



GHL SYSTEMS BERHAD

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014

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
		31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
Revenue *	A8	24,759	17,467	24,759	17,467
Cost of sales *		(11,980)	(7,302)	(11,980)	(7,302)
Gross profit		12,779	10,165	12,779	10,165
Other operating income		919	136	919	136
Payroll expenses		(7,537)	(5,299)	(7,537)	(5,299)
Administration expenses		(2,798)	(1,706)	(2,798)	(1,706)
Distribution costs		(747)	(496)	(747)	(496)
Other expenses		(156)	(101)	(156)	(101)
Profit before interest, taxation, amortisation & depreciation		2,460	2,699	2,460	2,699
Depreciation expenses		(885)	(644)	(885)	(644)
Finance cost		(94)	(52)	(94)	(52)
Share of results of associated companies		66	-	66	-
Profit before taxation		1,547	2,003	1,547	2,003
Income tax expense		(7)	-	(7)	-
Profit for the period		1,540	2,003	1,540	2,003
Attributable to:					
Owners of the Company		1,543	2,010	1,543	2,010
Non-controlling interest		(3)	(7)	(3)	(7)
		1,540	2,003	1,540	2,003
Weighted average number of ordinary shares in issue-Basic		241,664	145,386	241,664	145,386
Weighted average number of ordinary shares in issue-Diluted		248,117	145,386	248,117	145,386
Nominal value per share		RM 0.20	RM 0.50	RM 0.20	RM 0.50
Earnings Per Ordinary Share					
- Basic (sen)	B15	0.64	1.38	0.64	1.38
- Diluted (sen)	B15	0.62	1.38	0.62	1.38
Profit for the period		1,539	2,003	1,539	2,003
Other comprehensive income, net of tax					
Foreign currency translation differences		83	572	83	572
Total comprehensive income for the period		1,622	2,575	1,622	2,575
Total comprehensive income attributable to:					
Owners of the Company		1,625	2,582	1,625	2,582
Non-controlling interest		(3)	(7)	(3)	(7)
		1,622	2,575	1,622	2,575

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 2013)



GHL SYSTEMS BERHAD

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014

THE FIGURES HAVE NOT BEEN AUDITED

	<u>Note</u>	AS AT CURRENT YEAR QUARTER 31/03/2014 (Unaudited) RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2013 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		37,085	32,807
Goodwill on consolidation		51,520	-
Intangible assets		4,190	4,219
Other investment		9,695	-
Deferred tax assets		2,443	2,443
		<u>104,933</u>	<u>39,469</u>
Current assets			
Inventories		42,856	6,596
Trade receivables		16,210	12,406
Other receivables		3,590	1,752
Tax recoverable		2,174	646
Fixed deposits placed with licensed banks		43,422	117
Cash and bank balances		26,971	13,980
		<u>135,223</u>	<u>35,497</u>
TOTAL ASSETS		<u>240,156</u>	<u>74,966</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		83,657	37,077
Reserves		75,598	19,789
Treasury Shares		(638)	(638)
Equity attributable to equity holders of the parent		<u>158,617</u>	<u>56,228</u>
Non controlling interest		(114)	(117)
Total equity		<u>158,503</u>	<u>56,111</u>
Non-current liabilities			
Hire purchase payables	B9	670	366
Bank borrowing	B9	17,460	-
Deferred tax liability		1,167	295
Deferred income		-	3,175
		<u>19,297</u>	<u>3,836</u>
Current liabilities			
Trade payables		11,971	1,489
Other payables		26,835	10,641
Deferred income		139	1,849
Hire purchase payables	B9	561	608
Bank borrowings	B9	22,850	-
Tax payable		-	432
		<u>62,356</u>	<u>15,019</u>
Total liabilities		<u>81,653</u>	<u>18,855</u>
TOTAL EQUITY AND LIABILITIES		<u>240,156</u>	<u>74,966</u>
Number of ordinary shares		416,868	145,386
Net assets per share (sen)		38.05	38.67

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2013)



GHL SYSTEMS BERHAD

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014

THE FIGURES HAVE NOT BEEN AUDITED

	Share Capital RM'000	Share Premium Reserve RM'000	Foreign Exchange Reserves RM'000	ESOS Reserve RM'000	Treasury Shares RM'000	Retained Profits / (Accumulated Losses) RM'000	Total Equity Attributable To Shareholders RM'000	Non Controlling Interest RM'000	Total Equity RM'000
At 1 January 2013	73,401	-	(516)	-	(638)	(30,936)	41,311	(18)	41,293
Total comprehensive income for the year	-	-	572	-	-	2,010	2,582	(7)	2,575
At 31 March 2013	73,401	-	56	-	(638)	(28,926)	43,893	(25)	43,868
At 1 January 2014	37,077	1,990	(1,215)	646	(638)	18,368	56,228	(117)	56,111
Share swap to acquire a subsidiary	29,887	35,864	-	-	-	-	65,751	-	65,751
Issuance of ordinary shares	16,589	18,248	-	-	-	-	34,837	-	34,837
Issuance of ordinary shares pursuant to ESS	104	71	-	-	-	-	175	-	175
Total comprehensive income for the year	-	-	83	-	-	1,543	1,626	(3)	1,623
Forex exchange differences	-	-	-	-	-	-	-	6	6
At 31 March 2014	83,657	56,173	(1,132)	646	(638)	19,911	158,617	(114)	158,503

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2013)



GHL SYSTEMS BERHAD

STATEMENT OF CASH FOLWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

THE FIGURES HAVE NOT BEEN AUDITED

	CURRENT YEAR TO DATE 31/03/2014 RM'000	PRECEDING YEAR CURRENT YEAR TO DATE 31/03/2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,546	2,003
Adjustment for:-		
Amortisation of development cost	274	-
Bad debts written-off	1	-
Depreciation of property, plant and equipment	2,278	1,922
Interest expense	94	52
Interest income	(103)	(34)
Inventories written back	(41)	-
Loss/(Gain) on disposal of property, plant and equipment	35	(1)
Reversal of impairment on trade receivables	(7)	(60)
Share of gain from an associate	(65)	-
Unrealised gain on foreign exchange	(743)	(4)
Operating profit before working capital changes	<u>3,269</u>	<u>3,878</u>
Decrease/(Increase) in working capital		
Inventories	(7,763)	1,171
Trade and other receivables	13,953	43
Trade and other payables	(1,165)	(4,622)
Advance receipt from deferred income	(4,885)	-
	<u>140</u>	<u>(3,408)</u>
Cash generated from operations	3,409	470
Interest received	103	34
Interest paid	(94)	(52)
Tax paid	(699)	(347)
	<u>(690)</u>	<u>(365)</u>
Net cash from operating activities	<u>2,719</u>	<u>105</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(383)	(3,760)
Purchase of other investment	(579)	-
Proceeds from disposal of property, plant and equipment	7	4
Addition in intangible assets	(226)	(448)
Acquisition of subsidiary for cash, net cash acquired	19,069	-
Net cash used in investing activities	<u>17,888</u>	<u>(4,204)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of shares	35,013	-
(Increase)/Decrease in fixed deposits pledged	(5,576)	573
Drawdown of hire purchase	-	200
Repayment of hire purchase payables	(275)	(208)
Drawdown of bank borrowings	2,229	100
Repayment of bank borrowings	(1,540)	(399)
Net cash used in financing activities	<u>29,851</u>	<u>266</u>
Net increase/(decrease) in cash and cash equivalents	50,458	(3,833)
Effect of exchange rate fluctuation	262	273
Cash and cash equivalents at beginning of the finance period	<u>13,997</u>	<u>15,460</u>
Cash and cash equivalents at end of the finance period	<u>64,717</u>	<u>11,900</u>

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

Cash and bank balances	26,971	11,876
Fixed deposits with licensed banks	43,422	985
	<u>70,393</u>	<u>12,861</u>
Less: Fixed deposits pledged to licensed banks	(5,676)	(961)
Less: Cash at bank pledged to licensed banks	-	-
	<u>64,717</u>	<u>11,900</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with Audited Financial Statements for the financial financial year ended 31 December 2013)



GHL SYSTEMS BERHAD
(Company No: 293040-D)

Part A: Explanatory notes on consolidated results for the first quarter ended 31 March 2014

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 2013.

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 2013.

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:

MFRSs/ IC Interpretation	Effective Date
<i>Amendments to MFRS 10 Consolidated Financial Statements: Investment Entities</i>	1 January 2014
<i>Amendments to MFRS 12 Disclosures of Interests in Other Investment Entities</i>	1 January 2014
<i>Amendments to MFRS 127 Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
<i>Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
<i>Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
<i>Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
<i>IC Interpretation 21 Levies</i>	1 January 2014
Define Benefit Plans: Employee Contributions (Amendments to MFRS 119)	1 July 2014
Amendments to MFRSs Annual Improvements 2010 – 2012 Cycle	1 July 2014
Amendments to MFRSs Annual Improvements 2010 – 2013 Cycle	1 July 2014
Mandatory Effective Date of MFRS 9 and Transition Disclosure	Deferred
MFRS 9 Financial Instruments (2009)	Deferred
MFRS 9 Financial Instruments (2010)	Deferred
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7, and MFRS 139)	Deferred

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 2013 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 March 2014, 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 March 2014.

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 for the current quarter and year-to-date ended 31 March 2014 other than the followings:

On 16 January 2014, GHL Systems Berhad issued 180,000 new ordinary shares of RM0.20 each under the Executives Share Option at an issue price of RM0.34.

On 17 February 2014, GHL Systems Berhad issued 10,000 new ordinary shares of RM0.20 each under the Executives Share Option at an issue price of RM0.34.

On 3 March 2014, GHL Systems Berhad issued 146,203,468 new ordinary shares of RM0.20 each at an issue price of RM0.44 for share swap to acquire e-pay Asia Limited

On 20 March 2014, GHL Systems Berhad issued 328,300 new ordinary shares of RM0.20 each under the Executives Share Option at an issue price of RM0.34.

On 20 March 2014, GHL Systems Berhad issued 82,945,080 new ordinary shares of RM0.20 each to Cycas at an issue price of RM0.42 per share.

On 20 March 2014, GHL Systems Berhad issued 3,229,864 new ordinary shares of RM0.20 each at an issue price of RM0.44 for share swap to acquire e-pay Asia Limited.

A7. Dividend Paid

There were no dividends paid for the current quarter and year to date ended 31 March 2014.

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

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 directly contracting with merchants to accept payment and loyalty cards and conduct other payment services.

Performance is measured based on core businesses revenue and geographical profit before tax, interest, depreciation and amortisation, 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.



Quarter - 31 March	Malaysia		Philippines		Thailand		Australia		Adjustment and Elimination		Consolidated	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
REVENUE												
External Sales												
Shared Services	4,289	7,455	2,975	2,819	747	935	-	-	-	-	8,011	11,209
Solution Services	1,972	2,068	275	534	274	137	39	73	-	-	2,560	2,812
Transaction Payment Acquisition	13,226	2,844	752	462	210	140	-	-	-	-	14,188	3,446
Inter-segment sales	3,616	3,753	-	-	-	-	-	-	(3,616)	(3,753)	-	-
	23,103	16,120	4,002	3,815	1,231	1,212	39	73	(3,616)	(3,753)	24,759	17,467
RESULTS												
Segment results	1,878	1,605	373	753	(302)	(59)	(309)	(191)	(102)	(87)	1,538	2,021
Interest income											103	34
Interest expense											(94)	(52)
Profit before taxation											1,547	2,003
Taxation											(7)	-
Net profit for the period											1,540	2,003

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 March 2014 of the balance sheet date that have not been reflected in this report other than the followings:

On 16 April 2014, GHL Systems Berhad issued 1,168,951 new ordinary shares of RM0.20 each at an issue price of RM0.44 for share swap to acquire e-pay Asia Limited.

On 16 April 2014, GHL Systems Berhad issued 1,181,778 new ordinary shares of RM0.20 each to Cycas at an issue price of RM0.42 per share.

On 16 April 2014, GHL Systems Berhad issued 613,000 new ordinary shares of RM0.20 each under the Executives Share Option at an issue price of RM0.34.

On 19 May 2014, GHL Systems Berhad issued 660,200 new ordinary shares of RM0.20 each under the Executives Share Option at an issue price of RM0.34.

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 other than the followings:

On 21 February 2014, the Group had controlling interest of 96.75% of e-pay Asia Limited ("EPY") shares. Subsequently, on 16 April 2014, the acquisition were completed and EPY had become a wholly-owned subsidiary of GHL Systems Berhad.

A12. Contingent Liabilities

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

(a) Banker's guarantee in favour of third parties	RM'000
- Secured	<u>19,213</u>

A13. Capital Commitment

The amount of capital commitment for purchase property, plant and equipment not provided for as at 31 March 2014 are as follows:

Approved but not contracted for	RM'000
	<u>2,157</u>

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 31/03/2014 RM'000	Preceding Year Corresponding Quarter 31/03/2013 RM'000	Current Year To Date 31/03/2014 RM'000	Preceding Year Corresponding Period 31/03/2013 RM'000
^ Supply of EuroPay-MasterCard-Visa chip-based cards and/or data preparation and personalisation of chip-based cards; supply of computer hardware and software; sales of payment solutions; sales and rental of EDC terminals and other related services by the GHL Group to e-pay (M) Sdn Bhd ("e-pay") *	309	327	309	327
# 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") *	64	55	64	55

^ GHL Systems Berhad Executive Vice Chairman and is a major shareholder Loh Wee Hian has an indirect interest in e-pay (M) Sdn Bhd through his 61.60% shareholding in e-pay Asia Limited("EPY"), the holding company of e-pay (M) Sdn Bhd. He is currently also the Executive Director of e-pay (M) Sdn Bhd as well as the Executive Chairman and CEO of e-pay Asia Limited . On 21 February 2014, GHL had controlling interest of 96.75% of EPY shares. Subsequently, on 16 April 2014, the acquisition were completed and EPY had become a wholly-owned subsidiary of GHL Systems Berhad. As a subsidiary of the Group, the related party transaction will be eliminated at the Group consolidation.

GHL Systems Berhad Independent Non-Executive Director and is a substantial shareholder Goh Kuan Ho is currently General Manager of Microtree.

* 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 (1Q2014) vs corresponding quarter (1Q2013) by segment

(Note: All 1Q2013 comparatives have been presented to conform with the current year's reported results).

GHL group's 1Q14 net profit after tax for the quarter ended 31 March 2014 was RM1.5 million, a -23.4% reduction compared to the RM2.0 million achieved in 1Q2013. Profitability declined despite a +48.2% yoy improvement in Group revenue to RM24.8 million vs RM17.5 million in 1Q2013. The lower profitability this quarter was in part due to higher expenses and investment in expanding the Group's regional network in preparation of the launch of TPA and the internet payment gateway services. 1Q2014 also includes one month's contribution from e-pay Asia Limited ("e-pay") as the 96.75% acquisition of e-pay was concluded at the end of February 2014. The e-pay acquisition significantly improves GHL group's TPA revenue stream as e-pay earnings are predominantly TPA related.

The performances of the individual segments are as follows.

Shared Services

The Shared services division which used to be the largest contributor to Group revenue is now the second largest, having been overtaken by the TPA division. Group revenue from shared services in 1Q2014 was down -28.5% yoy to RM8.0 million (1Q2013 – RM11.2 million). The main cause for the decline was lower non-annuity hardware and card sales (lower EDC terminal sales in Malaysia and Thailand and lower card sales in Malaysia). Rental and maintenance revenue was up +4.2% yoy but this was insufficient to compensate for the lower sales of hardware and cards.

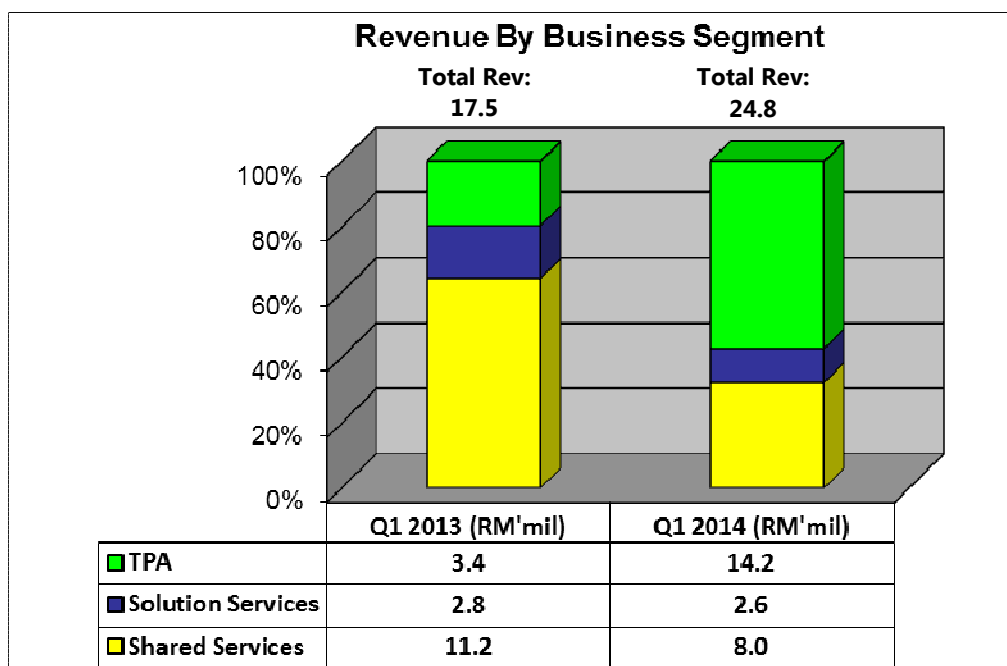
Solution Services

Solution services division contributed 10.3% of total 1Q2014 Group revenue and was down -9.0% yoy to RM2.6 million (1Q2013 RM2.8 million). The decline during this first quarter was due to lower non-annuity hardware and software sales. Annuity revenues from rental and maintenance was higher by 2.7% but this was insufficient to offset the decline in the non-annuity sales.

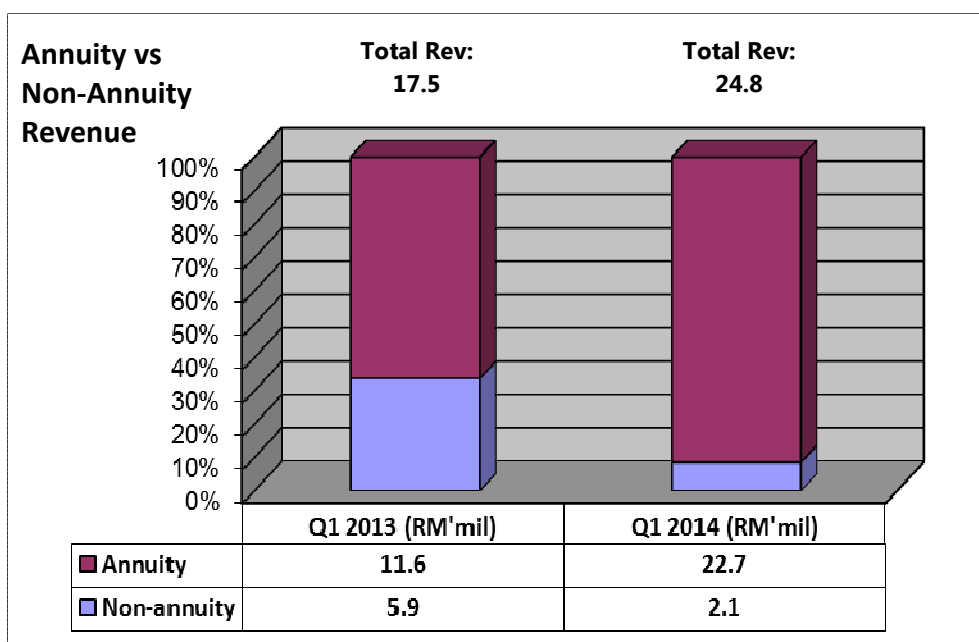
Transaction Payment Acquisition (TPA)

TPA revenues grew strongly to RM14.2 million (1Q 2013 – RM3.5 million) with the inclusion of one month's contribution from e-pay. Excluding, e-pay, the Group's existing TPA operations nevertheless saw yoy growth in all three markets. GHL group is in the early stages of implementing the TPA business across the region and growth from this implementation will only start to become significant towards the end of this year.

B1. Review of Performance (Continued)



With the expansion of the TPA business, GHL group's annuity based revenues has now grown significantly to 91.5% in 1Q2014 as compared to 66.4% in the same quarter, a year ago. The Group's stated strategy of continually reducing non-annuity based revenues has largely been materialised this quarter with the inclusion of e-pay's revenues into the TPA division.



B1. Review of Performance (Continued)

Performance of current quarter (1Q 2014) vs corresponding quarter (1Q 2013) by geographical segment

1Q2014 revenue improved +41.7% yoy to RM24.8 million with the inclusion of one month's revenue contribution from e-pay which was 96.75% acquired at the end of Feb 2014. The other geographical markets also showed top line improvement although the growth momentum was slower. Philippines operations grew +4.9% yoy whereas the contribution from Thailand was flat at +1.5% yoy principally due to the political turmoil in that country at this time.

Malaysia has increased its share of Group revenue to 78.7% (1Q2103 – 70.8%) with the contribution from e-pay whose operations are mostly based in Malaysia. The shared services division in Malaysia fared less strongly in 1Q when compared to the previous year due to the strong hardware sales in 1Q2013. For similar reasons, card sales were also down when compared to the corresponding period in 2013. Solution services for Malaysia was down marginally at -4.6% due to lower collection of maintenance fees. TPA revenue increased significantly with the inclusion of e-pay revenue and non-e-pay annuity revenue which also grew +16.4% due to higher rental and maintenance income. Overall, for the reasons stated above, Malaysia recorded an improved EBIT of RM1.9 million (1Q2013 – RM1.6 million).

Philippines is the second largest revenue contributor at 16.2% of Group 1Q2014 revenue. It recorded revenues of RM4.0 million (+4.9%) with sales being driven by its shared services division. Its solution services segment was however down compared to the previous year due to higher non-annuity hardware sales in solutions services in 1Q2013. Its TPA segment grew strongly at +62.9%, maintaining the high growth rates experienced in the previous quarters. Philippines EBIT was marginally down to RM0.4 million from RM0.8 million previously due to the investment in human resources and systems to expand the merchant acquisition capability.

Thailand recorded flat sales of RM1.2 million vs RM1.2 million in 1Q2013. Improvements in its solutions services and TPA revenues were tempered by the decline in shared services revenue in 1Q2014. The business conditions in Thailand are challenging at the present time as the political stalemate has lead several of our customers to defer investment decisions relating to their payment infrastructure. The Group's position is to weather the storm by containing costs as far as possible and to actively grow the TPA business with Thanachart Bank, the launch of which was announced in April 2014. This TPA business is new but with time the growth in the merchant base will add to Thailand's annuity revenue stream. Thailand lost RM0.3 million for the quarter because of the investment in the TPA business as well as softness in corporate account sales due to the political uncertainty.

Our Australia operations remained marginal with EBIT losses of RM0.3 million principally due to timing differences on a corporate sale that was planned for the 2Q but which will materialise in the following quarter.

B2. Current Year's Prospects

The Group is in a fundamentally stronger position in 2014 as compared to 2013. The e-pay acquisition has effectively jump started the Group's TPA business revenue stream and e-pay is expected to continue to contribute strongly to the Group's TPA business line. The Group's top line grew by 41.7% yoy.

In addition, the Group continues to invest in developing the sales and systems resources to expand GHL's TPA business in all the countries in which it operates. While this has led to a temporary increase in expenses and a marginally lower EBIT in 1Q2014, this investment will enable the Group to provide services to large segments of the market that have hitherto not been served. In the longer term this will enable the Group to derive new and larger revenue annuity streams.

While challenges exist in terms of the political turmoil in Thailand, management believe that these issues are manageable at the present time through cost containment and focus in terms of the sales activity. The Group has also invested in consultants and advisors to assist in the integration of e-pay into GHL. These investments have proved useful in securing a relatively smooth integration of both companies. While the integration aspects are ongoing, key aspects of the integration, particularly involving people, have already been successfully implemented. This has minimised the business risk associated with the integration of both companies and leaves the Group in a stronger position to operate as a single entity in the months ahead.

For the reasons above, GHL Group expects 2014 prospects to be positive. The investments made in growing new businesses this year will also strengthen our position overall in the years ahead.

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 <u>31/03/2014</u> RM'000	Preceding Year Corresponding Quarter <u>31/03/2013</u> RM'000	Current Year To Date <u>31/03/2014</u> RM'000	Preceding Year Corresponding Period <u>31/03/2013</u> RM'000
Amortisation of intangible asset	274	-	274	-
Bad debts written off	1	-	1	-
Depreciation of property, plant and equipment	2,278	1,922	2,278	1,922
(Gain)/Loss on foreign exchange				
- Realised	150	63	150	63
- Unrealised	(743)	(4)	(743)	(4)
(Gain)/Loss on disposal of fixed assets	35	(1)	35	(1)
Interest income	(103)	(34)	(103)	(34)
Interest expenses	94	52	94	52
Inventory written off	(41)	-	(41)	-
Rental expenses	321	294	321	294
Reversal of allowance for doubtful debts	(7)	(60)	(7)	(60)

B5. Taxation

	Current Quarter <u>31/03/2014</u> RM'000	Preceding Year Corresponding Quarter <u>31/03/2013</u> RM'000	Current Year To Date <u>31/03/2014</u> RM'000	Preceding Year Corresponding Period <u>31/03/2013</u> RM'000
Tax expenses	(7)	-	(7)	-

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 March 2014.

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 March 2014.

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 March 2014 are as follows:-

(a) Bank Borrowings

	Total Secured Term Loan RM'000
Repayable within twelve months	22,850
Repayable more than twelve months	17,460
	40,310

The Bankers' Acceptance and Commodity Murabahah/Trade Loan are secured by way of:

	2014 RM'000	2013 RM'000
(i) term deposits of the Group	5,576	5,779
(ii) structured investment of the Group	8,000	6,000
(iii) a Corporate Guarantee by parent entity	64,000	43,000
	77,576	54,779

The term loans is secured by way of:

- (i) negative pledge from e-pay (M) Sdn Bhd
- (ii) 60% shares of e-pay (M) Sdn Bhd which currently held by e-pay Asia Limited

B9. Group Borrowings and Debt Securities (Continued)

- (iii) first party charge over cash deposits by the Company over Escrow Account solely operated by the Bank
- (iv) Undertaking from the Company to assign 100% dividend from the subsidiaries throughout the duration of the Term Loan facilities to the Bank's Escrow Account

(b) Hire Purchase

	Total Hire Purchase RM'000
Repayable within twelve months	561
Repayable more than twelve months	670
	1,231

The hire purchase payables of the Group as at 31 March 2014 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/(Losses)

	As at 31/03/2014	As at 31/12/2013 (Audited)
	RM'000	RM'000
Total retained profit/ (losses) of the Company and subsidiaries:-		
- Realised	(79,343)	(58,766)
- Unrealised	1,120	2,370
	(78,223)	(56,396)
Less: Consolidation adjustment	98,134	74,764
Total group retained	19,911	18,368

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, other than the followings:-

- (a) As disclosed in our 2013 annual report, claims had been made by Privilege Investment Holdings Pte Ltd ("Privilege") against several GHL group companies for alleged breach of contract and other legal obligations in relation to a Shareholders Agreement that was signed between GHL International Sdn Bhd, GHLSYS Singapore Pte Ltd and Privilege in 2005 ("Shareholders Agreement"). The abovementioned parties mutually agreed to terminate the Shareholders Agreement via a termination agreement in 2006. Since then, the matter has yet to proceed to Court. The Board of Directors is of the opinion that the allegations are unfounded and that the company will vigorously defend its position if required to do so.

B13. Dividend Proposed

There was no dividend declared for the current quarter and year to date ended 31 March 2014.

B14. Memorandum of Understanding

On 12 February 2014, the GHL System Berhad entered into a Memorandum of Understanding (“MOU”) with PT. Peruri Digital Security (“PDS”) in Jakarta, Indonesia. The objective of the MOU is for the two parties to initiate a cooperation to forge a mutually beneficial and non-exclusive collaborative within one year from the date of signing the MOU in relation to the development and promotion of payment related businesses in Indonesia which includes; micropayment systems, Internet Payment Gateway, payment and loyalty management systems and processing services, smart card and its security technologies and other electronic payment systems.

There were no changes in the status of the above mentioned MOU since the date of the announcement.

B15. Earnings Per Share
a) Basic earnings per share

The basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the financial period and excluding the treasury shares held by the Company.

b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity holders of the parent and weighted average number of ordinary shares in issue during the period and excluding treasury shares held by the Company.

<u>Basic</u>		Current Quarter <u>31/03/2014</u>	Preceding Year Corresponding Quarter <u>31/03/2013</u>	Current Year To Date <u>31/03/2014</u>	Preceding Year Corresponding Period <u>31/03/2013</u>
Net profit attributable to owners of the Company	(RM'000)	1,543	2,010	1,543	2,010
Weighted average number of ordinary shares in issue and issuable	(Unit'000)	241,664	145,386	241,664	145,386
Basic earnings per share	(Sen)	0.64	1.38	0.64	1.38

<u>Diluted</u>		Current Quarter <u>31/03/2014</u>	Preceding Year Corresponding Quarter <u>31/03/2013</u>	Current Year To Date <u>31/03/2014</u>	Preceding Year Corresponding Period <u>31/03/2013</u>
Net profit attributable to owners of the Company	(RM'000)	1,543	2,010	1,543	2,010
Weighted average number of ordinary shares in issue and issuable	(Unit'000)	248,117	145,386	248,117	145,386
Diluted earnings per share	(Sen)	0.62	1.38	0.62	1.38