



GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016
THE FIGURES HAVE NOT BEEN AUDITED

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/6/2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/6/2015 RM'000	CURRENT YEAR TO DATE 30/6/2016 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2015 RM'000
			-		-
Revenue *	A8	62,449	49,748	118,328	102,300
Cost of sales *		(38,825)	(30,338)	(71,427)	(62,730)
Gross profit		23,624	19,410	46,901	39,570
Other operating income		1,487	1,045	2,394	1,993
Payroll expenses		(11,815)	(10,408)	(23,021)	(20,208)
Administration expenses		(3,223)	(2,986)	(6,007)	(5,956)
Distribution costs		(1,524)	(1,016)	(3,345)	(1,952)
Other expenses		(289)	(121)	(1,028)	(1,100)
Profit before interest, taxation, amortisation & depreciation		8,260	5,924	15,894	12,347
Depreciation expenses		(1,201)	(1,259)	(2,420)	(2,513)
Finance cost		(505)	(778)	(1,153)	(1,498)
Share of results of associated companies		(27)	(3)	(84)	(37)
Profit before taxation		6,528	3,884	12,237	8,299
Income tax expense		(1,824)	(1,168)	(3,203)	(2,258)
Profit for the period		4,703	2,716	9,034	6,041
Attributable to:					
Owners of the Company		4,693	2,731	9,020	6,069
Non-controlling interest		10	(15)	14	(28)
		4,703	2,716	9,034	6,041
Earnings Per Ordinary Share					
- Basic (sen)	B14	0.72	0.42	1.39	0.95
- Diluted (sen)	B14	0.72	0.42	1.38	0.93
Profit for the period		4,703	2,716	9,034	6,041
Other comprehensive income, net of tax					
Foreign currency translation differences		(1,357)	1,247	(1,357)	2,810
Total comprehensive income for the period		3,346	3,963	7,677	8,851
Total comprehensive income attributable to:					
Owners of the Company		3,336	3,978	7,663	8,879
Non-controlling interest		10	(15)	14	(28)
		3,346	3,963	7,677	8,851

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 SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016
THE FIGURES HAVE NOT BEEN AUDITED

	<u>Note</u>	AS AT CURRENT YEAR QUARTER 30/6/2016 (Unaudited) RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2015 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		56,650	56,797
Goodwill on consolidation		105,630	105,630
Intangible assets		2,846	3,351
Other investment		8,077	8,071
Deferred tax assets		467	1,156
		<u>173,670</u>	<u>175,005</u>
Current assets			
Inventories		70,333	62,781
Trade receivables		35,144	34,079
Other receivables		9,617	34,957
Tax recoverable		2,689	1,242
Fixed deposits placed with licensed banks		7,364	6,848
Cash and bank balances		36,393	52,256
		<u>161,540</u>	<u>192,163</u>
TOTAL ASSETS		<u>335,210</u>	<u>367,168</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		130,301	129,969
Reserves		115,947	107,609
Treasury Shares		(638)	(638)
Equity attributable to equity holders of the parent		<u>245,610</u>	<u>236,940</u>
Non controlling interest		56	42
Total equity		<u>245,666</u>	<u>236,982</u>
Non-current liabilities			
Hire purchase payables	B9	2,183	3,259
Bank borrowing	B9	12,094	14,746
Deferred tax liability		810	807
Deferred income		-	184
		<u>15,087</u>	<u>18,996</u>
Current liabilities			
Trade payables		13,862	11,819
Other payables		35,395	66,871
Deferred income		1,059	255
Hire purchase payables	B9	2,038	2,150
Bank borrowings	B9	17,801	26,358
Tax payable		4,303	3,737
		<u>74,458</u>	<u>111,190</u>
Total liabilities		<u>89,545</u>	<u>130,186</u>
TOTAL EQUITY AND LIABILITIES		<u>335,211</u>	<u>367,168</u>
Net assets per share (sen)			
		37.78	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)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 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 / (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 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	<u>129,969</u>	<u>71,077</u>	<u>1,047</u>	<u>492</u>	<u>(638)</u>	<u>34,993</u>	<u>236,940</u>	<u>42</u>	<u>236,982</u>
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	332	593	-	-	-	-	925	-	925
Share option granted under ESS	-	-	-	82	-	-	82	-	82
Total comprehensive income for the year	-	-	(1,357)	-	-	9,020	7,663	14	7,677
Forex exchange differences	-	-	-	-	-	-	-	-	-
At 30 June 2016	<u>130,301</u>	<u>71,670</u>	<u>(310)</u>	<u>574</u>	<u>(638)</u>	<u>44,013</u>	<u>245,610</u>	<u>56</u>	<u>245,666</u>

(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
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STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016
THE FIGURES HAVE NOT BEEN AUDITED

	CURRENT YEAR TO DATE 30/6/2016 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,237	8,299
Adjustment for:-		
Amortisation of development cost	410	494
Amortisation of deferred income	(386)	-
Depreciation of property, plant and equipment	8,617	7,363
Impairment loss on receivables	467	148
Interest expense	1,153	1,498
Interest income	(372)	(608)
Inventories written back	287	-
Loss/(Gain) on disposal of property, plant and equipment	(52)	(5)
Property, plant and equipment written-off	166	3
Reversal of impairment on trade receivables	(74)	(109)
Share options granted under ESS	82	248
Share of loss from an associate	84	37
Unrealised loss on foreign exchange	222	527
Operating profit before working capital changes	22,841	17,895
(Increase)/Decrease in working capital		
Inventories	(17,297)	(2,683)
Trade and other receivables	23,022	(10,556)
Trade and other payables	(28,948)	9,168
	(22,199)	(4,071)
Cash generated from operations	642	13,824
Interest received	372	608
Interest paid	(1,153)	(1,498)
Tax paid	(4,173)	(63)
	(4,954)	(953)
Net cash from operating activities	(4,312)	12,871
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(1,154)	(2,399)
Purchase of other investment	(90)	-
Proceeds from disposal of property, plant and equipment	79	-
Addition in intangible assets	(744)	(706)
Net cash used in investing activities	(1,909)	(3,105)
Cash Flows From Financing Activities		
Proceeds from issuance of shares	-	939
Proceeds from issuance of shares-ESOS	925	-
(Increase)/Decrease in fixed deposits pledged	(124)	(772)
Drawdown of hire purchase	180	-
Repayment of hire purchase payables	(1,054)	(958)
Drawdown of bank borrowings	-	12,500
Repayment of bank borrowings	(10,973)	(13,848)
Net cash used in financing activities	(11,046)	(2,139)
Net increase/(decrease) in cash and cash equivalents	(17,267)	7,627
Effect of exchange rate fluctuation	1,821	(259)
Cash and cash equivalents at beginning of the finance period	52,305	39,442
Cash and cash equivalents at end of the finance period	36,859	46,810
Cash and cash equivalents at end of the finance year:-		
Cash and bank balances	36,393	45,069
Fixed deposits with licensed banks	7,364	8,399
	43,757	53,468
Less: Fixed deposits pledged to licensed banks	(6,898)	(6,658)
Less: Cash at bank pledged to licensed banks	-	-
	36,859	46,810

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

Part A: Explanatory notes on consolidated results for the 1st quarter ended 30 June 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 2015, 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 2015.

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 2016 other than the followings:

- a) Issuance of 1,000,000 new ordinary shares of RM0.20 each under the Executives Share Option at an issue price of RM0.574.

A7. Dividend Paid

There were no dividends paid for the current quarter and year to date ended 30 June 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



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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

- ii) e-pay services which provides Telco prepaid and other top-up facilities and, bill collection services for consumers (“reload and collection services”) and
- ii) GHL’s direct merchant acquiring and card payment services (“card payment services”)

Performance is measured based on core businesses revenue and geographical profit before tax and interest, as included in the internal management reports that are reviewed by the Group’s Chief Executive Officer. Core businesses revenue and geographical profit are used to measure performance as management believes that such information are the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.



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A8. Segmental Reporting (continued)

Quarter - 30 June	Malaysia		Philippines		Thailand		Australia		Adjustment and Elimination		Consolidated	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
REVENUE												
External Sales												
Shared Services	9,010	6,055	3,814	4,054	847	601	-	-	-	-	13,671	10,710
Solution Services	1,660	1,503	510	175	1,362	136	240	255	-	-	3,772	2,069
Transaction Payment Acquisition	43,082	35,391	1,575	1,104	348	474	-	-	-	-	45,005	36,969
Inter-segment sales	9,890	4,869	-	-	-	-	-	-	(9,890)	(4,869)	-	-
	63,642	47,818	5,899	5,333	2,557	1,211	240	255	(9,890)	(4,869)	62,449	49,748
RESULTS												
Segment results	6,634	4,256	(64)	669	225	(336)	45	64	-	(280)	6,840	4,373
Interest income											192	289
Interest expense											(505)	(778)
Profit before taxation											6,527	3,884
Taxation											(1,824)	(1,168)
Net profit for the period											4,703	2,716

Cumulative - 30 June	Malaysia		Philippines		Thailand		Australia		Adjustment and Elimination		Consolidated	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
REVENUE												
External Sales												
Shared Services	15,711	12,943	8,256	7,824	1,602	1,351	-	-	-	-	25,569	22,118
Solution Services	3,002	2,976	1,254	450	1,479	166	505	489	-	-	6,241	4,081
Transaction Payment Acquisition	83,014	73,137	2,806	2,040	698	924	-	-	-	-	86,518	76,101
Inter-segment sales	15,162	9,014	-	-	-	-	-	-	(15,162)	(9,014)	-	-
	116,889	98,070	12,316	10,314	3,780	2,441	505	489	(15,162)	(9,014)	118,328	102,300
RESULTS												
Segment results	11,898	8,720	739	1,373	301	(477)	80	123	-	(550)	13,018	9,189
Interest income											372	608
Interest expense											(1,153)	(1,498)
Profit before taxation											12,237	8,299
Taxation											(3,203)	(2,258)
Net profit for the period											9,034	6,041



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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 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	20,380
(b) Corporate guarantee – Financial Institution and trade suppliers	90,980
	<u>111,360</u>

A13. Capital Commitment

The amount of capital commitment for purchase property, plant and equipment not provided for as at 30 June 2016 are as follows:

	RM'000
Approved but not contracted for	<u>435</u>



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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 30/6/2016 RM'000	Preceding Year Corresponding Quarter 30/6/2015 RM'000	Current Year To Date 30/6/2016 RM'000	Preceding Year Corresponding Period 30/6/2015 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") *	-	-	-	25
@ Office rental paid to Telemas Corporation Sdn Bhd ("Telemas") *	120	111	234	216

[^] 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. She has resigned on 3 March 2015.

@ 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.



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

B1. Review of Performance

Performance of current quarter (2Q 2016) vs corresponding quarter (2Q 2015) by segment

GHL group's 2Q16 turnover grew +25.5% yoy to RM62.5 million as compared to RM49.8 million for the corresponding period in 2015. 2Q16 pre-tax profits were also higher at RM6.5 million as compared to RM3.9 million in 2Q15 and, net profits similarly grew to RM4.7 million effectively increasing 74% yoy from the RM2.7 million earned in 2Q15. The group's increase in its top-line of RM12.7 million was primarily driven by the TPA division (72%) however, both Shared Services and Solutions Services contributed 22% and 6% respectively to the overall increase. Net profit margins during this quarter improved due to a more normalised tax rate as compared to 2Q15, improved operating margins and lower interest expenses.

The performance of the individual segments are as follows.

Shared Services

Shares services division gross revenue in 2Q16 grew strongly by +27.6% yoy to RM13.67 million (2Q15 – RM10.71m) due to better EDC hardware sales, rental and maintenance fees collected.

Solutions Services

Solutions services gross revenue was up +82.3% in 2Q16 to RM3.77 million (2Q15 – RM2.07m) due to better non-recurrent hardware and software sales. Recurring rental and maintenance revenues were down marginally by -0.7%.

Transaction Payment Acquisition (TPA)

The TPA business has 2 distinct components, each in a different stage of development. These are; i) e-pay's direct contractual relationships with merchants to provide Telco prepaid and other top-up facilities and, bill collection services for consumers ("reload and collection services") and ii) GHL's direct contractual relationships with merchants to provide international and domestic card payment services ("card payment services"). Each of these is described in more detail as follows:-

e-pay (reload and collection services)

e-pay is the largest provider of reload and collection services in Malaysia. It has approximately 25,000 acceptance points nationwide, encompassing all petrol chains, the largest convenience store chains and over 8,000 general stores. The e-pay brand is well known to consumers who use the service. With over 15 years' experience, e-pay is clearly the market leader in Malaysia within this industry segment.



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B1. Review of Performance (continued)

A summary of key data relating to the e-pay business is found in the Table 1 below. As can be seen, the transaction value processed by e-pay has grown strongly with margins remaining relatively unchanged. 2Q16 top-line transaction value processed was higher at +12.3% yoy (2Q15 sales were impacted due to the implementation of GST.)

Table 1

e-pay (All stated in RM' Millions unless stated otherwise)	2Q 2015	2Q 2016	% change
Transaction Value Processed	788.73	885.83	12.3%
Gross Revenue	31.94	36.45	14.1%
Gross Revenue/Transaction Value (Note 1)	4.05%	4.10%	0.1%
Gross Profit	10.81	11.18	3.5%
Gross Profit/Transaction Value (Note 1)	1.37%	1.30%	-0.1%
Number of Merchant Acceptance Points (Thousands) (Note 2)	26.88	30.89	14.9%

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

Note 2 – Merchant Acceptance Points means the number of merchant outlets that accept e-pay products and services

GHL (card payment services)

The TPA card payment services business is relatively new and is mainly driven by our TPA arrangement with a leading Malaysian domestic bank. The existing GHL TPA data as shown in Table 2 comprises of the following activities (listed in order of size) ; (i) Various revenue sharing arrangements under direct contracts with merchants and banks in Malaysia, Thailand and Philippines (ii) Malaysian domestic debit card ("MyDebit") merchant acquisition (iii) Internet TPA ("eGHL").

A summary of key data relating to the card payment business is found in Table 2 below. While the transaction value processed grew strongly at 33.9%, margins improved quarter on quarter due to higher transaction values processed in 2Q2016 whereby a full quarter's contribution was recorded as opposed to 2Q15 when only a partial quarter was recorded as TPA in Malaysia only commenced in May. Over the longer term, however, margins should stabilise as more merchants are on-boarded and a larger portfolio is built.

Table 2

GHL TPA only (All stated in RM' Millions unless stated otherwise)	2Q 2015	2Q 2016	% change
Transaction Value Processed	422.92	566.09	33.9%
Gross Revenue	5.03	8.55	69.9%
Revenue/Transaction Value (Note 1)	1.19%	1.51%	0.3%
Gross Profit	2.23	3.56	60.0%
Gross Profit/Transaction Value (Note 1)	0.53%	0.60%	0.1%
Number of Merchant Acceptance Points (Thousands) (Note 2)	38.56	51.51	33.6%

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

Note 2 – Merchant Acceptance Points means the number of merchant outlets that accept GHL TPA products and services



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B1. Review of Performance (continued)

TPA gross revenues grew strongly at +21.7% in 2Q16 to reach RM45.0 million (2Q15 – RM37.0m) due to revenue growth from e-pay as well as card payments TPA. GHL group had previously announced the completion of several TPA agreements with banks both in Malaysia and the Philippines. Towards the end of 2Q2016, GHL commenced recruiting merchants under a TPA arrangement with a major Bank in the Philippines. The financial impact of this will only be seen in 2H16.

Performance of current quarter (2Q 2016) vs corresponding quarter (2Q 2015) by geographical segment

2Q 2016 revenue was up +25.5% yoy with growth being recorded in Malaysia, Thailand and Philippines and a small decline in Australia. The group's 2Q15 pre-tax profit grew 68% to RM6.53 million yoy (RM3.88 million pre-tax profit in 2Q15).

Malaysian operations accounted for 86% of group revenues in 2Q2016 with +49.0% yoy growth in Shared Services due to higher EDC hardware sales and higher rental revenue. The TPA segment grew +22% yoy as both the e-pay and payment card TPA businesses showed strong growth. Solutions Services was also up +10.4% yoy due to improved hardware sales even though tempered by lower rental and maintenance revenue.

Philippine operations was the second largest contributor, accounting for 9.4% of 2Q16 group revenues. This 2nd quarter saw revenues grow +11% yoy to RM5.90 million (2Q15 – RM5.33 million) supported by growth in Solutions Services and TPA. Shared Services revenue declined however, due to lower rental and maintenance revenue in 2Q16. The subsidiary also had to invest considerable time and resources to implement systems and processes ahead of its TPA launch with a leading bank in July 2016. This new initiative will begin to contribute to the group's results in 2H16.

Thailand operations revenue jumped +111% in 2Q16 to RM2.56 million (2Q15 RM1.21 million) as the subsidiary recorded strong growth in its Solutions Services division stemming from hardware and software sales to a bank. The Shared Services segment saw a small increase due to better collection of rental and maintenance revenue. TPA revenues saw a decrease to RM348,000 (2Q15 – RM474,000) from lower rental revenue as well as lower transaction fee income.

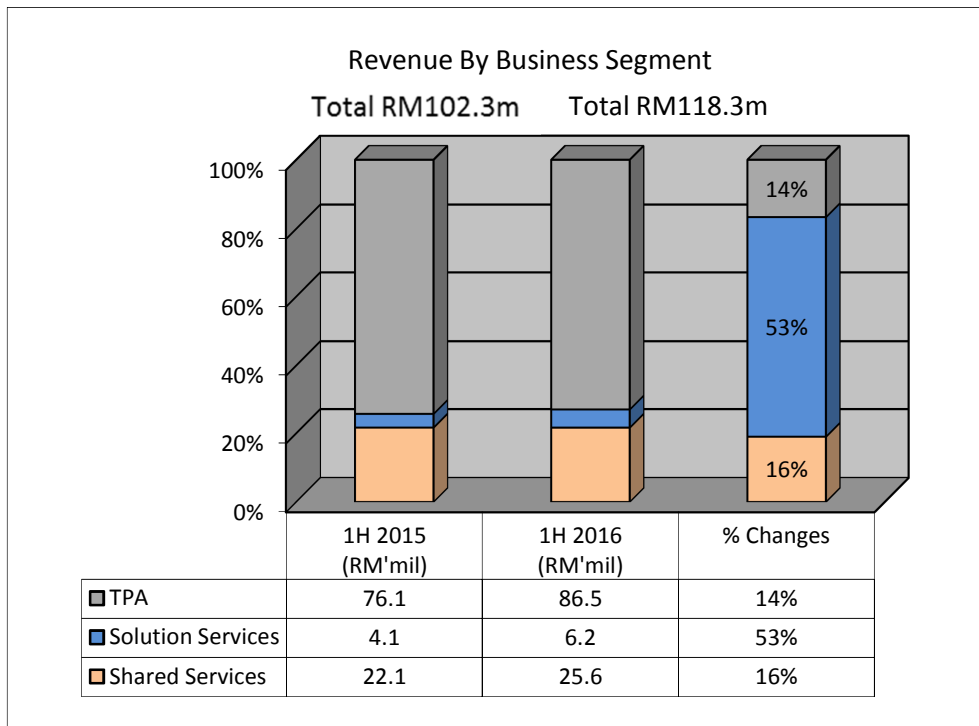
The group's Australian operations recorded revenues of RM240,000 in 2Q16 (2Q15 – RM255,000) on an ongoing maintenance project in Australia. There were no Shared Solutions and TPA revenues recorded by our Australian operations.

Performance of year to date period (1H16) vs corresponding period (1H15) by segment

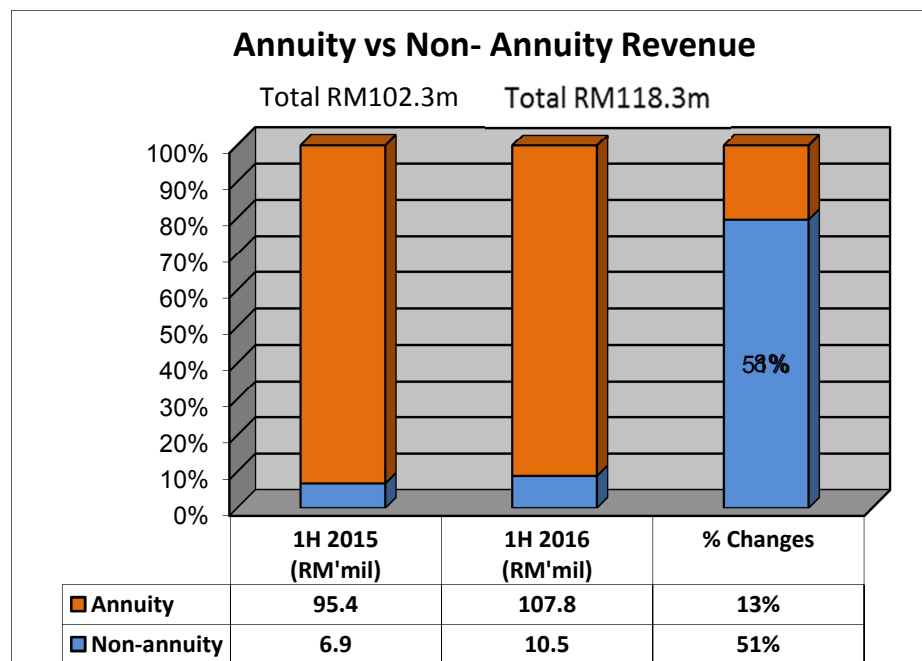
Group turnover grew +16% yoy to RM118.3 million (1H15 – RM102.3 million) with growth registered in all three operating segments as well as all geographical markets. Pre-tax profits grew 47% to RM12.2 million as compared to RM8.3 million a year ago and pre-tax margins were 10%, an improvement over 1H15's pre-tax margins of 8%.

Net profit after tax grew +50% yoy to RM9.03 million (1H15 – RM6.04 million) driven by better margins from hardware sales as well as a full 6 month contribution from the card payment TPA in 1H16. Net profit growth was slightly stronger as compared to pre-tax profit growth due to higher taxation rates in 1H15 (slightly lower effective tax in 2Q16).

B1. Review of Performance (continued)



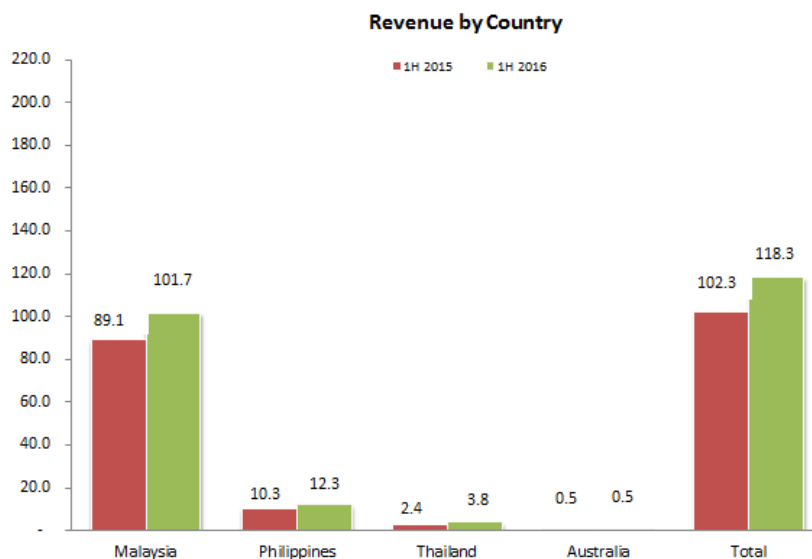
Shared Services, Solutions Services and TPA all recorded growth in the first 6 months of 2016 as compared to the same period last year.



The annuity based revenue component within the groups' total revenue remains high but was marginally lower at 91.1% in 1H16 as compared to 93.3% 1H15 due to opportunistic hardware and software sales in 1H16. The group's strategy is to continue to grow the TPA and other businesses that have a strong annuity based revenue and de-prioritise non-recurrent hardware and software sales. As TPA gathers momentum in all 3 geographical markets, we expect annuity revenues will grow even stronger.

B1. Review of Performance (continued)

Performance of year to date period (1H 2016) vs corresponding period (1H 2015) by country



1H16 group turnover grew +16% yoy to RM118.3 million (1H15 – RM102.3m). Pre-tax profits grew 47% to RM12.2 million as compared to RM8.3 million a year ago and pre-tax margins were 10%, an improvement over 2Q15's pre-tax margins of 8%.

Malaysian operations contributed 86% (1H15 – 87%) of group turnover and the increase was due to better performance from the Shared Services and TPA businesses as the result of a full 6 month contribution from the TPA business with a major local Malaysian bank. EBIT margins 10% for 1H16, an improvement from 9% in 1H15.

Philippines turnover grew 19% yoy to RM12.3m (1H15 - RM10.3m) with EBIT margins dropping to 6% from 13.3% in 1H15 due to higher expenses relating to the TPA rollout with a major Philippine bank towards the end of 2Q16. Shared Services, Solutions Services and TPA all registered yoy growth but higher expenditure impacted its profitability for the period under review.

Thailand recorded a growth in top-line revenue of +55% due higher hardware sales from its Solutions services segment. TPA saw 1H16 revenue of RM698,000 vs 1H15 revenues of RM924,000 due to ongoing competition amongst the Thai banks in the card payment segment. The business climate remains lacklustre in Thailand due to competitive pressures from some of the Thai commercial banks and the group is exploring other avenues such as loyalty card payments where we retain a competitive edge. EBIT turned positive at RM301,000 as compared to losses before interest of RM477,000 in 1H15.

Australia remains the smallest contributor to group operations at RM505,000 or 0.4% of group turnover compared to 1H15 turnover of RM489,000. This led to a small EBIT contribution of RM80,000 compared to RM123,000 in the same period of the previous year.



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B2. Current Year's Prospects

Since the middle of 2015, the Group has 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 will see the first full 12 month's impact of these TPA agreements as we had only commenced direct merchant acquiring in the middle of 2015. The payments landscape in Malaysia remains fluid due to directives and incentives put in place by Bank Negara. The targets set for the banking fraternity by Bank Negara has noticeably caused the competitive environment to become intense. GHL is optimistic that these changes will positively impact its 2016 performance as the acquiring Banks grow their merchant card acceptance points through the TPA initiative particularly in the smaller merchant segment.

In the Philippines, whereas the previous TPA arrangements were restricted to revenue sharing arrangements with acquiring banks, the Group has now commenced its TPA business and is now directly contracting with merchants. This model is consistent with that implemented in Malaysia and it will enable the Philippines to target a much wider and larger segment within the marketplace. Merchants started being acquired under this model in the later part of 2Q2016 and the Group expects that this will lead to higher growth rates in the TPA business in 2H16 overall.

GHL Group is on track. We expect 2016 prospects to remain positive and the recent TPA tie-ups to contribute positively to the group's position in the coming years.

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 30/6/2016 RM'000	Preceding Year Corresponding Quarter 30/6/2015 RM'000	Current Year To Date 30/6/2016 RM'000	Preceding Year Corresponding Period 30/6/2015 RM'000
Amortisation of intangible asset	186	273	410	494
Depreciation of property, plant and equipment	4,484	3,794	8,617	7,363
Fixed assets written off/(written back)	104	-	166	
(Gain)/Loss on foreign exchange				
- Realised	302	6	224	345
- Unrealised	410	(24)	222	527
(Gain)/Loss on disposal of fixed Assets	(52)	(1)	(52)	(5)
Impairment loss on receivables	45	88	467	148
Interest income	(192)	(289)	(372)	(608)
Interest expenses	505	778	1,153	1,498
Inventory written off/(back)	-	-	287	-
Rental expenses	473	350	922	628
Reversal of allowance for doubtful Debts	(74)	(47)	(74)	(109)
Share based payment	42	124	82	248



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B5. Taxation

	Current Quarter 30/6/2016 RM'000	Preceding Year Corresponding Quarter 30/6/2015 RM'000	Current Year to Date 30/6/2016 RM'000	Preceding Year Corresponding Period 30/6/2015 RM'000
Current tax expenses based on based on profit for the financial year:				
Malaysian income tax	(1,363)	(1,065)	(2,567)	(2,008)
Foreign income tax	(11)	(103)	(186)	(250)
Deferred tax	(450)	-	(450)	-
Total	(1,824)	(1,168)	(3,203)	(2,258)

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 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 30 June 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 30 June 2016 are as follows:-

(a) Bank Borrowings

	Long-term Borrowings RM'000	Short-term Borrowings RM'000	Total RM'000
Ringgit Malaysia	10,000	16,065	26,066
Philippine peso	2,094	930	3,023
US dollar	-	806	806
	12,094	17,801	29,895



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B9. Group Borrowings and Debt Securities (continued)

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

	2016 RM'000	2015 RM'000
(i) term deposits of the Group	6,898	6,683
(ii) structured investment of the Group	8,000	8,000
(iii) a Corporate Guarantee by parent entity	74,000	74,000
	88,898	88,683

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

(b) Hire Purchase

	Long-term Hire Purchase RM'000	Short-term Hire Purchase RM'000	Total RM'000
Ringgit Malaysia	382	187	569
Philippine peso	1,801	1,851	3,652
	2,183	2,038	4,221

The hire purchase payables of the Group as at 30 June 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 30/6/2016	As at 30/6/2015
	RM'000	RM'000
Total retained profit of the Group:-		
- Realised	44,842	(43,027)
- Unrealised	(120)	1,419
	44,722	(41,608)
Less: Consolidation adjustment	709	72,328
Total group retained	44,013	30,720

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.



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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

There was no dividend declared for the current quarter and year to date 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.

<u>Basic</u>		Current Quarter <u>30/6/2016</u>	Preceding Year Corresponding Quarter <u>30/6/2015</u>	Current Year To Date <u>30/6/2016</u>	Preceding Year Corresponding Period <u>30/6/2015</u>
Profit attributable to owners of the Company	(RM'000)	4,693	2,731	9,020	6,069
Weighted average number of ordinary shares in issue and issuable	(Unit'000)	649,725	643,024	649,155	641,877
Basic earnings per share	(Sen)	0.72	0.42	1.39	0.95

<u>Diluted</u>		Current Quarter <u>30/6/2016</u>	Preceding Year Corresponding Quarter <u>30/6/2015</u>	Current Year To Date <u>30/6/2016</u>	Preceding Year Corresponding Period <u>30/6/2015</u>
Profit attributable to owners of the Company	(RM'000)	4,693	2,731	9,020	6,069
Weighted average number of ordinary shares in issue and issuable	(Unit'000)	653,160	650,918	652,597	649,136
Diluted earnings per share	(Sen)	0.72	0.42	1.38	0.93