



**GHL SYSTEMS BERHAD**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

THE FIGURES HAVE NOT BEEN AUDITED

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	<b>Note</b>	<b>30/6/2015</b>	<b>30/6/2014</b>	<b>30/6/2015</b>	<b>30/6/2014</b>
		<b>RM'000</b>	<b>RM'000</b> <b>(RESTATED)</b>	<b>RM'000</b>	<b>RM'000</b> <b>(RESTATED)</b>
Revenue *	A8	49,748	45,301	102,300	70,060
Cost of sales *		(30,338)	(27,387)	(62,730)	(39,367)
<b>Gross profit</b>		<b>19,410</b>	<b>17,914</b>	<b>39,570</b>	<b>30,693</b>
Other operating income		1,045	1,370	1,993	2,290
Payroll expenses		(10,408)	(9,265)	(20,208)	(16,802)
Administration expenses		(2,986)	(3,330)	(5,956)	(6,128)
Distribution costs		(1,016)	(1,018)	(1,952)	(1,765)
Other expenses		(121)	(498)	(1,100)	(654)
<b>Profit before interest, taxation, amortisation &amp; depreciation</b>		<b>5,924</b>	<b>5,173</b>	<b>12,347</b>	<b>7,634</b>
Depreciation expenses		(1,259)	(1,131)	(2,513)	(2,017)
Finance cost		(778)	(468)	(1,498)	(562)
Share of results of associated companies		(3)	(17)	(37)	49
<b>Profit before taxation</b>		<b>3,884</b>	<b>3,557</b>	<b>8,299</b>	<b>5,104</b>
Income tax expense		(1,168)	(514)	(2,258)	(521)
<b>Profit for the period</b>		<b>2,716</b>	<b>3,043</b>	<b>6,041</b>	<b>4,583</b>
<b>Attributable to:</b>					
Owners of the Company		2,731	3,044	6,069	4,587
Non-controlling interest		(15)	(1)	(28)	(4)
		<b>2,716</b>	<b>3,043</b>	<b>6,041</b>	<b>4,583</b>
Earnings Per Ordinary Share					
- Basic (sen)	B15	0.42	0.48	0.95	0.91
- Diluted (sen)	B15	0.42	0.48	0.93	0.89
<b>Profit for the period</b>		<b>2,716</b>	<b>3,043</b>	<b>6,041</b>	<b>4,583</b>
Other comprehensive income, net of tax					
Foreign currency translation differences		1,247	(128)	2,810	(45)
<b>Total comprehensive income for the period</b>		<b>3,963</b>	<b>2,915</b>	<b>8,851</b>	<b>4,538</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		3,978	2,916	8,879	4,542
Non-controlling interest		(15)	(1)	(28)	(4)
		<b>3,963</b>	<b>2,915</b>	<b>8,851</b>	<b>4,538</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 2014)



**GHL SYSTEMS BERHAD**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

THE FIGURES HAVE NOT BEEN AUDITED

		AS AT CURRENT YEAR QUARTER 30/6/2015 (Unaudited) RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2014 (Audited) RM'000
	<u>Note</u>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		53,304	49,449
Goodwill on consolidation		105,630	105,630
Intangible assets		4,100	3,888
Other investment		8,050	8,087
Deferred tax assets		992	1,263
		<u>172,076</u>	<u>168,317</u>
<b>Current assets</b>			
Inventories		47,234	51,766
Trade receivables		44,542	34,719
Other receivables		18,650	17,251
Tax recoverable		1,892	1,289
Fixed deposits placed with licensed banks		8,399	7,103
Cash and bank balances		45,069	38,225
		<u>165,786</u>	<u>150,353</u>
<b>TOTAL ASSETS</b>		<u>337,862</u>	<u>318,670</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		129,116	128,318
Reserves		104,244	94,979
Treasury Shares		(638)	(638)
<b>Equity attributable to equity holders of the parent</b>		<u>232,722</u>	<u>222,659</u>
Non controlling interest		105	133
<b>Total equity</b>		<u>232,827</u>	<u>222,792</u>
<b>Non-current liabilities</b>			
Hire purchase payables	B9	3,909	4,631
Bank borrowing	B9	10,463	6,685
Deferred tax liability		370	370
Deferred income		216	3
		<u>14,958</u>	<u>11,689</u>
<b>Current liabilities</b>			
Trade payables		6,594	16,176
Other payables		56,675	37,429
Deferred income		362	370
Hire purchase payables	B9	2,026	1,752
Bank borrowings	B9	22,656	27,398
Tax payable		1,764	1,064
		<u>90,077</u>	<u>84,189</u>
<b>Total liabilities</b>		<u>105,035</u>	<u>95,878</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>337,862</u>	<u>318,670</u>
<b>Net assets per share (sen)</b>			
		36.13	34.78

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2014)



**GHL SYSTEMS BERHAD**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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 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	358	251	-	184	-	-	793	-	793
Total comprehensive income for the year	-	-	-	-	-	4,587	4,587	(4)	4,583
Forex exchange differences	-	-	(45)	-	-	-	(45)	7	(38)
At 30 June 2014	84,380	56,894	(1,260)	830	(638)	22,955	163,161	(114)	163,047
At 1 January 2015	128,318	70,156	(373)	544	(638)	24,652	222,659	133	222,792
Issuance of ordinary shares pursuant to ESS	798	140	-	-	-	-	938	-	938
Share option granted under ESS	-	-	-	247	-	-	247	-	247
Total comprehensive income for the year	-	-	2,809	-	-	6,069	8,878	(28)	8,850
At 30 June 2015	129,116	70,296	2,436	791	(638)	30,721	232,722	105	232,827

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2014)


**GHL SYSTEMS BERHAD**
**STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015**

THE FIGURES HAVE NOT BEEN AUDITED

	<b>CURRENT YEAR TO DATE 30/6/2015 RM'000</b>	<b>PRECEDING YEAR CORRESPONDING PERIOD 30/6/2014 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	8,299	5,104
<b>Adjustment for:-</b>		
Amortisation of development cost	494	595
Bad debts written-off	-	3
Depreciation of property, plant and equipment	7,363	5,161
Impairment loss on receivables	148	40
Interest expense	1,498	562
Interest income	(608)	(216)
Inventories written back	-	(41)
Loss/(Gain) on disposal of property, plant and equipment	(5)	40
Property, plant and equipment written-off	3	-
Reversal of impairment on trade receivables	(109)	(94)
Share options granted under ESS	248	183
Share of gain from an associate	37	(49)
Unrealised gain on foreign exchange	527	(867)
<b>Operating profit before working capital changes</b>	<b>17,895</b>	<b>10,421</b>
<b>(Increase)/Decrease in working capital</b>		
Inventories	(2,683)	(4,595)
Trade and other receivables	(10,556)	5,101
Trade and other payables	9,168	(1,375)
Advance receipt from deferred income	-	(4,989)
	(4,071)	(5,858)
<b>Cash generated from operations</b>	<b>13,824</b>	<b>4,563</b>
Interest received	608	216
Interest paid	(1,498)	(562)
Tax paid	(63)	(1,094)
	(953)	(1,440)
<b>Net cash from operating activities</b>	<b>12,871</b>	<b>3,123</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(2,399)	(501)
Proceeds from disposal of property, plant and equipment	-	314
Addition in intangible assets	(706)	(617)
Acquisition of subsidiary for cash, net cash acquired	-	19,069
<b>Net cash used in investing activities</b>	<b>(3,105)</b>	<b>18,265</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of shares	939	35,942
(Increase)/Decrease in fixed deposits pledged	(772)	(5,576)
Drawdown of hire purchase	-	1,536
Repayment of hire purchase payables	(958)	(601)
Drawdown of bank borrowings	12,500	2,229
Repayment of bank borrowings	(13,848)	(2,161)
<b>Net cash used in financing activities</b>	<b>(2,139)</b>	<b>31,369</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,627</b>	<b>52,757</b>
<b>Effect of exchange rate fluctuation</b>	<b>(259)</b>	<b>417</b>
<b>Cash and cash equivalents at beginning of the finance period</b>	<b>39,442</b>	<b>13,997</b>
<b>Cash and cash equivalents at end of the finance period</b>	<b>46,810</b>	<b>67,171</b>
	-	-
<b>Cash and cash equivalents at end of the finance year:-</b>		
Cash and bank balances	45,069	34,976
Fixed deposits with licensed banks	8,399	37,871
	53,468	72,847
Less: Fixed deposits pledged to licensed banks	(6,658)	(5,676)
	46,810	67,171

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2014)



**GHL SYSTEMS BERHAD**  
**(Company No: 293040-D)**

**Part A: Explanatory notes on consolidated results for the second quarter ended 30 June 2015**

**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 2014.

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 2014.

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>Title</b>	<b>Effective Date</b>
Amendments to MFRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements 2010 - 2012 Cycle</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements 2011 - 2013 Cycle</i>	1 July 2014
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012-2014 Cycle</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	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 2014 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 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 December 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 2015 other than the followings:

- a) Issuance of 2,655,200 and 94,000 new ordinary shares of RM0.20 each under the Executives Share Option at an issue price of RM0.227 and RM0.574.

**A7. Dividend Paid**

There were no dividends paid for the current quarter and year to date ended 30 June 2015.

**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, prepaid top-up, bill collection services and conduct other 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.



Quarter - 30 June	Malaysia		Philippines		Thailand		Australia		Adjustment and Elimination		Consolidated	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>REVENUE</b>												
<u>External Sales</u>												
Shared Services	6,055	3,447	4,054	3,055	601	1,655	-	-	-	-	10,710	8,157
Solution Services	1,503	2,004	175	528	136	147	255	307	-	-	2,069	2,986
Transaction Payment Acquisition	35,391	33,090	1,104	836	474	232	-	-	-	-	36,969	34,158
Inter-segment sales	4,869	3,922	-	-	-	-	-	-	(4,869)	(3,922)	-	-
	<b>47,818</b>	<b>42,463</b>	<b>5,333</b>	<b>4,419</b>	<b>1,211</b>	<b>2,034</b>	<b>255</b>	<b>307</b>	<b>(4,869)</b>	<b>(3,922)</b>	<b>49,748</b>	<b>45,301</b>
<b>RESULTS</b>												
Segment results	4,256	3,418	669	770	(336)	(40)	64	(130)	(280)	(106)	4,373	3,912
Interest income											289	113
Interest expense											(778)	(468)
Profit before taxation											3,884	3,557
Taxation											(1,168)	(514)
Net profit for the period											<b>2,716</b>	<b>3,043</b>

Cumulative - 30 June	Malaysia		Philippines		Thailand		Australia		Adjustment and Elimination		Consolidated	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>REVENUE</b>												
<u>External Sales</u>												
Shared Services	12,943	7,736	7,824	6,030	1,351	2,402	-	-	-	-	22,118	16,168
Solution Services	2,976	3,976	450	803	166	421	489	346	-	-	4,081	5,546
Transaction Payment Acquisition	73,137	46,316	2,040	1,588	924	442	-	-	-	-	76,101	48,346
Inter-segment sales	9,014	7,538	-	-	-	-	-	-	(9,014)	(7,538)	-	-
	<b>98,070</b>	<b>65,566</b>	<b>10,314</b>	<b>8,421</b>	<b>2,441</b>	<b>3,265</b>	<b>489</b>	<b>346</b>	<b>(9,014)</b>	<b>(7,538)</b>	<b>102,300</b>	<b>70,061</b>
<b>RESULTS</b>												
Segment results	8,720	5,296	1,373	1,143	(477)	(342)	123	(439)	(550)	(208)	9,189	5,450
Interest income											608	216
Interest expense											(1,498)	(562)
Profit before taxation											8,299	5,104
Taxation											(2,258)	(521)
Net profit for the period											<b>6,041</b>	<b>4,583</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 2015 of the balance sheet date that have not been reflected in this report other than the followings:

On 15 July 2015, GHL Systems Berhad issued 50,000 and 170,000 new ordinary shares of RM0.20 each under the Executives Share Option at an issue price of RM0.227 and RM0.574.

On 18 August 2015, GHL Systems Berhad issued 236,000 new ordinary shares of RM0.20 each under the Executives Share Option at an issue price of RM0.574.

**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:

	<b>RM'000</b>
(a) Banker's guarantee in favour of third parties	
- Secured	20,364
(b) Corporate guarantee	89,000
	<u>109,364</u>

**A13. Capital Commitment**

The amount of capital commitment for purchase property, plant and equipment not provided for as at 30 June 2015 are as follows:

	<b>RM'000</b>
Approved but not contracted for	<u>3,547</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 30/6/2015 RM'000	Preceding Year Corresponding Quarter 30/6/2014 RM'000 (Restated)	Current Year To Date 30/6/2015 RM'000	Preceding Year Corresponding Period 30/6/2014 RM'000 (Restated)
^ 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
# 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	25	300
@ Office rental paid to Telemas Corporation Sdn Bhd ("Telemas") *	111	96	216	128

^ 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 current quarter (2Q 2015) vs corresponding quarter (2Q 2014) by segment**

GHL group turnover grew +9.8% yoy to RM49.75 million as compared to RM45.30 million for the corresponding period in 2014. 2Q15 pre-tax profits were slightly higher at RM3.88 million compared to RM3.56 million in 2Q14 but post-tax profit was lower at RM2.72 million (2Q14 RM3.04) due to a higher tax charges in 2Q15. The group's yoy topline growth stemmed from the Shared Services and TPA divisions with Solutions Services showing lower sales growth. Net profit margins during this quarter were however lower due to higher taxation, product mix and higher interest expenses. In the first half of 2015 GHL group delivered post-tax profits of RM6.04 million which is almost equivalent to the full year's results for 2014 (RM6.37 million). The group's balance sheet remains healthy with a net cash position of RM14.4 million as at 30th June, 2015 (31st December, 2014 – Net cash RM4.9 million).

The performance of the individual segments are as follows.

#### **Shared Services**

Shared services division gross revenue in 2Q15 grew strongly by +31.3% yoy to RM10.71 million (2Q14 – RM8.16m) due to better EDC hardware sales and rental/maintenance fees but lower card sales in 2Q15.

#### **Solutions Services**

Solutions services gross revenue was down – 30.7% in 2Q14 to RM2.07 million (2Q14 – RM2.99m) due to lower non-recurrent hardware and software sales. Even though rental and maintenance revenues grew by 29.6%, this was insufficient to offset the decline in hardware and software sales. Overall, this division recorded a yoy decline.

#### **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").

Overall, TPA gross revenues grew 8.2% in 2Q15 to reach RM36.97 million (2Q14 – RM34.16m) due to revenue growth from the reload and collections services (e-pay) as well as card payment services (GHL TPA). GHL group had previously announced the completion of several TPA agreements with banks both in Malaysia and Philippines. During 2Q2015, GHL commenced recruiting merchants in June 2015 under a TPA arrangement with a major Bank in Malaysia. The TPA business in Philippines was delayed to the 3Q pending Central Bank approval being obtained.

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 27,000 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.

A summary of key data relating to the e-pay business is found in the Table 1 below.

## B1. Review of Performance (continued)

**Table 1**

<b>e-pay</b> (All stated in RM' Millions unless stated otherwise)	<b>2Q 2014</b>	<b>2Q 2015</b>	<b>% change</b>
Transaction Value Processed	664.17	788.73	18.8%
Gross Revenue	29.24	31.94	9.2%
Revenue/Transaction Value (Note 1)	4.4%	4.0%	-8%
Gross Margin	9.02	10.81	19.9%
Margin/Transaction Value (Note 1)	1.36%	1.37%	0.9%
Number of Merchant Acceptance Points (Thousands) (Note 2)	21.46	26.88	25.2%

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 e-pay products and services

Transaction value processed increased 18.8% yoy primarily due to the introduction of new bill collection products, a larger number of merchant acceptance points and the introduction of GST on April 1, 2015 which inflated the transaction value processed by 6%. Gross revenue grew at a lower rate of 9.2% primarily due to the sales product mix. Gross margins grew by 19.9% because of higher transaction value processed for certain new bill collection products.

### **GHL (card payment services)**

This TPA card payment services business is relatively new and other than a minor TPA deployment in Thailand, it has not yet been deployed in our major markets. 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 and Philippines (Since 2008) (ii) Malaysian domestic debit card (“MyDebit”) merchant acquisition (since 2003) (iii) Internet TPA (“eGHL”) in Malaysia (Since 2Q 2014) and Thailand (Since 2013), and (iv) “Card Present” TPA (i.e. non-internet TPA) in Thailand (Since 2Q 2014).

**Table 2**

<b>GHL TPA only</b> (All stated in RM' Millions unless stated otherwise)	<b>2Q 2014</b>	<b>2Q 2015</b>	<b>% change</b>
Transaction Value Processed	401.7	422.9	5.3%
Gross Revenue	4.8	5.0	4.9%
Revenue/Transaction Value (Note 1)	1.2%	1.2%	0%
Gross Margin	2.3	2.2	-3.7%
Margin/Transaction Value (Note 1)	0.58%	0.53%	-8.6%
Number of Merchant Acceptance Points (Thousands) (Note 2)	27.5	38.6	40.3%

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

TPA transaction value processed grew to RM422.9 million (2Q 2014 – RM401.7 million) primarily due to growth in the merchant acceptance base and stronger growth in the Philippines. Gross revenue grew at a lower rate than transaction value growth because of decreases in the merchant discount rate in Malaysia which further impacted the gross margin.

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

### **Performance of current quarter (2Q 2015) vs corresponding quarter (2Q 2014) by geographical segment**

2Q 2015 revenue was up +9.8% yoy with growth being recorded in Malaysia and Philippines but declines in Thailand and Australia. Malaysia and Philippines are the primary contributors to the bottomline with Australia being a smaller contributor. Thai operations recorded an EBIT loss of RM0.34 million for this quarter (2Q 2014 – RM0.04 m). Group wise, 2Q15 pre-tax profit was RM3.88 million (RM3.56 million pre-tax profit in 2Q 2014).

Malaysia operations accounted for 86.3% of group revenues in 2Q2015 with yoy growth in Shared Services of 75.7% mostly due to higher EDC hardware sales. The TPA segment grew 7% yoy primarily due to e-pay. The payment card TPA business only commenced in June 2015 with a major bank in Malaysia. Solutions Services were, however, down yoy due to lower hardware and software sales.

The Philippine operations was the second largest contributor, accounting for 10.7% of 2Q 2015 group revenues. This 2nd quarter saw revenues grew +20.7% yoy to RM5.33 million (2Q 2014 – RM4.42m) supported by strong growth in the rental and maintenance of EDC terminals both within Shared Services and TPA. Solutions Services segment were however down due to lower software sales in 2Q15. The group is also laying the ground work to further expand TPA in the Philippines to partner one of the major telco operators to increase merchant acceptance points using the mPOS solution.

Thailand operations' 2Q15 revenue slowed to RM1.21 million (2Q 2014 RM2.03m) as the group saw significantly lower EDC terminal sales due to cautious market conditions within the Shared Services segment. Solutions Services revenue was flat whereas TPA revenues saw an increase to RM474,000 (2Q14 – RM232,000) from higher rental revenue as well as improved transactional fee income.

The group's Australian operations recorded 2Q15 revenues of RM255,000 (2Q14 – RM307,000) on an ongoing maintenance projects in Australia in its Solutions Service division. There are no Shared solutions and TPA revenues recorded by our Australian operations.

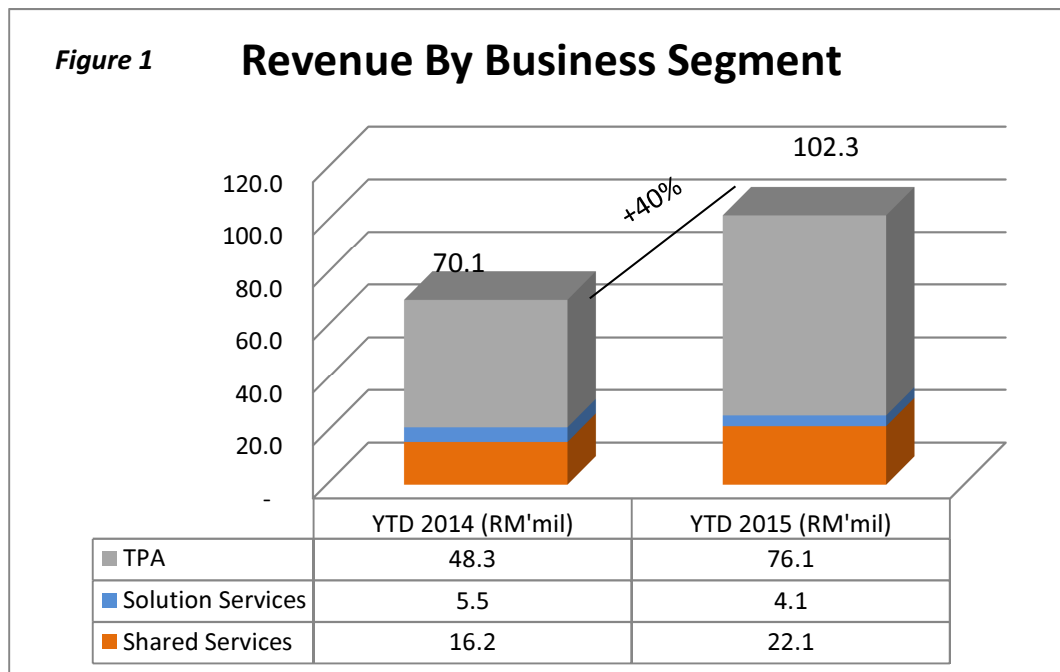
### **Performance of year to date period (2Q 2015) vs corresponding period (2Q 2014) by segment**

Group turnover grew +40% yoy to RM102.3 million (1H14 – RM70.1m) in part due to the consolidation of e-pay revenue from March 2014 only in the corresponding period in 2014. Pre-tax profits grew 60% to RM8.30 million compared to RM5.10 million a year ago and pre-tax margins were 8.1%, an improvement over 2Q14's pre-tax margins of 7.3%.

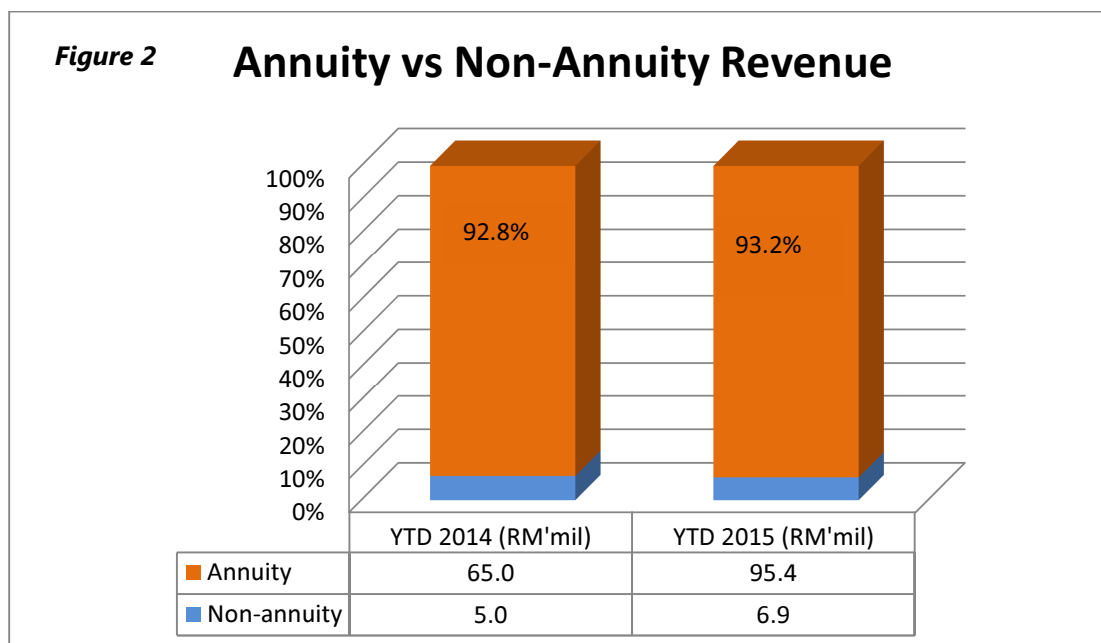
Net profit after tax grew at +31.8% yoy to RM6.041 million (1H14 – RM4.583 m). Net profit growth was lower as compared to pre-tax profit growth due higher taxation charges in 1H15 (minimal in 1H14 due to deferred tax write-backs as the result of earlier years' losses) as well as higher costs incurred as the group gears up for the launch of TPA in Malaysia, Thailand and Philippines.

## B1. Review of Performance (continued)

The chart in Figure 1 illustrates the significant changes in business composition that has occurred between 2Q 2014 and 2Q 2015.



Shared Services and TPA recorded strong growth whereas Solutions Services revenue were marginally lower yoy due to lower software and hardware sales in 2015 as compared to the same period last year.

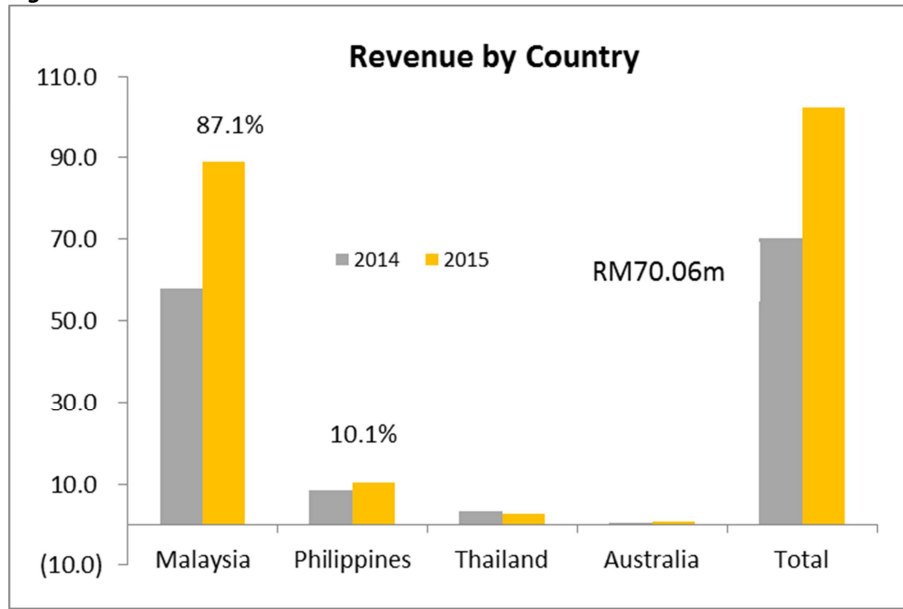


The annuity based revenue component within the group's total revenue remains high and in fact grew further to 93.2% in the 1H 2015 as compared to 92.8% 1H 2014. The group's strategy is to grow the TPA and other businesses that have a strong annuity based revenue and de-prioritise non-recurrent hardware 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 (2Q 2015) vs corresponding period (2Q 2014) by country

Figure 3



1H15 group turnover grew +46% yoy to RM102.3 million (1H14 – RM70.06m). Pre-tax profits grew 62.6% to RM8.30 million as compared to RM5.10 million a year ago. Pre-tax margins were 8.1%, an improvement over 2014's pre-tax margins of 7.3%.

Malaysian operations contributed 87% (2014 – 83%) of group turnover and the increase was due to the consolidation of e-pay's revenues from March 2014 onwards. EBIT margins amounted to 9.8% for 1H 2015, an improvement from 9.1% in 1H 2014 due to higher EDC terminal sales and better TPA contribution.

Philippines turnover grew 22.5% yoy to RM10.31m (2014-RM8.42m) and EBIT margins stabilised at 13.3% in 1H15 and 13.6% in 2014. Both Shared Services and TPA registered yoy growth of 58.2% but Solutions Services was lower at 44% due to lower software sales.

Thailand recorded a contraction in topline revenue of -25.2% due to dismal EDC terminal sales in the first 6 months of 2015. This was, however tempered by an improved TPA revenue growth of 109.1% that saw 1H15 revenues of RM924,000 (1H14 – RM442,000). The business climate remains challenging in Thailand due to the lacklustre economy and competitive pressures from some of the Thai commercial banks. EBIT remained in negative territory with losses before interest of RM477,000 as compared to RM342,000 loss in 2014.

Australia remains the smallest contributor to group operations at RM489,000 or 0.5% of group turnover compared to 1H2014 turnover of RM346,000. This led to a small EBIT contribution of RM123,000 compared to the loss of RM439,000 in the same period of the previous year.



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

The Group started 2015 on an up-swing as it inked several TPA tie-ups in quick succession. In December 2014, GHL signed a TPA agreement with Omnipay, Inc of the Philippines, in January 2015, the group signed with Global Payments in Malaysia and in February 2015, signed a TPA agreement with Amanah Ikhtiar Malaysia (AIM) to help it collect loan repayments using e-debit. In April 2015, GHL signed a TPA agreement with CIMB Bank to commence merchant acquiring. All these TPA signings strategically position GHL as a major player in the merchant acquiring space in ASEAN and the group is in the midst of implementing these.

With the acquisition of e-pay's business in 1Q 2014, Malaysia is expected to continue to be the largest contributor to group earnings over the next few years. Several recent events have however, impacted the business. The introduction of Goods & Services Tax (GST) effective 1 April 2015 has caused a mild reduction in the demand for e-payment products but, we expect that this will adjust over time. The rapid depreciation of Ringgit has had an adverse impact on consumer demand thereby impacting the value of e-payments from which we derive earnings. From a financial perspective, the group has minimal foreign currency borrowings and any imported EDC equipment paid in USD is depreciated over 5 years. Consequently, the financial impact to the group of a lower Ringgit value has thus far been minimal.

Although the Philippines accounts for only 10% of group revenue, it is the fastest growing segment within the group for card payment services. Excluding e-pay (reload and collections services), Philippines operations will likely outgrow the Malaysian card payment services within the TPA segment. Given that Philippine Peso has strengthened against the Ringgit, this has also helped the group better balance its revenue mix.

The Group continues to invest in the infrastructure and development of the sales and systems resources to implement GHL's TPA business in its three main markets; Malaysia, Philippines and Thailand. The investment in people and systems is expected to cause a temporary increase in costs. However, as optimal sales levels are reached, there will be a more positive correlation between the group's revenue and bottom line.

GHL Group is on the path to becoming ASEAN's largest merchant acquirer. We expect 2015 prospects to remain positive and the recent TPA tie-ups to contribute positively to the group's profitability 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 30/6/2015 RM'000	Preceding Year Corresponding Quarter 30/6/2014 RM'000	Current Year To Date 30/6/2015 RM'000	Preceding Year Corresponding Period 30/6/2014 RM'000
Amortisation of intangible asset	273	321	494	595
Bad debts written off	-	2	-	3
Depreciation of property, plant and equipment	3,794	2,883	7,363	5,161
(Gain)/Loss on foreign exchange				
- Realised	6	(215)	345	(65)
- Unrealised	(24)	(124)	527	(867)
(Gain)/Loss on disposal of fixed assets	(1)	5	(5)	40
Gain on disposal of investment	-	(76)	-	(76)
Impairment loss on receivables	88	40	148	40
Interest income	(289)	(113)	(608)	(216)
Interest expenses	778	468	1,498	562
Inventory written off	-	-	-	(41)
Rental expenses	350	598	628	919
Reversal of allowance for doubtful debts	(47)	(87)	(109)	(94)
Share based payment	124	183	248	183

**B5. Taxation**

	Current Quarter 30/6/2015 RM'000	Preceding Year Corresponding Quarter 30/6/2014 RM'000	Current Year To Date 30/6/2015 RM'000	Preceding Year Corresponding Period 30/6/2014 RM'000
Current tax expenses based on profit for the financial year:				
Malaysian income tax	(1,065)	(413)	(2,008)	(420)
Foreign income tax	(103)	(101)	(250)	(101)
<b>Total</b>	<b>(1,168)</b>	<b>(514)</b>	<b>(2,258)</b>	<b>(521)</b>

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 2015.

**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 2015.

**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 2015 are as follows:-

**(a) Bank Borrowings**

	Long-term Borrowings RM'000	Short-term Borrowings RM'000	Total RM'000
Ringgit Malaysia	7,500	16,600	24,100
Philippine peso	2,963	886	3,849
US dollar	-	5,170	5,170
	<b>10,463</b>	<b>22,656</b>	<b>33,119</b>

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

	2015 RM'000	2014 RM'000
(i) term deposits of the Group	6,683	5,580
(ii) structured investment of the Group	8,000	8,000
(iii) a Corporate Guarantee by parent entity	74,000	64,000
	<b>88,683</b>	<b>77,580</b>

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

**(a) Hire Purchase**

	Long-term Hire Purchase RM'000	Short-term Hire Purchase RM'000	Total RM'000
Ringgit Malaysia	473	218	691
Philippine peso	3,436	1,808	5,244
	<b>3,909</b>	<b>2,026</b>	<b>5,935</b>

The hire purchase payables of the Group as at 30 June 2015 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 30/6/2015	As at 31/12/2014 (Audited)
	RM'000	RM'000
Total retained profit of the Group:-		
- Realised	(43,027)	(53,935)
- Unrealised	1,419	508
	(41,608)	(53,427)
Less: Consolidation adjustment	72,328	78,079
<b>Total group retained</b>	<b>30,720</b>	<b>24,652</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.

**B13. Dividend Proposed**

There was no dividend declared for the current quarter and year to date ended 30 June 2015.

**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.

On 4 March 2015, the Board has announced that the MOU has lapsed due to the expiration of the validity period of one (1) year from the date of execution and this is not expected to have any material effect on the share capital, shareholding structure, gearing, net assets per share and earnings per share of GHL group.

## 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>		Current Quarter 30/6/2015	Preceding Year Corresponding Quarter 30/6/2014 (Restated)	Current Year To Date 30/6/2015	Preceding Year Corresponding Period 30/6/2014 (Restated)
Profit attributable to owners of the Company	(RM'000)	2,731	3,044	6,069	4,587
Weighted average number of ordinary shares in issue and issuable	(Unit'000)	643,024	631,208	641,877	505,167
Basic earnings per share	(Sen)	0.42	0.48	0.95	0.91

<u>Diluted</u>		Current Quarter 30/6/2015	Preceding Year Corresponding Quarter 30/6/2014 (Restated)	Current Year To Date 30/6/2015	Preceding Year Corresponding Period 30/6/2014 (Restated)
Profit attributable to owners of the Company	(RM'000)	2,731	3,044	6,069	4,587
Weighted average number of ordinary shares in issue and issuable	(Unit'000)	650,918	638,720	649,136	512,679
Diluted earnings per share	(Sen)	0.42	0.48	0.93	0.89