



GHL SYSTEMS BERHAD

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 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
		30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Revenue *	A8	45,301	16,255	70,060	33,722
Cost of sales *		(27,387)	(6,137)	(39,367)	(13,439)
<b>Gross profit</b>		<b>17,914</b>	<b>10,118</b>	<b>30,693</b>	<b>20,283</b>
Other operating income		1,370	138	2,290	274
Payroll expenses		(9,265)	(6,047)	(16,802)	(11,346)
Administration expenses		(3,330)	(1,310)	(6,128)	(3,016)
Distribution costs		(1,018)	(559)	(1,765)	(1,055)
Other expenses		(498)	(123)	(654)	(225)
<b>Profit before interest, taxation, amortisation &amp; depreciation</b>		<b>5,173</b>	<b>2,217</b>	<b>7,634</b>	<b>4,915</b>
Depreciation expenses		(1,131)	(720)	(2,017)	(1,364)
Finance cost		(468)	(46)	(562)	(97)
Share of results of associated companies		(17)	-	49	-
<b>Profit before taxation</b>		<b>3,557</b>	<b>1,451</b>	<b>5,104</b>	<b>3,454</b>
Income tax expense		(514)	104	(521)	104
<b>Profit for the period</b>		<b>3,043</b>	<b>1,555</b>	<b>4,583</b>	<b>3,558</b>
<b>Attributable to:</b>					
Owners of the Company		3,044	1,573	4,587	3,583
Non-controlling interest		(1)	(18)	(4)	(25)
		<b>3,043</b>	<b>1,555</b>	<b>4,583</b>	<b>3,558</b>
Weighted average number of ordinary shares in issue-Basic		420,805	145,386	336,778	145,386
Weighted average number of ordinary shares in issue-Diluted		428,317	145,386	344,290	145,386
Nominal value per share		RM 0.20	RM 0.20	RM 0.20	RM 0.20
Earnings Per Ordinary Share					
- Basic (sen)	B15	0.72	1.08	1.36	2.46
- Diluted (sen)	B15	0.71	1.08	1.33	2.46
<b>Profit for the period</b>		<b>3,043</b>	<b>1,555</b>	<b>4,583</b>	<b>3,558</b>
Other comprehensive income, net of tax					
Foreign currency translation differences		(128)	(762)	(45)	(190)
<b>Total comprehensive income for the period</b>		<b>2,915</b>	<b>793</b>	<b>4,538</b>	<b>3,368</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		2,916	811	4,542	3,393
Non-controlling interest		(1)	(18)	(4)	(25)
		<b>2,915</b>	<b>793</b>	<b>4,538</b>	<b>3,368</b>

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 SECOND QUARTER ENDED 30 JUNE 2014

THE FIGURES HAVE NOT BEEN AUDITED

		AS AT CURRENT YEAR QUARTER 30/06/2014 (Unaudited) RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2013 (Audited) RM'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		36,315	32,807
Goodwill on consolidation		51,520	-
Intangible assets		4,297	4,219
Other investment		8,122	-
Deferred tax assets		2,463	2,443
		<u>102,717</u>	<u>39,469</u>
<b>Current assets</b>			
Inventories		37,215	6,596
Trade receivables		14,052	12,406
Other receivables		12,832	1,752
Tax recoverable		2,569	646
Fixed deposits placed with licensed banks		37,871	117
Cash and bank balances		34,976	13,980
		<u>139,515</u>	<u>35,497</u>
<b>TOTAL ASSETS</b>		<u>242,232</u>	<u>74,966</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		84,381	37,077
Reserves		79,418	19,789
Treasury Shares		(638)	(638)
<b>Equity attributable to equity holders of the parent</b>		<u>163,161</u>	<u>56,228</u>
Non controlling interest		(114)	(117)
<b>Total equity</b>		<u>163,047</u>	<u>56,111</u>
<b>Non-current liabilities</b>			
Hire purchase payables	B9	1,691	366
Bank borrowing	B9	15,824	-
Deferred tax liability		1,167	295
Deferred income		-	3,175
		<u>18,682</u>	<u>3,836</u>
<b>Current liabilities</b>			
Trade payables		11,410	1,489
Other payables		24,446	10,641
Deferred income		35	1,849
Hire purchase payables	B9	745	608
Bank borrowings	B9	23,867	-
Tax payable		-	432
		<u>60,503</u>	<u>15,019</u>
<b>Total liabilities</b>		<u>79,185</u>	<u>18,855</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>242,232</u>	<u>74,966</u>
Number of ordinary shares		420,492	183,971
Net assets per share (sen)		38.80	30.56

(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 SECOND QUARTER ENDED 30 JUNE 2014

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 2013	73,401	-	(516)	-	(638)	(30,936)	41,311	(18)	41,293
Issuance of ordinary shares	(44,041)	-	-	-	-	44,041	-	-	-
Total comprehensive income for the year	-	-	(190)	-	-	3,583	3,393	(25)	3,368
At 30 June 2013	29,360	-	(706)	-	(638)	16,688	44,704	(43)	44,661
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	30,120	36,145	-	-	-	-	66,265	-	66,265
Issuance of ordinary shares	16,825	18,508	-	-	-	-	35,333	-	35,333
Issuance of ordinary shares pursuant to ESS	359	251	-	-	-	-	610	-	610
Share option granted under ESS	-	-	-	183	-	-	183	-	183
Total comprehensive income for the year	-	-	(45)	-	-	4,587	4,542	(4)	4,538
Forex exchange differences	-	-	-	-	-	-	-	7	7
At 30 June 2014	84,381	56,894	(1,260)	829	(638)	22,955	163,161	(114)	163,047

(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 FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

THE FIGURES HAVE NOT BEEN AUDITED

	CURRENT YEAR TO DATE 30/06/2014 RM'000	PRECEDING YEAR CURRENT YEAR TO DATE 30/06/2013 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	5,104	3,454
<b>Adjustment for:-</b>		
Amortisation of development cost	595	-
Bad debts written-off	3	-
ESOS expenses	-	-
Depreciation of property, plant and equipment	5,161	3,991
Impairment loss on receivables	40	-
Interest expense	562	97
Interest income	(216)	(81)
Inventories written back	(41)	-
Loss/(Gain) on disposal of property, plant and equipment	40	(1)
Reversal of impairment on trade receivables	(94)	(70)
Share options granted under ESS	183	-
Share of gain from an associate	(49)	-
Unrealised gain on foreign exchange	(867)	(60)
<b>Operating profit before working capital changes</b>	<b>10,421</b>	<b>7,330</b>
<b>(Increase)/Decrease in working capital</b>		
Inventories	(4,595)	87
Trade and other receivables	5,101	328
Trade and other payables	(1,375)	(1,261)
Advance receipt from deferred income	(4,989)	-
	<b>(5,858)</b>	<b>(846)</b>
<b>Cash generated from operations</b>	<b>4,563</b>	<b>6,484</b>
Interest received	216	81
Interest paid	(562)	(97)
Tax paid	(1,094)	(357)
	<b>(1,440)</b>	<b>(373)</b>
<b>Net cash from operating activities</b>	<b>3,123</b>	<b>6,111</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(501)	(6,587)
Proceeds from disposal of property, plant and equipment	314	25
Addition in intangible assets	(617)	(1,188)
Acquisition of subsidiary for cash, net cash acquired	19,069	-
<b>Net cash used in investing activities</b>	<b>18,265</b>	<b>(7,750)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of shares	35,942	-
(Increase)/Decrease in fixed deposits pledged	(5,576)	964
Increase in cash at bank pledged	-	(2,926)
Drawdown of hire purchase	1,536	200
Repayment of hire purchase payables	(601)	(464)
Drawdown of bank borrowings	2,229	-
Repayment of bank borrowings	(2,161)	(589)
<b>Net cash used in financing activities</b>	<b>31,369</b>	<b>(2,815)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>52,757</b>	<b>(4,454)</b>
<b>Effect of exchange rate fluctuation</b>	<b>417</b>	<b>(244)</b>
<b>Cash and cash equivalents at beginning of the finance period</b>	<b>13,997</b>	<b>15,459</b>
<b>Cash and cash equivalents at end of the finance period</b>	<b>67,171</b>	<b>10,761</b>

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

Cash and bank balances	34,976	13,408
Fixed deposits with licensed banks	37,871	850
	<b>72,847</b>	<b>14,258</b>
Less: Fixed deposits pledged to licensed banks	(5,676)	(571)
Less: Cash at bank pledged to licensed banks	-	(2,926)
	<b>67,171</b>	<b>10,761</b>

(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**  
**(Company No: 293040-D)**

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

<b>MFRSs/ IC Interpretation</b>	<b>Effective Date</b>
<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
MRFS 9 Financial Instruments (2009)	Deferred
MRFS 9 Financial Instruments (2010)	Deferred
MRFS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7, and MRFS 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 30 June 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 30 June 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 30 June 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.

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.

**A7. Dividend Paid**

There were no dividends paid for the current quarter and year to date ended 30 June 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 - 30 June	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
<b>REVENUE</b>												
<u>External Sales</u>												
Shared Services	3,447	5,495	3,055	2,810	1,655	908	-	-	-	-	8,157	9,213
Solution Services	2,004	2,238	528	289	147	353	307	195	-	-	2,986	3,075
Transaction Payment Acquisition	33,090	2,991	836	828	232	148	-	-	-	-	34,158	3,967
Inter-segment sales	3,922	3,604	-	-	-	-	-	-	(3,922)	(3,604)	-	-
	<b>42,463</b>	<b>14,328</b>	<b>4,419</b>	<b>3,927</b>	<b>2,034</b>	<b>1,409</b>	<b>307</b>	<b>195</b>	<b>(3,922)</b>	<b>(3,604)</b>	<b>45,301</b>	<b>16,255</b>
<b>RESULTS</b>												
Segment results	3,418	985	770	809	(40)	(218)	(130)	(140)	(106)	14	3,912	1,450
Interest income											113	47
Interest expense											(468)	(46)
Profit before taxation											3,557	1,451
Taxation											(514)	104
Net profit for the period											<b>3,043</b>	<b>1,555</b>

Cumulative - 30 June	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
<b>REVENUE</b>												
<u>External Sales</u>												
Shared Services	7,736	12,950	6,030	5,629	2,402	1,843	-	-	-	-	16,168	20,422
Solution Services	3,976	4,306	803	823	421	490	346	268	-	-	5,546	5,887
Transaction Payment Acquisition	46,316	5,835	1,588	1,290	442	288	-	-	-	-	48,346	7,413
Inter-segment sales	7,538	7,357	-	-	-	-	-	-	(7,538)	(7,357)	-	-
	<b>65,566</b>	<b>30,448</b>	<b>8,421</b>	<b>7,742</b>	<b>3,265</b>	<b>2,621</b>	<b>346</b>	<b>268</b>	<b>(7,538)</b>	<b>(7,357)</b>	<b>70,060</b>	<b>33,722</b>
<b>RESULTS</b>												
Segment results	5,296	2,589	1,143	1,562	(342)	(277)	(439)	(331)	(208)	(73)	5,450	3,470
Interest income											216	81
Interest expense											(562)	(97)
Profit before taxation											5,104	3,454
Taxation											(521)	104
Net profit for the period											<b>4,583</b>	<b>3,558</b>

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

On 14 July 2014, GHL Systems Berhad issued 849,000 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 was 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	<b>RM'000</b>
- Secured	<u>34,585</u>

**A13. Capital Commitment**

The amount of capital commitment for purchase property, plant and equipment not provided for as at 30 June 2014 are as follows:

Approved but not contracted for	<b>RM'000</b>
	<u>7,983</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 30/06/2014 RM'000	Preceding Year Corresponding Quarter 30/06/2013 RM'000	Current Year To Date 30/06/2014 RM'000	Preceding Year Corresponding Period 30/06/2013 RM'000
<sup>^</sup> 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") *	-	336	309	663
# 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") *	236	84	300	139
@ Office rental paid to Telemas Corporation Sdn Bhd ("Telemas") *	96	-	96	-

<sup>^</sup> 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 was 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.

@ Mr Loh Wee Hian also has direct interest in Telemas 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 the current quarter (2Q 2014) vs corresponding quarter (2Q 2013) by segment**

*(Note: All 2Q 2013 comparatives have been presented to conform with the current year's reported results).*

GHL group's financial performance showed a marked improvement with group turnover growing +178.7% yoy to RM45.30 million as compared to RM16.26 million in the same period last year. Net profit after tax similarly grew +95.7% to RM3.04 million (2Q13 – RM1.56m). The financial results include the full quarter's contribution from e-pay Asia Limited ("e-pay") in 2Q14. As stated previously, GHL group's growth strategy is to rapidly grow its TPA business regionally and to significantly enlarge its merchant base. The acquisition of e-pay effectively jump started GHL's TPA business as e-pay has direct contracts with numerous merchants for the provision of prepaid top-ups and bill collection services. Similarly, GHL itself is growing its TPA business by contracting directly with merchants for the provision of credit card payments. This credit card TPA business is relatively new; it was first launched in Thailand at the end of the first quarter and in Malaysia and the Philippines, GHL is awaiting final bank and regulatory approvals before it can commence activity.

The performance of the individual segments are as follows.

#### **Shared Services**

Shares services division turnover showed a decline in 2Q14 of -11.5% yoy to RM8.16 million (2Q13 – RM9.21m) due to lower hardware and card sales. Banks bought fewer EDC hardware in the quarter and timing differences deferred some card sales to later quarters. The reduction in EDC hardware sales is however, congruent with GHL group's strategy favouring annuity rental income rather than outright sale of hardware to banks.

#### **Solution Services**

Solution services revenue were marginally down in 2Q14 to RM2.99 million (2Q13 – RM3.08m) as the result of lower software maintenance revenue. While this was offset by higher one off hardware and software sales during the quarter, the net effect was nevertheless a small decline in revenues.

#### **Transaction Payment Acquisition (TPA)**

TPA revenues increased significantly to RM34.16 million (2Q13 – RM3.97m) due to the inclusion of a full quarter's contribution from e-pay, which was acquired as a subsidiary in February 2014. e-pay predominantly generates TPA revenue through its direct contractual relationships with Telco companies and merchants for the provision of prepaid top-ups and bill payments.

As indicated in the geographic segment analysis below, TPA activities arising from credit card acceptance has recently been launched in Thailand and is pending Bank and regulatory approvals in Philippines and Malaysia.

## **B1. Review of Performance (Continued)**

### **Performance of the current quarter (2Q 2014) vs corresponding quarter (2Q 2013) by geographical segment**

2Q 2014 revenue increased +178.7% yoy with growth being recorded in all three of our main operating subsidiaries in Malaysia, Thailand and Philippines. GHL's Australian operations remain insignificant at this juncture. The largest contributors to GHL group's net profit were Malaysia and the Philippines. Thailand operations recorded a small EBIT loss of RM0.04 million for this quarter. Given the stagnant demand caused by the current political uncertainty in Thailand, the subsidiary tightly contained its operating expenditures. Overall, GHL group recorded a net profit after tax in the quarter of RM3.04 million vs RM1.56 million in 2Q 2013.

With e-pay's full quarter financial results reflected in this quarter, Malaysia operations accounted for 85.1% of group revenues for 2Q2014 (2Q2013: 66.0%). Excluding TPA, which was mostly derived from e-pay, Malaysia's revenues from both Shared Services and Solution Services were down yoy due to lower EDC hardware and card sales as well as lower software maintenance fees collected during 2Q 2014 vs a year ago. This reflects lower demand from the banks in terms of the outright purchase of EDC hardware and the deferment of some card sales. Malaysia is in advanced discussions with an acquiring bank to launch a TPA business centred around credit card acceptance. It is likely that this new TPA business will commence by 4Q this year.

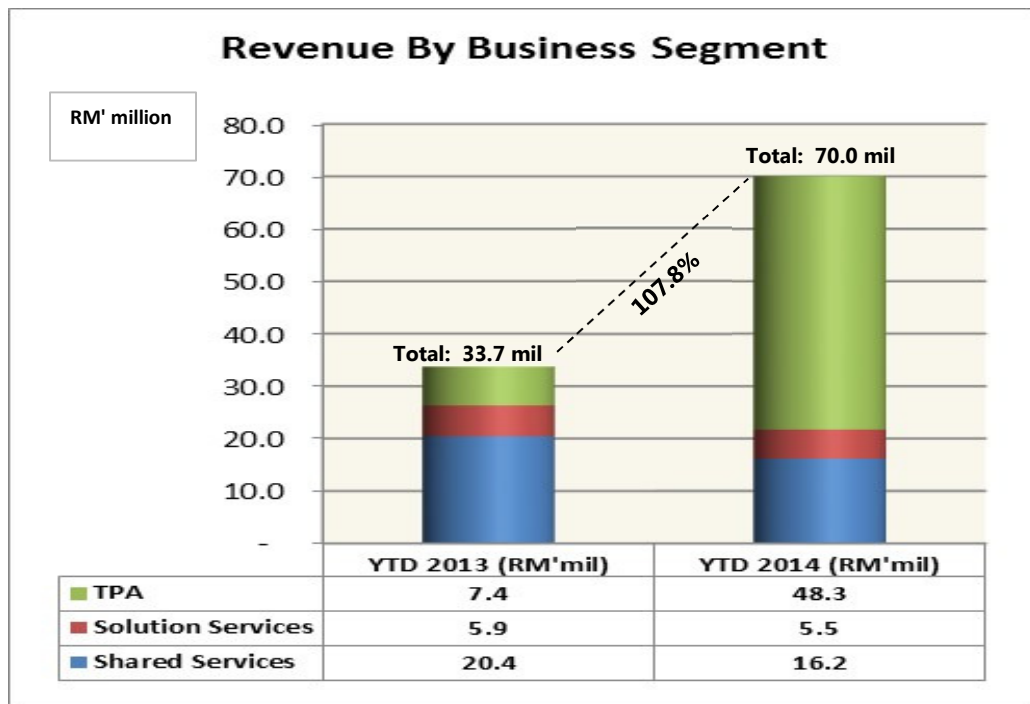
Philippine operations were the second largest contributor to Group revenue, accounting for 9.8% of 2Q 2014 total revenues. This second quarter saw revenues improve +12.5% yoy to RM4.42 million (2Q 2013 – RM3.93m) supported by higher growth in annuity income derived from the rental and maintenance of EDC terminals as well as higher non-recurring software sales from the Solution Services segment. The Group is presently laying the ground work to commence TPA on a wider scale and is presently awaiting approval from the bank regulators for a TPA arrangement similar to that signed with the Thailand bank earlier this year.

Thailand saw 2Q revenue increase +44.4% yoy to RM2.03 million (2Q 2013 RM1.41m) mostly due to an opportunistic sale of EDC terminal sales to a bank. Business has been negatively impacted by the political uncertainty in the country which continues to cause major corporations and banks to defer expenditure on payment infrastructure. In addition some contracts involving the government have been stalled pending the execution of required legislation. The TPA business commenced cautiously in the start of the 2Q as the group felt it prudent to scale back on marketing and sales programs in order to save costs given the uncertainty surrounding the country's political impasse. These programs will be extended once the political environment becomes clearer and banks and merchants start to re-grow the economy.

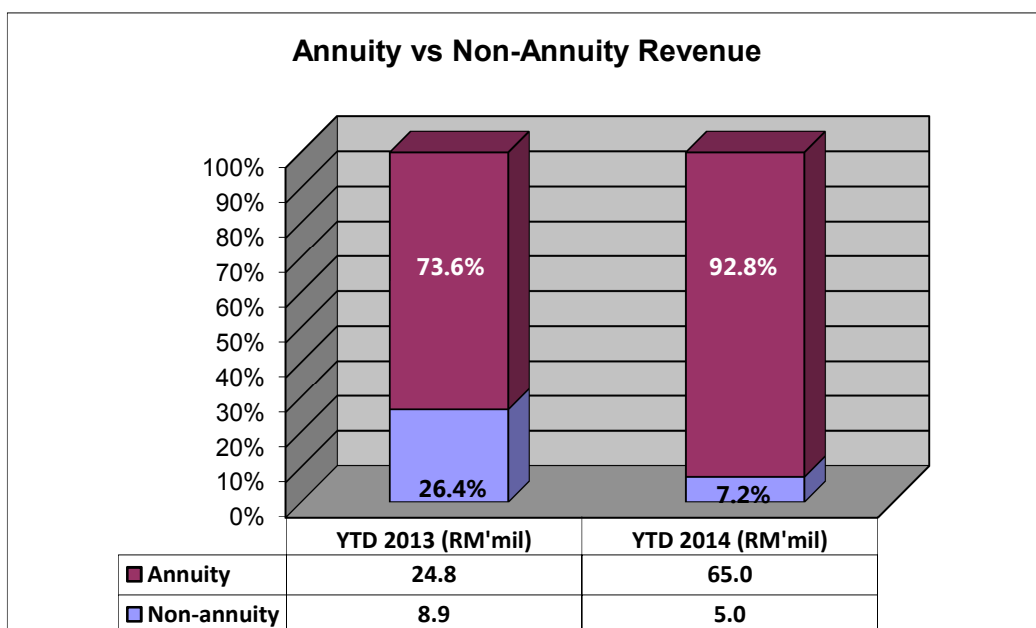
## B1. Review of Performance (Continued)

### Performance of the first half-year (1H 2014) vs the corresponding period (1H 2013) by segment

GHL group's turnover for the first half-year grew +107.8% yoy to RM70.06 million as compared to the equivalent last year (1H 2013 - RM33.72m). This was primarily due to the significant increase in TPA revenue derived from e-pay's operations. GHL group's net profit after tax improved by +28.8% yoy to RM4.58 million (2Q13 YTD – RM3.56m).



Shared services and Solution services declined yoy, due mainly to Malaysia operations where EDC hardware sales and card sales in 1H14 dropped sharply against the same period last year. Both the Philippine and Thailand operations showed yoy revenue improvements of 12.5% and 44.4% respectively.





#### **B1. Review of Performance (Continued)**

With the inclusion of e-pay's operations, the Group's annuity based revenues has risen significantly to 92.8% as compared to 73.6% previously. This is completely congruent with GHL group's strategy of reducing over time, non-annuity income from EDC hardware and software sales to recurrent revenue from on-going rental and maintenance contracts as well as TPA revenue.

#### **B2. Current Year's Prospects**

The Group is in a fundamentally stronger position in 2014 as compared to 2013. The e-pay acquisition has boosted 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 revenue in the first 6 months of 2014 grew by +107.8% yoy.

The Group is in the process of integrating e-Pay's operations into the GHL group. The acquisition of e-pay has significantly expanded our footprint in Malaysia by roughly adding a further 18,000 point of sales. Apart from integration costs, the Group has already commenced formulating and implementing strategies to leverage cross selling opportunities that exists between the point of sales of both companies.

The political turmoil in Thailand has continues to cause concern and several of our banking and merchant partners have adopted a wait and see stance. A few months on, since the announcement of the military coup, the Group has seen small signs of normalcy returning and is hopeful that conditions will continue to improve further.

In the first-half year of 2014, the Group invested resources in developing the sales channels and systems to grow GHL's TPA business in the three main markets that it operates in namely; Malaysia, Thailand and Philippines. This investment in people and systems has temporarily increased overheads ahead of revenue to be generated from future sales and this timing mis-match is reflected in the group's results. Also in some countries, GHL has to await the approval of banks and regulatory authorities before it can implement the TPA initiative and this has delayed TPA implementation. Regardless, the Group has identified the TPA initiative as the main engine of growth for the near to medium term. The Group is committed to serving the smaller merchant segment that has hitherto been largely unserved throughout the ASEAN region. GHL intends to be clearly seen as the leading merchant acquirer for credit cards and other payment products in ASEAN in the near term.

GHL Group expects 2014 prospects to remain 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>30/06/2014</u> RM'000	Preceding Year Corresponding Quarter <u>30/06/2013</u> RM'000	Current Year To Date <u>30/06/2014</u> RM'000	Preceding Year Corresponding Period <u>30/06/2013</u> RM'000
Amortisation of intangible asset	321	-	595	-
Bad debts written off	2	-	3	-
Depreciation of property, plant and equipment	2,883	2,069	5,161	3,991
(Gain)/Loss on foreign exchange				
- Realised	(215)	(21)	(65)	42
- Unrealised	(124)	64	(867)	60
(Gain)/Loss on disposal of fixed assets	5	-	40	(1)
Gain on disposal of investment	(76)	-	(76)	-
Impairment loss on receivables	40	-	40	-
Interest income	(113)	(47)	(216)	(81)
Interest expenses	468	46	562	97
Inventory written off	-	-	(41)	-
Rental expenses	598	307	919	601
Reversal of allowance for doubtful debts	(87)	(10)	(94)	(70)

**B5. Taxation**

	Current Quarter <u>30/06/2014</u> RM'000	Preceding Year Corresponding Quarter <u>30/06/2013</u> RM'000	Current Year To Date <u>30/06/2014</u> RM'000	Preceding Year Corresponding Period <u>30/06/2013</u> RM'000
Tax expenses	(514)	104	(521)	104

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 30 June 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 30 June 2014.

#### B8. Status of Corporate Proposals

- (a) There were no corporate proposals announced and not completed as at the date of this report.
- (b) On 6 March 2014, GHL raised gross proceeds of RM35.3 million from the proposed subscription of 84,126,858 new ordinary shares pertaining to the Share Subscription Agreement ("SSA") with Cycas, and has utilised approximately 65.5% of the proceeds as at 30 June 2013.

The gross proceeds raised from the Proposed Subscription are expected to be utilised in the following manner:

Purpose	Proposed utilisation	Actual utilisation	Balance unutilised		Intended time frame for utilisation from listing date
	RM'000	RM'000	RM'000	%	
Cash consideration paid for e-pay Asia Limited acquisition	2,621	2,621	-	-	Utilised
Related acquisition cost	2,000	2,000	-	-	Utilised
<u>Working Capital</u>					
Payroll expenses	21,499	12,533	8,966	41.7	Within 12 months
Administrative expenses	6,142	4,642	1,500	24.4	Within 12 months
Distribution expenses	3,071	1,343	1,728	56.3	Within 12 months
<b>Total</b>	<b>35,333</b>	<b>23,139</b>	<b>12,194</b>	<b>34.5</b>	

#### B9. Group Borrowings and Debt Securities

The Group's borrowings and debt securities as at 30 June 2014 are as follows:-

##### (a) Bank Borrowings

	Total Secured Term Loan RM'000
Repayable within twelve months	23,867
Repayable more than twelve months	15,824
	<b>39,691</b>

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	5,580	5,779
(ii) structured investment of the Group	8,000	6,000
(iii) a Corporate Guarantee by parent entity	64,000	43,000
	<b>77,580</b>	<b>54,779</b>

# **B9. Group Borrowings and Debt Securities (Cont'd)**

## **(a) Bank Borrowings (Cont'd)**

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
- (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**

	<b>Total Hire Purchase RM'000</b>
Repayable within twelve months	745
Repayable more than twelve months	1,691
	<b>2,436</b>

The hire purchase payables of the Group as at 30 June 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**

	<b>As at 30/06/2014</b>	<b>As at 31/12/2013 (Audited)</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profit of the Group:-		
- Realised	(64,961)	(58,766)
- Unrealised	2,162	2,370
	(62,799)	(56,396)
Less: Consolidation adjustment	85,754	74,764
<b>Total group retained</b>	<b>22,955</b>	<b>18,368</b>

# **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 30 June 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**

Basic earnings per ordinary share for the financial period is calculated by dividing the profit for the financial period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the financial period.

## **b) Diluted earnings per share**

Diluted earnings per ordinary share for the financial period is calculated by dividing the profit for the financial period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the financial period adjusted for the effects of dilutive potential ordinary shares.

<u>Basic</u>		<b>Current Quarter 30/06/2014</b>	<b>Preceding Year Corresponding Quarter 30/06/2013</b>	<b>Current Year To Date 30/06/2014</b>	<b>Preceding Year Corresponding Period 30/06/2013</b>
Profit attributable to owners of the Company	(RM'000)	3,044	1,573	4,587	3,583
Weighted average number of ordinary shares in issue and issuable	(Unit'000)	420,805	145,386	336,778	145,386
Basic earnings per share	(Sen)	0.72	1.08	1.36	2.46

<u>Diluted</u>		<b>Current Quarter 30/06/2014</b>	<b>Preceding Year Corresponding Quarter 30/06/2013</b>	<b>Current Year To Date 30/06/2014</b>	<b>Preceding Year Corresponding Period 30/06/2013</b>
Profit attributable to owners of the Company	(RM'000)	3,044	1,573	4,587	3,583
Weighted average number of ordinary shares in issue and issuable	(Unit'000)	428,317	145,386	344,290	145,386
Diluted earnings per share	(Sen)	0.71	1.08	1.33	2.46