GHL SYSTEMS BERHAD
(Company No: 293040-D)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016
THE FIGURES HAVE NOT BEEN AUDITED

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	CURRENT YEAR QUARTER 31/12/2016	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2015	CURRENT YEAR TO DATE 31/12/2016	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2015
		RM'000	RM'000	RM'000	RM'000
Revenue *	A8	67,155	56,946	245,923	211,380
Cost of sales *		(41,911)	(34,570)	(150,613)	(128,594)
Gross profit		**25,244**	**22,376**	**95,310**	**82,786**
Other operating income		1,495	1,177	6,377	4,287
Payroll expenses		(11,996)	(9,688)	(47,103)	(40,504)
Administration expenses		(4,794)	(3,505)	(14,126)	(12,808)
Distribution costs		(836)	(1,547)	(5,822)	(4,949)
Other expenses		(1,133)	(1,371)	(2,793)	(4,466)
Profit before interest, taxation, amortisation & depreciation		**7,980**	**7,442**	**31,843**	**24,347**
Depreciation expenses		(1,214)	(1,352)	(4,854)	(5,249)
Finance cost		(533)	(714)	(2,071)	(2,911)
Share of results of associated companies		(30)	(10)	(143)	(60)
Profit before taxation		6,203	5,366	24,775	16,128
Income tax expense		(1,815)	(2,231)	(6,625)	(5,886)
Profit for the period		**4,388**	**3,135**	**18,150**	**10,242**
Attributable to:					
Owners of the Company		4,411	3,189	18,116	10,340
Non-controlling interest		(23)	(54)	34	(97)
		4,388	**3,135**	**18,150**	**10,242**
Earnings Per Ordinary Share					
- Basic (sen)	B14	0.68	0.49	2.79	1.61
- Diluted (sen)	B14	0.67	0.49	2.78	1.59
Profit for the period		4,388	3,135	18,150	10,242
Other comprehensive income, net of tax					
Foreign currency translation differences		3,002	(1,630)	1,678	3,006
Total comprehensive income for the period		**7,390**	**1,505**	**19,828**	**13,248**
Total comprehensive income attributable to:					
Owners of the Company		7,413	1,559	19,794	13,346
Non-controlling interest		(23)	(54)	34	(97)
		7,390	**1,505**	**19,828**	**13,249**

Note: * Comparatives have been presented to conform with current year presentation.

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2015)

GHL

GHL SYSTEMS BERHAD
(Company No: 293040-D)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016
THE FIGURES HAVE NOT BEEN AUDITED

	Note	AS AT CURRENT YEAR QUARTER 31/12/2016 (Unaudited) RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2015 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		59,568	56,797
Goodwill on consolidation		105,630	105,630
Intangible assets		2,405	3,351
Other investment		8,114	8,071
Deferred tax assets		1,227	1,156
		176,944	175,005
Current assets			
Inventories		83,494	62,781
Trade receivables		31,663	34,079
Other receivables		19,518	34,957
Tax recoverable		1,308	1,242
Fixed deposits placed with licensed banks		13,314	6,848
Cash and bank balances		71,002	52,256
		220,299	192,163
TOTAL ASSETS		397,243	367,168
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		130,945	129,969
Reserves		128,838	107,609
Treasury Shares		(638)	(638)
Equity attributable to equity holders of the parent		259,145	236,940
Non controlling interest		76	42
Total equity		259,221	236,982
Non-current liabilities			
Hire purchase payables	B9	985	3,259
Bank borrowing	B9	16,714	14,746
Deferred tax liability		2,155	807
Deferred income		-	184
		19,854	18,996
Current liabilities			
Trade payables		16,497	11,819
Other payables		78,989	66,871
Amount owing to associate companies		144	-
Deferred income		816	255
Hire purchase payables	B9	3,426	2,150
Bank borrowings	B9	16,999	26,358
Tax payable		1,297	3,737
		118,168	111,190
Total liabilities		138,022	130,186
TOTAL EQUITY AND LIABILITIES		397,243	367,168
Net assets per share (sen)		39.67	36.54

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2015)

GHL SYSTEMS BERHAD
(Company No: 293040-D)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016
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 / (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 2015	128,318	70,156	(374)	544	(638)	24,652	222,658	133	222,791
Share capital reduction	-	-	-	-	-	-	-	-	-
Share swap to acquire a subsidiary	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to ESS	1,652	921	-	(525)	-	-	2,048	-	2,048
ESS lapsed/forfeited	-	-	-	(1)	-	1	-	-	-
Share options granted under ESS	-	-	-	474	-	-	474	-	474
Total comprehensive income for the year	-	-	1,420	-	-	10,340	11,760	(97)	11,663
Forex exchange differences	-	-	-	-	-	-	-	6	6
At 31 December 2015	129,969	71,077	1,047	492	(638)	34,993	236,940	42	236,982
At 1 January 2016	129,969	71,077	1,047	492	(638)	34,993	236,940	42	236,982
Issuance of ordinary shares pursuant to ESS	976	1,748	-	-	-	-	2,724	-	2,724
Share option granted under ESS	-	-	-	(313)	-	-	(313)	-	(313)
Total comprehensive income for the year	-	-	1,678	-	-	18,116	19,794	34	19,828
Forex exchange differences	-	-	-	-	-	-	-	-	-
At 31 December 2016	130,945	72,825	2,725	179	(638)	53,109	259,145	76	259,221

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2015)

GHL SYSTEMS BERHAD
(Company No: 293040-D)

GHL SYSTEMS BERHAD
STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016
THE FIGURES HAVE NOT BEEN AUDITED

	CURRENT YEAR TO DATE 31/12/2016 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	24,775	16,128
Adjustment for:-		
Amortisation of development cost	697	1,065
Amortisation of deferred income	(674)	33
Bad debts written-off	21	44
Depreciation of property, plant and equipment	18,518	15,966
Impairment loss on receivables	1,677	1,431
Interest expense	2,071	2,889
Interest income	(743)	(1,153)
Inventories written back	440	340
Loss/(Gain) on disposal of property, plant and equipment	(213)	(20)
Intangible asset	314	-
Property, plant and equipment written-off	595	-
Property, plant and equipment written back	-	748
Reversal of impairment on trade receivables	(294)	(182)
Share options granted under ESS	417	465
Share of gain from an associate	143	60
Unrealised gain on foreign exchange	(1,314)	1,323
Operating profit before working capital changes	46,430	39,137
(Increase)/Decrease in working capital		
Inventories	(27,410)	(24,895)
Trade and other receivables	16,558	(13,226)
Trade and other payables	16,808	19,058
Advance receipt from deferred income	1,054	-
	7,010	(19,063)
Cash generated from operations	53,440	20,074
Interest received	743	1,153
Interest paid	(2,071)	(2,889)
Tax paid	(7,874)	(2,422)
	(9,202)	(4,158)
Net cash from operating activities	44,238	15,916
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(17,052)	(5,647)
Purchase of other investment	(147)	(44)
Proceeds from disposal of property , plant and equipment	858	-
Addition in intangible assets	(65)	(529)
Net cash used in investing activities	(16,406)	(6,220)
Cash Flows From Financing Activities		
Net proceeds from share issues - Cycas	144	-
Proceeds from issuance of shares-ESOS	2,003	2,048
(Increase)/Decrease in fixed deposits pledged	(177)	(888)
Repayment of hire purchase payables	(1,348)	(1,964)
Drawdown of bank borrowings	9,000	14,576
Repayment of bank borrowings	(16,145)	(9,314)
Net cash used in financing activities	(6,076)	4,458
Net increase/(decrease) in cash and cash equivalents	21,756	14,154
Effect of exchange rate fluctuation	3,278	(817)
Cash and cash equivalents at beginning of the finance period	52,305	39,442
Cash and cash equivalents at end of the finance period	77,339	52,779

Cash and cash equivalents at end of the finance year:-		
Cash and bank balances	71,002	52,254
Fixed deposits with licensed banks	13,314	7,299
	84,316	59,553
Less: Fixed deposits pledged to licensed banks	(6,977)	(6,774)
Less: Cash at bank pledged to licensed banks	-	-
	77,339	52,779

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with Audited Financial Statements for the financial financial year ended 31 December 2015)

Part A: Explanatory notes on consolidated results for the fourth quarter ended 31 December 2016

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 interim financial report should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2015.

The significant accounting policies and methods of computation applied in the interim financial report are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2015.

The Group has not applied in advance the following MFRSs, Amendments to MFRSs and IC Interpretations that have been issued by MASB but not yet effective for the current interim financial report:

Title	**Effective Date**
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101 Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127 Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRSs Annual Improvements to 2012-2015 Cycle	1 January 2016
MFRS 9 Financial Instruments (IFRS as issued by IASB in July 2015)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018

The Directors anticipate that the adoption of the abovementioned Standards and interpretations, when they become effective, are not expected to have material impact on the financial statements of the Group in the in the period of initial application.

A2. Audit Report

The audited report for the annual financial statements of the Group for the financial year ended 31 December 2015 was not subject to any audit qualification.

A3. Seasonal or Cyclical Factors

The business of the Group is not affected by any significant seasonal or cyclical factors.

A4. Unusual Items

During the current quarter and financial year to date ended 31 December 2016, there were no items or events affecting the assets, liabilities, equity, net income or cash flow of the Group that are unusual of their nature, size or incidence.

A5. Changes in Estimates

There were no changes in the estimates of amount reported in the prior financial year that have a material effect on the results of the Group for the current quarter and year to date ended 31 December 2016.

A6. 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.

A7. Dividend Paid

There were no dividends paid for the current quarter and year to date ended 31 December 2016.

A8. 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

A8. Segmental Reporting (continued)

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.

GHL SYSTEMS BERHAD
(Company No: 293040-D)

A8. Segmental Reporting (continued)

Quarter - 31 December	Malaysia		Philippines		Thailand		Australia		Adjustment and Elimination		Consolidated	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
CONTINUING OPERATIONS	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
REVENUE												
External Sales												
Shared Services	10,503	4,571	5,515	4,214	1,195	1,799	-	-	-	-	17,213	10,584
Solution Services	2,219	1,787	652	2,950	386	204	255	302	-	-	3,512	5,243
Transaction Payment Acquisition	44,688	39,254	1,375	1,423	367	442	-	-	-	-	46,430	41,119
Inter-segment sales	1,688	8,150	-	-	-	-	-	-	(1,688)	(8,150)	-	-
	59,098	**53,762**	**7,542**	**8,587**	**1,948**	**2,445**	**255**	302	**(1,688)**	**(8,150)**	**67,155**	**56,946**
RESULTS												
Segment results	**5,991**	**5,015**	**(324)**	**1,952**	**(671)**	**(1,224)**	**213**	**85**	**1,328**	**-**	**6,537**	**5,828**
Interest income											199	252
Interest expense											(533)	(714)
Profit before taxation											**6,203**	**5,366**
Taxation											(1,815)	(2,231)
Net profit for the period											**4,388**	**3,135**

Cumulative - 31 December	Malaysia		Philippines		Thailand		Australia		Adjustment and Elimination		Consolidated	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
CONTINUING OPERATIONS	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
REVENUE												
External Sales												
Shared Services	32,589	21,641	18,053	17,466	4,261	3,870	-	-	-	-	54,903	42,977
Solution Services	7,152	5,902	3,218	3,768	2,406	428	1,001	1,051	-	-	13,777	11,149
Transaction Payment Acquisition	170,658	150,675	5,164	4,682	1,421	1,897	-	-	-	-	177,243	157,254
	-		-		-		-		-			
Inter-segment sales	21,792	21,999	-	-	-	-	-	-	(21,792)	(21,999)	-	-
	232,191	**200,217**	**26,435**	**25,916**	**8,088**	**6,195**	**1,001**	**1,051**	**(21,792)**	**(21,999)**	**245,923**	**211,380**
RESULTS												
	22,974	**16,000**	**913**	**3,892**	**576**	**(2,185)**	**312**	**273**	**1,328**	**(94)**	**26,103**	**17,886**
Segment results												
Interest income											743	1,153
Interest expense											(2,071)	(2,911)
Profit before taxation											**24,775**	**16,128**
Taxation											(6,625)	(5,886)
Net profit for the period											**18,150**	**10,242**

A9. **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.

A10. **Material Subsequent Events**

There were no material events subsequent to 31 December 2016 of the balance sheet date that have not been reflected in this report.

A11. **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.

A12. **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	22,091
(b)	Corporate guarantee – Financial Institution and trade suppliers	92,297
		114,388

A13. **Capital Commitment**

The amount of capital commitment for purchase property, plant and equipment not provided for as at 31 December 2016 are as follows:

	RM'000
Approved but not contracted for	295

A14. Significant Related Party Transactions

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

Related Party:	Current Year Quarter 31/12/2016 RM'000	Preceding Year Corresponding Quarter 31/12/2015 RM'000	Current Year To Date 31/12/2016 RM'000	Preceding Year Corresponding Period 31/12/2015 RM'000
# Purchase of EuroPay-MasterCard-Visa chip-based cards and/or data preparation and personalisation of chip-based cards; purchase of computer hardware and software; sales of payment solutions; sales and rental of EDC terminals and other related services by the GHL Group from Microtree Sdn Bhd ("Microtree") *	-	-	-	24
@ Office rental paid to Telemas Corporation Sdn Bhd ("Telemas") and Global Voice Corporation Sdn Bhd *	125	111	495	438

\# *GHL Systems Berhad Independent Non-Executive Director and is a substantial shareholder Goh Kuan Ho is currently General Manager of Microtree. She has resigned on 3 March 2015.*

@ *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.*

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

B1. Review of Performance

Performance of current quarter (4Q 2016) vs corresponding quarter (4Q 2015) by segment

GHL's 4Q16 Group revenue grew +18.1% yoy to RM67.2 million as compared to RM56.9 million for the corresponding period in 2015. 4Q16 pre-tax profits grew 14.8% to RM6.2 million as compared to RM5.4 million in 4Q15 and post-tax profits similarly grew 41.9% yoy to RM4.4 million (4Q15- RM3.1 million). The Group's growth in its top-line this quarter was primarily driven by the Shared Services and TPA divisions which registered 62.6% and 12.9% growth respectively yoy against 4Q15. Solutions Services declined 33% due to lower non-annuity hardware sales this quarter relative to 4Q15. Post-tax profit margins during this quarter improved to 6.5% (4Q15 – 5.5%) due to a more normalised tax rate (4Q16- 29.3% versus 4Q15- 41.6%), improved operating margins and lower interest expense.

The performance of the individual segments are as follows.

Shared Services
Shared Services gross revenue grew strongly by +62.3% yoy to RM17.2 million (4Q15 – RM10.6 million) primarily due to opportunistic EDC hardware sales. This segment contributed 25.6% of total revenue in 4Q16 (4Q15-18.6%)

Solutions Services
Solutions Services gross revenue declined -33% to RM3.5 million in 4Q16 (4Q15– RM5.2 million) because of a large non-annuity hardware sale in 4Q15 that was not repeated in 4Q16. The overall decline in revenue was, however, partly mitigated by an increase of +37.2% for software sales and +22% in annuity revenue from rental and maintenance revenue for software services. This segment contributed 5.2% of total revenue in 4Q16 (4Q15-9.2%)

Transaction Payment Acquisition (TPA)

The TPA business has 2 distinct sub-segments, 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 electronic payment services ("electronic payment services").

With both segments combined, the TPA business grew 12.9% to RM46.4 million in 4Q16 (4Q15– RM41.1 million) and contributed 69% of total revenue in 4Q16 (4Q15- 72.2%). Within this, the e-pay business contributed 82% of the total Group TPA revenue. The electronic payments business being newer, is smaller in absolute terms but is growing at a much faster rate. The electronic payments TPA gross revenue grew strongly by +36.3% yoy to RM8.74 million (4Q15 – RM6.41 million) whereas the e-pay business grew +8.58% to RM37.69 million in 4Q16 from RM34.71 million in 4Q15. Given the early stage of implementation and the considerable untapped opportunity within ASEAN, the TPA business remains the main driver of growth for the Group in the near term.

Each of the 2 components within the TPA business 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. Its nationwide footprint encompasses all petrol chains, the largest convenience store chains and approximately 14,000 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.

B1. Review of Performance (continued)

A full year's comparison between 2016 and 2015 of key data relating to the e-pay business is found in Table 1 below. As can be seen, the transaction value processed by e-pay grew 9.7% in 2016. The Gross Revenue/Transaction Value declined by 5 bps in the year due to changes in the product mix as bill collections and non-mobile reloads (which have a lower merchant discount rates) outpaced growth in prepaid mobile reloads. The Gross Profit/Transaction Value also declined 9 bps for similar reasons.

Table 1

e-pay *(All stated in RM'millions unless stated otherwise)*	**2015**	**2016**	**% change**
Transaction Value Processed	3,313.11	3,634.00	9.69%
Gross Revenue	134.50	145.84	8.43%
Gross Revenue/Transaction Value (Note 1)	4.06%	4.01%	-1.23%
Gross Profit	43.54	44.51	2.23%
Gross Profit/Transaction Value (Note 1)	1.31%	1.22%	-6.87%
Merchant Footprint - e-pay Only (Note 2)	22,729	31,691	39.43%

Note 1 - Gross Revenue or Gross Profit respectively divided by the Transaction Value Processed expressed as a %.
Note 2 – Both 2015 and 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)

The TPA electronic payment services business is relatively newer having been implemented for 18 months in Malaysia and 6 months in the Philippines. A full year's comparison between 2016 and 2015 of key data relating to the card payment business is found in Table 2 below. The TPA data 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 and,
(iii) Internet TPA ("eGHL") in Malaysia and Thailand

Transaction values processed grew strongly at +35.7% as did the number of POS terminals deployed at merchant outlets - +35.6%. The gross profit margin declined marginally by 2 bps to 0.73% due to severe price competition in Malaysia and Thailand (see analysis by geographical segment below), partly compensated by better margins in the Philippines. However, as Philippines TPA operations only commenced in mid-2016 the full impact of this business should be seen in 2017. TPA gross revenues grew +38.6% in 2016 to reach RM31.4 million (2015 – RM22.7 million).

B1. Review of Performance (continued)

Table 2

GHL Electronic payments TPA *(All stated in RM'millions unless stated otherwise)*	**2015**	**2016**	**% change**
Transaction Value Processed (Note 4)	1,983.52	2,692.36	35.74%
Gross Revenue	22.65	31.40	38.63%
Gross Revenue/Transaction Value (Note 1)	1.14%	1.17%	2.63%
Gross Profit (Note 2)	14.96	19.73	31.88%
Gross Profit/Transaction Value (Note 1)	0.75%	0.73%	-2.67%
Merchant Footprint - TPA Only (Thousands) (Note 3)	18.99	25.76	35.65%

Note 1 - Gross Revenue or Gross Profit respectively divided by the Transaction Value Processed expressed as a %.
Note 2 – The gross profit for 2015 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 3 – 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.
Note 4 – The 2015 figure has been restated to be consistent with re-classifications in 2016.

Performance of current quarter (4Q 2016) vs corresponding quarter (4Q 2015) by geographical segment

Malaysian operations accounted for most of the +17.9% yoy growth in 4Q16 revenue with Philippines and Thailand showing small declines this quarter. The Group's, 4Q16 pre-tax profit was RM6.2 million (4Q15 - RM5.4 million).

Revenue grew +9.9% yoy to RM59.1 million in 4Q16 from RM53.8 million in 4Q15. Shared Services grew +129.7% yoy primarily due to opportunistic EDC hardware sales and maintenance services as Banks geared up to meet Bank Negara's merchant acquisition targets. Also, Solutions Services grew +24.2% due to software and other services provided to Banks in order to implement PIN authentication for electronic payments by the end of the year as required by the regulators. The TPA segment grew +14% yoy as both the e-pay and card payment TPA businesses showed good growth. This is despite the intense price competition stemming from Bank Negara's directive to all Banks to increase their card acceptance points. This in turn has caused banks to adopt a more aggressive pricing posture that has resulted in reduced margins and terminal rentals. Malaysian operations accounted for 85.5% of Group revenues in 4Q16.

Philippines revenue declined -12.1% yoy this quarter to RM7.5 million (4Q15 – RM8.6 million) due to a RM2.5 million Solutions Services hardware sale that occurred in 4Q15 which was not replicated this quarter. This overall decline was partly mitigated by a 30.9% increase in Shared Services revenue arising from EDC hardware sales. The TPA business commenced in mid-2016 and being relatively new, was still in its early stages of implementation in 4Q16. Philippines operations was the second largest contributor, accounting for 11.2% of 4Q16 Group revenues.

Thailand's 4Q16 revenue declined -20% to RM1.9 million (4Q15 RM2.5 million) primarily due to intense competition from certain local banks that were directly acquiring merchants at low merchant discount rates and at low or free rentals. This has negatively affected both our Shared Services and TPA businesses which collectively lost revenue of -30.2% yoy against 4Q15. The business has responded by focusing on providing non-payment products such as loyalty solutions which in turn has caused the Solutions Services segment to grow by +89.2% yoy in 4Q16. This change has improved the profitability of the subsidiary. Thailand accounted for 2.9% of 4Q16 Group revenues.

Australian operations are small, accounting for 0.4% of 4Q16 Group revenues.

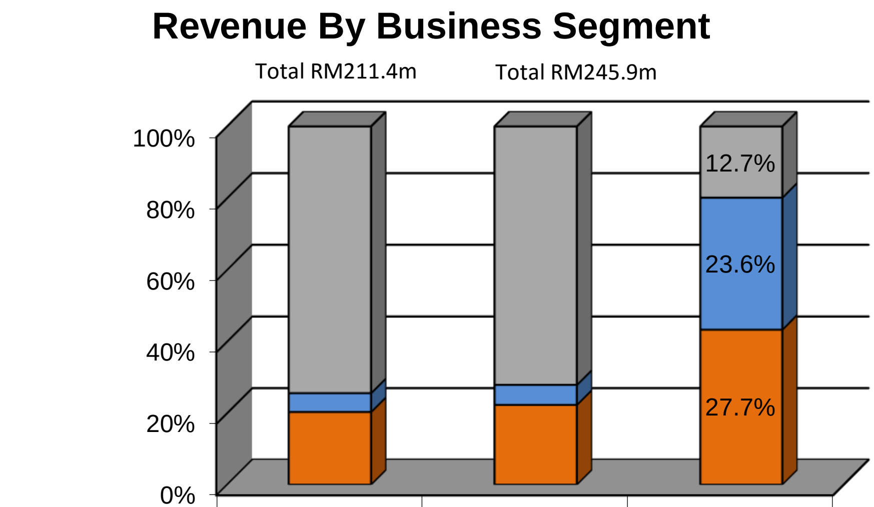
Performance of year to date period (4Q 2016) vs corresponding period (4Q 2015) by segment

Group turnover grew +16.3% yoy to RM245.9 million (2015 – RM211.4 million) with growth registered in all three segments as well as all geographical markets. Pre-tax profits grew +54% to RM24.8 million as compared to RM16.1 million a year ago and pre-tax margins were +10%, an improvement over 2015's pre-tax margins of +7.6%.

Net profit after tax grew +77.5% yoy to RM18.1 million (2015 – RM10.2 million) driven by better margins from hardware sales as well as a full year's contribution from the Malaysian card payment TPA in 2016 (2015- 6 months). Also, the Philippines' card payment TPA activities commenced only in mid-2016, thereby contributing lesser to the increase.

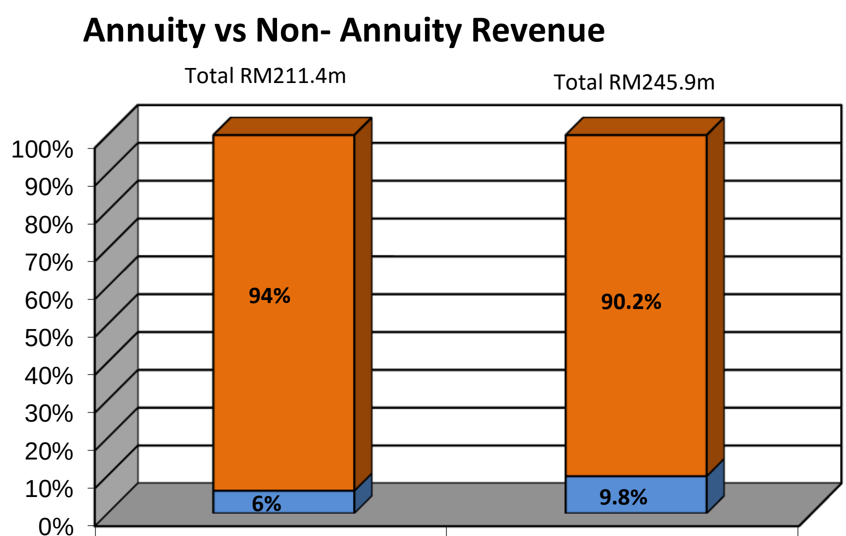
GHL SYSTEMS BERHAD
(Company No: 293040-D)

B1. Review of Performance (continued)



	YTD 2015 (RM'mil)	YTD 2016 (RM'mil)	% Changes
TPA	157.3	177.2	12.7%
Solution Services	11.1	13.8	23.6%
Shared Services	43.0	54.9	27.7%

Shared Services grew relatively faster at 27.7% (2015:24%) than the other segments due to opportunistic sales of EDC terminals in Malaysia. The TPA segment being the largest component of the business grew proportionately less in percentage terms but in absolute terms had the largest increase at RM19.9 million in 2016. The TPA segment should show stronger growth in 2017 as the Philippines TPA business completes its implementation phase and starts to gain momentum.

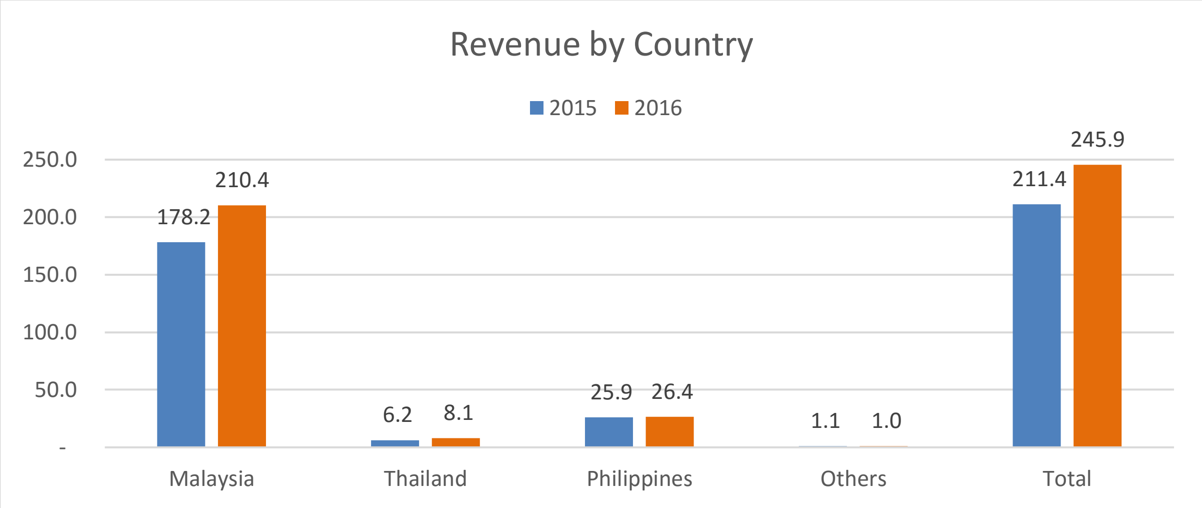


	YTD 2015 (RM'mil)	YTD 2016 (RM'mil)
Annuity	198.7	221.7
Non-annuity	12.7	24.2

B1. Review of Performance (continued)

The annuity based revenue component within the Group's total revenue remains high but was lower at 90.2% in 2016 as compared to 94% 2015 due to an opportunistic hardware sales in 2016. The Group's strategy is to continue to grow the TPA and other businesses that have strong annuity based revenue in favour of non-annuity 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 (4Q 2016) vs corresponding period (4Q 2015) by country



2016 Group revenue grew +16.3% yoy to RM245.9 million (2015 – RM211.4 million). Pre-tax profits grew +54% to RM24.8 million as compared to RM16.1 million a year ago and pre-tax margins were 10%, an improvement over 2015's pre-tax margins of 7.6%.

Malaysian operations contributed 85.6% (2015 – 84.3%) of Group revenue due to strong performance in the shared services segment and a full year's contribution from TPA in the year. EBIT margins were 9.9% in 2016, an improvement from 8% in 2015.

Philippines revenue grew marginally to RM26.4 million (2015 – RM25.9 million). While the TPA business grew strongly in the second half of the year, this was mostly offset by i) a material downward re-pricing of an earlier, significant merchant contract and ii) loss of revenue due to the culling of approximately 2000 inactive merchants under a revenue sharing arrangement with a Bank. EBIT margins dropped to 3.4% from 15% in 2015 due to higher expenses relating to the TPA rollout starting from the end of 2Q16. Shared Services and TPA registered yoy growth with Solutions Services reporting a marginal decline due to the re-pricing of a material contract and a large sale that occurred in 2015 that was not entirely replaced in 2016.

Thailand's revenue grew +30.6% to RM8.1 million from RM6.2 million in 2015 as the business evolved away from TPA to Solutions Services in response to the intense price competition amongst the Thai banks in the card payment segment TPA business. While the TPA segment declined in revenue to RM1.4 million in 2016 (2015 - RM1.9 Million), the Solutions Services segment grew to RM2.4 million in 2016 (2015 – RM0.4 million) which more than compensated for the decline in TPA revenues. Also, Shared Services grew modestly by +10.2% to RM4.3 million (2015 – RM3.9 million) on the back of higher rental and maintenance revenue. The business climate remains challenging in Thailand and the Group is focusing on non-payment offerings such as loyalty card processing to maintain sustainable growth. EBIT was positive at RM0.57 million as compared to losses before interest of RM2.18million in 2015.

Australia remains the smallest contributor to Group revenue at less than 1% of Group turnover. This led to a small EBIT contribution of RM0.31 million (2015 RM0.27 million).

B2. Future Prospects

The Group successfully implemented in Malaysia, its TPA agreements with a large local Bank and a foreign owned, non-Bank acquirer for physical and online merchant acquisition respectively. 2016 reflects the first full 12 months impact of these TPA agreements as the TPA initiative in Malaysia only commenced in the middle of 2015. The payments landscape in Malaysia remains highly competitive as Banks strive to meet the merchant acquisition targets imposed by Bank Negara. The intense competition has caused some spread erosion in net Merchant discounts earned as well as rentals charged to merchants for terminals deployed under the TPA program. Balancing this, the Banks have purchased and rented additional payment terminals from GHL resulting in growth in our Shared Services segment. We are optimistic that these changes will continue to positively impact future performance as the acquiring Banks grow their merchant card acceptance points either directly or through the TPA initiative.

In the Philippines, the Group commenced its TPA business in the middle of 2016 with an established local Bank. The TPA business model is consistent with that implemented in Malaysia and will enable the Philippines to target a much wider and larger segment within the marketplace. Merchants have started being acquired under this business model and it is likely that the business will be able to scale up in 2017 once the initial teething issues are resolved. The Group expects that this will lead to higher growth rates in the TPA business in the years ahead.

In Thailand, we have successfully implemented loyalty card and network device solutions that have reduced our dependency on TPA and Shared Services revenue streams. Other than scheme cards (e.g. VISA and MasterCard) that are heavily contested and thinly priced, we have differentiated ourselves by starting to acquire merchants to accept AliPay payments. This has helped us improve our profitability and enabled us to weather the storm of an intensely price competitive environment for merchant acquisition.

GHL Group is on track in terms of achieving its objective of becoming the largest merchant acquirer in ASEAN.

B3. Profit Forecast and Profit Guarantee

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

B4. Profit Before Taxation

	Current Quarter 31/12/2016 RM'000	Preceding Year Corresponding Quarter 31/12/2015 RM'000	Current Year To Date 31/12/2016 RM'000	Preceding Year Corresponding Period 31/12/2015 RM'000
Amortisation of intangible asset	109	305	697	1,065
Bad Debt written off	-	44	-	44
Depreciation of property, plant and equipment	5,197	4,451	18,518	15,966
Fixed assets written off/(written back)	355	748	595	748
(Gain)/Loss on foreign exchange				
- Realised	(382)	870	(78)	1,333
- Unrealised	515	(962)	(1,314)	1,323
(Gain)/Loss on disposal of fixed Assets	(33)	(68)	(213)	(20)
Impairment loss on receivables	584	1167	1,677	1,431
Interest income	(199)	(254)	(743)	(1,153)
Interest expenses	533	693	2,071	2,889
Inventory written off/(back)	151	340	440	340
Rental expenses	344	317	1,341	1,246
Reversal of allowance for doubtful Debts	72	(73)	(256)	(182)
Share based payment	295	102	417	465

B5. Taxation

	Current Quarter 31/12/2016 RM'000	Preceding Year Corresponding Quarter 31/12/2015 RM'000	Current Year to Date 31/12/2016 RM'000	Preceding Year Corresponding Period 31/12/2015 RM'000
Current tax expenses based on based on profit for the financial year:				
Malaysian income tax	(1,440)	(1,552)	(4,504)	(4,708)
Foreign income tax	(375)	(679)	(739)	(1,178)
Deferred tax	-	-	(1,327)	-
Over/(under) provision in prior years	-	-	(55)	-
Total	**(1,815)**	**(2,231)**	**(6,625)**	**(5,886)**

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 and year to date ended 31 December 2016.

B7. Purchase and Disposal of Quoted Securities

There was no purchase or disposal of quoted securities for current quarter and year to date ended 31 December 2016.

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 31 December 2016 are as follows:-

(a) Bank Borrowings

	Long-term Borrowings RM'000	Short-term Borrowings RM'000	Total RM'000
Ringgit Malaysia	15,000	16,000	31,000
Philippine peso	1,714	999	2,713
	16,714	**16,999**	**33,713**

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

		2016 RM'000	2015 RM'000
(i)	term deposits of the Group	6,977	6,774
(ii)	structured investment of the Group	8,000	8,000
(iii)	a Corporate Guarantee by parent entity	74,000	74,000
		88,977	**88,774**

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

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	418	222	640
Philippine peso	567	3,204	3,771
	985	**3,426**	**4,411**

The hire purchase payables of the Group as at 31 December 2016 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 31/12/2016	As at 31/12/2015
	RM'000	**RM'000**
Total retained profit of the Group:-		
- Realised	85,778	(34,430)
- Unrealised	(2,242)	1,692
	83,536	(32,738)
Less: Consolidation adjustment	(30,427)	67,759
Total group retained	**53,109**	**35,021**

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. Dividend Proposed

a) (i) An interim dividend of 0.50% for the financial year ended 31 December 2016, amounting to RM3,266,545.46 computed based on outstanding issued and paid-up share capital, excluding treasury shares as at 31 December 2016, has been declared by the directors.
(ii) Amount per share: 0.5 sen.
(iii) Entitlement date: 7 March 2017.
(iv) Payment date: 31 March 2017

b) No dividends were declared for the year ended 31 December 2015.

B14. 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 31/12/2016**	**Preceding Year Corresponding Quarter 31/12/2015**	**Current Year To Date 31/12/2016**	**Preceding Year Corresponding Period 31/12/2015**
Profit attributable to owners of the Company	(RM'000)	4,411	3,189	18,116	10,340
Weighted average number of ordinary shares in issue and issuable	(Unit'000)	653,309	647,974	650,141	644,158
Basic earnings per share	(Sen)	0.68	0.49	2.79	1.61

Diluted		**Current Quarter 31/12/2016**	**Preceding Year Corresponding Quarter 31/12/2015**	**Current Year To Date 31/12/2016**	**Preceding Year Corresponding Period 31/12/2015**
Profit attributable to owners of the Company	(RM'000)	4,411	3,189	18,116	10,340
Weighted average number of ordinary shares in issue and issuable	(Unit'000)	654,318	652,444	651,254	648,530
Diluted earnings per share	(Sen)	0.67	0.49	2.78	1.59