement for the proposed acquisition of up to 31.16% equity interest in MPOS Global Limited ("MPOS") for a total consideration of USD3,37,226 (equivalent to approximately RM14.05 million).

The above proposed exercise is subject to regulatory approvals from the relevant authorities in accordance to Vietnamese Law.

B9. Group Borrowings and Debt Securities

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

(a) Bank Borrowings

	Long-term Borrowings RM'000	Short-term Borrowings RM'000	Total RM'000
Ringgit Malaysia	16,000	4,560	20,561
Philippine peso	1,290	515	1,804
	17,290	5,075	22,365

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	7,175	6,925
(ii) structured investment of the Group	8,000	8,000
(iii) a Corporate Guarantee by parent entity	63,950	74,000
	79,125	88,925

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



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B9. Group Borrowings and Debt Securities (continued)

(b) Hire Purchase

	Long-term Hire Purchase RM'000	Short-term Hire Purchase RM'000	Total RM'000
Ringgit Malaysia	421	168	588
Philippine peso	317	1,069	1,385
	738	1,237	1,973

The hire purchase payables of the Group as at 30 September 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 30/9/2017	As at 30/9/2016
	RM'000	RM'000
Total retained profit of the Group:-		
- Realised	67,292	52,614
- Unrealised	(607)	(2,689)
	67,053	49,925
Less: Consolidation adjustment	(1,569)	(1,227)
Total group retained	65,484	48,698

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.



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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.

Basic	Current Quarter 30/9/2017 RM'000	Preceding Year Corresponding Quarter 30/9/2016 RM'000	Current Year To Date 30/9/2017 RM'000	Preceding Year Corresponding Period 30/9/2016 RM'000
Profit attributable to owners of the Company (RM'000)	5,065	4,684	15,624	13,704
Weighted average number of ordinary shares in issue and issuable (Unit'000)	658,029	652,093	655, 935	650,141
Basic earnings per share (Sen)	0.77	0.72	2.38	2.11

Diluted	Current Quarter 30/9/2017 RM'000	Preceding Year Corresponding Quarter 30/9/2016 RM'000	Current Year To Date 30/9/2017 RM'000	Preceding Year Corresponding Period 30/9/2016 RM'000
Profit attributable to owners of the Company (RM'000)	5,065	4,684	15,624	13,704
Weighted average number of ordinary shares in issue and issuable (Unit'000)	658,029	655,040	655,935	653,021
Diluted earnings per share (Sen)	0.77	0.72	2.38	2.10