GHL

GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	CURRENT QUARTER 30.09.2019	CORRESPONDING QUARTER 30.09.2018	CUMULATIVE YEAR TO DATE 30.09.2019	CUMULATIVE YEAR TO DATE 30.09.2018
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	87,709	87,424	260,142	214,898
Cost of sales		(49,454)	(49,705)	(149,007)	(123,630)
Gross profit		**38,255**	**37,719**	**111,135**	**91,268**
Other operating income		2,041	1,741	6,378	4,586
Administration expenses		(22,352)	(22,160)	(65,330)	(53,640)
Distribution costs		(5,540)	(5,597)	(16,534)	(15,950)
Other expenses		(871)	(1,737)	(3,189)	(2,033)
Finance cost		(586)	(547)	(1,922)	(1,405)
Share of results of associated companies		(119)	(94)	(438)	418
Profit before taxation		10,828	9,325	30,100	23,244
Income tax expense		(3,851)	(3,003)	(10,211)	(5,778)
Profit for the period		**6,977**	**6,322**	**19,889**	**17,466**
Attributable to:					
Owners of the Company		7,336	6,304	20,847	17,435
Non-controlling interest		(359)	18	(958)	31
		6,977	**6,322**	**19,889**	**17,466**
Earnings Per Ordinary Share					
- Basic (sen)	B9	0.98	0.86	2.81	2.52
- Diluted (sen)	B9	0.98	0.85	2.79	2.51
Profit for the period		6,977	6,322	19,889	17,466
Other comprehensive income, net of tax					
Foreign currency translation differences		3,598	4,774	2,201	3,287
Total comprehensive income for the period		**10,575**	**11,096**	**22,090**	**20,753**
Total comprehensive income attributable to:					
Owners of the Company		10,934	11,078	23,048	20,722
Non-controlling interest		(359)	18	(958)	31
		10,575	**11,096**	**22,090**	**20,753**

(The condensed consolidated statement of comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

GHL

GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	Note	AS AT 30.09.2019 (Unaudited) RM'000	AS AT 31.12.2018 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		103,929	93,100
Right of use assets		1,900	-
Goodwill on consolidation		179,971	168,639
Intangible assets		1,500	1,697
Other investment		264	226
Deferred tax assets		2,619	2,101
		290,183	265,763
Current assets			
Inventories		112,923	79,088
Trade receivables		55,995	64,969
Other receivables		83,153	73,494
Tax recoverable		8,740	8,660
Fixed deposits placed with licensed banks		29,409	25,420
Cash and bank balances		128,991	119,723
		419,211	371,354
TOTAL ASSETS		709,394	637,117
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		329,987	314,344
Reserves		115,566	91,882
Equity attributable to equity holders of the parent		445,553	406,226
Non controlling interest		7,229	170
Total equity		452,782	406,396
Non-current liabilities			
Hire purchase payables	B6	6,665	5,629
Bank borrowing	B6	10,249	11,194
Lease liabilities		1,117	-
Deferred tax liability		767	4,156
Other payables		-	14,951
		18,798	35,930
Current liabilities			
Trade payables		33,251	40,258
Other payables		140,580	130,679
Lease liabilities		967	-
Deferred income		1,588	1,537
Hire purchase payables	B6	4,842	4,436
Bank borrowings	B6	44,901	13,408
Tax payable		11,685	4,473
		237,814	194,791
Total liabilities		256,612	230,721
TOTAL EQUITY AND LIABILITIES		709,394	637,117
Net assets per share (sen)		59.47	55.05

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

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GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	Share Capital RM'000	Exchange Reserve RM'000	Share Options Reserve RM'000	Treasury Shares RM'000	Retained Profits / (Accummulated Losses) RM'000	Total Attributable To Owners Of The Parent RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 January 2018	208,110	(3,919)	-	(306)	70,311	274,196	129	274,325
Effects of MFRS 9	-	-	-	-	(2,518)	(2,518)	-	(2,518)
At 1 January 2018 (Restated)	208,110	(3,919)	-	(306)	67,793	271,678	129	271,807
Issuance of ordinary shares	100,502	-	-	-	-	100,502	-	100,502
Issuance of ordinary shares pursuant to ESS	135	-	-	-	-	135	-	135
Resale of ordinary shares in open market	786	-	-	306	-	1,092	-	1,092
Share options granted under ESS	-	-	772	-	-	772	-	772
Total comprehensive income for the year	-	3,287	-	-	17,434	20,723	32	20,754
At 30 September 2018	309,533	(632)	772	-	85,227	394,902	161	395,062
At 1 January 2019	314,344	(1,455)	1,001	-	92,336	406,226	170	406,396
Effects of MFRS 16	-	-	-	-	(218)	(218)	-	(218)
At 1 January 2019 (Restated)	314,344	(1,455)	1,001	-	92,118	406,008	170	406,178
Issuance of ordinary shares	14,387	-	-	-	-	14,387	-	14,387
Issuance of ordinary shares pursuant to ESS	-	-	-	-	-	-	-	-
Resale of ordinary shares in open market	-	-	-	-	-	-	-	-
Share option granted under ESS	1,256	-	854	-	-	2,110	-	2,110
Revaluation reserve - allocated goodwill	-	-	-	-	-	-	8,017	8,017
Total comprehensive income for the year	-	2,201	-	-	20,847	23,048	(958)	22,090
At 30 September 2019	329,987	746	1,855	-	112,965	445,553	7,229	452,782

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	CURRENT YEAR TO DATE 30.09.2019 RM'000	PRECEDING YEAR TO DATE 30.09.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	30,100	23,244
Adjustment for:-		
Amortisation of development cost	199	190
Amortisation of deferred income	(1,281)	(2,096)
Bad debts written-off	203	1,384
Depreciation of property, plant and equipment	22,855	18,052
Impairment loss on receivables	555	500
Interest expense	1,922	1,405
Interest income	(2,374)	(1,520)
Inventories written off/ (back)	57	(26)
Loss/(Gain) on disposal of property, plant and equipment	(1,712)	(249)
Gain on disposal of other investment	-	(172)
Property, plant and equipment written-off	173	9
Reversal of impairment on trade receivables	(1,190)	(1,534)
Share options granted under ESS	854	772
Share of gain from an associate	438	(418)
Unrealised loss/ (gain) on foreign exchange	(119)	(76)
Operating profit before working capital changes	50,680	39,465
(Increase)/Decrease in working capital		
Inventories	(38,644)	(5,267)
Trade and other receivables	1,951	(11,191)
Trade and other payables	443	(18,607)
Lease liabilities	(918)	-
Advance receipt from deferred income	1,333	3,235
	(35,835)	(31,830)
Cash generated from operations	14,845	7,635
Interest received	2,374	1,520
Interest paid	(1,922)	(1,405)
Tax paid	(3,126)	(4,663)
	(2,674)	(4,548)
Net cash generated from operating activities	12,171	3,087
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(34,651)	(10,170)
Purchase of other investment	(476)	(2,118)
Proceeds from disposal of property , plant and equipment	10,748	258
Proceeds from disposal of other investments	-	8,172
Addition in intangible assets	(1)	(19)
Acquisition of subsidiary for cash, net cash acquired	(8,345)	(56,000)
Net cash used in investing activities	(32,725)	(59,877)
Cash Flows From Financing Activities		
Proceeds from issuance of shares	-	100,500
Proceeds from issuance of shares-ESOS	1,256	135
Proceeds from issuance of shares-Treasury	-	1,092
(Increase)/Decrease in fixed deposits pledged	(832)	(4,970)
Drawndown of hire purchase	7,996	5,372
Repayment of hire purchase payables	(6,771)	(2,492)
Drawdown of bank borrowings	73,684	4,689
Repayment of bank borrowings	(43,745)	(6,231)
Net cash generated from financing activities	31,588	98,095
Net increase in cash and cash equivalents	11,034	41,305
Effect of exchange rate fluctuation	1,743	5,356
Cash and cash equivalents at beginning of the finance period	133,123	99,945
Cash and cash equivalents at end of the finance period	145,900	146,606

Cash and cash equivalents at end of the finance year:-		
Cash and bank balances	128,991	128,774
Fixed deposits with licensed banks	29,409	30,038
	158,400	158,812
Less: Fixed deposits pledged to licensed banks	(12,500)	(12,206)
	145,900	146,606

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

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GHL SYSTEMS BERHAD
(Company No: 293040-D)

Part A: Explanatory notes on consolidated results for the quarter ended 30 September 2019

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 results for this interim period are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2018.

A2. Significant Accounting Policies

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2018.

As of 1 January 2019, the Group and the Company have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

Effective for annual periods beginning on or after 1 January 2019

Title	**Effective Date**
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 3 Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 11 Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 112 Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 123 Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019

The adoption of these MFRSs does not have any material impact on the Group's results and financial position except for:

MFRS 16 Leases

MFRS 16 eliminates the distinction between finance and operating leases. All leases will be brought onto the statement of financial position except for short-term and low value asset leases. On the adoption of this standard, the Group has capitalised its rented premises on the statements of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value for future lease payments.

On the date of initial recognition, the Group applied the transition approach and did not restate comparative amounts for the periods prior to first adoption. Right-of-use assets were measured on transition as if the new rules had always been applied.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019, comparative is not restated. The Group recognised right-of use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

A2. Significant Accounting Policies (continued)
MFRS 16 Leases (continued)

Impact on financial statements
a) Impact on transition
The financial effects due to the changes in accounting policies have been adjusted to the statements of financial position of the Group as at 1 January 2019. There are no changes to the comparatives in the statements of profit or loss and statement of cash flows of the Group. A reconciliation of these changes is summarized in the following table:

	As at 31.12.2018 RM'000	Remeasurement RM'000	As at 01.01.2019 RM'000
Non-current assets			
Right-of-use asset	-	2,088	2,088
Liabilities			
Lease liabilities - Non-current liabilities	-	1,479	1,479
Lease liabilities - Current liabilities	-	834	834

b) Impact for the period
As a result of initially applying MFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized RM1,900,000 of right-of-use assets and RM2,084,000 of lease liabilities as at 30 September 2019.

Also, in relation to those leases under MFRS 16, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the nine months ended 30 September 2019, the Group recognized RM856,000 of depreciation charges and RM76,000 of interest costs from these leases.

MFRSs and Amendments to MFRS issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group and the Company.

Title	Effective Date
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Definition of Business	1 January 2020
Amendments to MFRS 7, 9 and 139	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group does not expect the adoption of the above Standards to have a significant impact on the financial statements.

A3. Audit Report of Preceding Annual Financial Statements

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2018 was not subject to any audit qualification.

A4. Seasonal or Cyclical Factors

The business of the Group is not affected by any significant seasonal or cyclical factors, other than the general economic environment in which the Group operates.

A5. Unusual Items

There were no items or events affecting assets, liabilities, equity, net income or cash flow of the Group that are unusual of their nature, size or incidence during the current quarter.

A6. Changes in Estimates

There were no changes in estimates that have had any material effect during the current quarter.

A7. Changes in Debts and Equity Securities

During the current quarter, the Company issued 20,000 new ordinary shares at average exercise price of RM1.08 pursuant to the Executives' Share Scheme ("ESS").

Saved as disclosed above, there were no other issuance and repayment of debt and equity securities, share buy-backs and share cancellations during the current quarter.

A8. Dividend Paid

There were no dividends paid during the quarter ended 30 September 2019.

A9. Segmental Reporting

The Group has four reportable segments, as described below, which are the Group's strategic business units of the Group. 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 of the Group:

(a) Malaysia
(b) Philippines
(c) Thailand
(d) Others (Australia, Cambodia, Indonesia, Myanmar and Singapore)

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 Electronic Data Capture ("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 two (2) distinct components: -

i) e-pay services which provides Telco prepaid and other top-up facilities and, bill collection services for consumers ("reload and collection services") and

ii) GHL's direct merchant acquiring and electronic payment services ("electronic payment services")

A9. Segmental Reporting (continued)

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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A9. Segmental Reporting (continued)

Quarter - 30 Sept	Malaysia		Philippines		Thailand		Others		Adjustment and Elimination		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CONTINUING OPERATIONS												
REVENUE												
External Sales												
Shared Services	23,926	19,718	5,895	5,430	2,719	12,081	2	-	(165)	(15)	32,377	37,214
Solution Services	1,375	1,867	484	913	437	391	291	311	-	-	2,587	3,482
Transaction Payment Acquisition	44,723	42,025	5,002	2,574	2,998	2,129	22	-	-	-	52,745	46,728
Inter-segment sales	5,748	7,445		-		-		-	(5,748)	(7,445)	-	-
	75,772	**71,055**	**11,381**	**8,917**	**6,154**	**14,601**	**315**	**311**	**(5,913)**	**(7,460)**	**87,709**	**87,424**
RESULTS												
EBITDA	**19,772**	**11,155**	**3,647**	**3,124**	**1,238**	**2,125**	**(475)**	**158**	**(5,155)**	-	**19,027**	**16,562**
Interest income	734	804	2	3	4	-	-	-	-	-	740	807
Interest expense	(321)	(506)	(252)	(118)	(13)	(19)	-	-	-	96	(586)	(547)
Depreciation	(5,904)	(5,030)	(2,422)	(1,753)	(802)	(650)	(221)	(1)	1,062	-	(8,287)	(7,434)
Amortisation of intangible assets	(66)	(63)	-	-	-	-	-	-	-	-	(66)	(63)
Profit before taxation	**14,215**	**6,360**	**975**	**1,256**	**427**	**1,456**	**(696)**	**157**	**(4,093)**	**96**	**10,828**	**9,325**
Taxation	(4,826)	(2,396)	(296)	(551)	(68)	(95)	-	-	1,339	39	(3,851)	(3,003)
Minority interest	-	-	-	-	-	-	-	-	359	(18)	359	(18)
Segment profit/ (loss) for the financial period after non-controlling interest	**9,389**	**3,964**	**679**	**705**	**359**	**1,361**	**(696)**	**157**	**(2,395)**	**117**	**7,336**	**6,304**
Segmental assets	**888,071**	**754,119**	**67,887**	**40,157**	**52,673**	**49,404**	**4,913**	**738**	**(304,151)**	**(297,428)**	**709,394**	**546,990**
Segmental liabilities	**574,348**	**447,712**	**40,618**	**20,145**	**34,250**	**33,485**	**1,369**	**973**	**(393,973)**	**(352,904)**	**256,612**	**149,411**

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A9. Segmental Reporting (continued)

Cumulative - 30 Sept	Malaysia		Philippines		Thailand		Others		Adjustment and Elimination		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CONTINUING OPERATIONS												
REVENUE												
External Sales												
Shared Services	69,904	31,822	17,913	14,279	11,769	22,500	63	-	(478)	(29)	99,171	68,572
Solution Services	4,891	6,630	1,826	1,815	1,052	1,210	892	847	-	-	8,661	10,501
Transaction Payment Acquisition	129,932	122,075	12,651	7,489	9,698	6,261	29	-	-	-	152,310	135,824
Inter-segment sales	19,331	21,222	-	-	-	-	-	-	(19,331)	(21,222)	-	-
	224,058	**181,748**	**32,390**	**23,583**	**22,519**	**29,971**	**984**	**847**	**(19,809)**	**(21,251)**	**260,142**	**214,898**
RESULTS												
EBITDA	**48,719**	**28,051**	**13,216**	**8,027**	**4,370**	**4,914**	**(1,433)**	**379**	**(12,170)**	**-**	**52,702**	**41,371**
Interest income	2,363	1,508	5	8	6	4	-	-	-	-	2,374	1,520
Interest expense	(1,137)	(1,226)	(697)	(236)	(88)	(39)	-	-	-	96	(1,922)	(1,405)
Depreciation	(16,248)	(14,330)	(6,896)	(5,046)	(2,315)	(1,748)	(650)	(2)	3,254	3,074	(22,855)	(18,052)
Amortisation of intangible assets	(199)	(190)	-	-	-	-	-	-	-	-	(199)	(190)
Profit before taxation	**33,498**	**13,813**	**5,628**	**2,753**	**1,973**	**3,131**	**(2,083)**	**377**	**(8,916)**	**3,170**	**30,100**	**23,244**
Taxation	(7,825)	(3,692)	(1,719)	(1,333)	(327)	(343)	-	-	(340)	(410)	(10,211)	(5,778)
Minority interest	-	-	-	-	-	-	-	-	958	(31)	958	(31)
Segment profit/ (loss) for the financial period after non-controlling interest	**25,673**	**10,121**	**3,909**	**1,420**	**1,646**	**2,788**	**(2,083)**	**377**	**(8,298)**	**2,729**	**20,847**	**17,435**
Segmental assets	**888,071**	**754,119**	**67,887**	**40,157**	**52,673**	**49,404**	**4,913**	**738**	**(304,151)**	**(297,428)**	**709,394**	**546,990**
Segmental liabilities	**574,348**	**447,712**	**40,618**	**20,145**	**34,250**	**33,485**	**1,369**	**973**	**(393,973)**	**(352,904)**	**256,612**	**149,411**

A10. Valuation of Property, Plant and Equipment

The property, plant and equipment are stated at cost/valuation less accumulated depreciation and impairment losses. There was no revaluation of property, plant and equipment for the current quarter and financial year to date. The valuation of property, plant and equipment of the Group have been brought forward without amendment from the financial statements for the year ended 31 December 2018.

A11. Material Subsequent Events to the end of Current Quarter

There was no material event subsequent to end of the current quarter.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial quarter under review.

A13. Contingent Liabilities and Contingent Assets

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

	RM'000
Banker's guarantee in favour of third parties	
- Secured	21,113

A14. Capital Commitments

Capital commitments for purchase of property, plant and equipment not provided for as at 30 September 2019 are as follows:

	RM'000
Approved but not contracted for	301

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

B1. Review of Performance

Performance of current quarter (3Q 2019) vs corresponding quarter (3Q 2018) by segment

GHL's 3Q19 group revenue increased marginally by 0.3% yoy to RM87.7 million as compared to RM87.4 million for the corresponding period in 3Q18. 3Q19 pre-tax profits were 16.1% higher at RM10.8 million compared to RM9.3 million in 3Q18. Profit after tax and minority interest growth was 16.4% at RM7.3 million (3Q18 RM6.3 million). The group's revenue in this quarter was driven primarily by TPA segment but was tempered by declines from the Shared Services and Solutions Services which registered a decline yoy over 3Q18. 3Q19 Shared Services recorded a decline of 13% yoy in revenue on the back of lower Electronic Data Capture ("EDC") hardware sales in the current quarter. Contribution from Paysys (M) Sdn Bhd is reflected in both the current 3Q19 and corresponding period in 3Q18. The group's balance sheet remains healthy with a net cash position of RM91.7 million (31.12.2018 – Net cash RM110.5 million).

The performances of the individual segments are as follow: -

Shared Services

Shared Services revenue in 3Q19 declined by -13.0% to RM32.4 million (3Q18 – RM37.2 million) driven by lower EDC hardware sales in Thailand when compared to the same period a year ago.

Solutions Services

Solutions Services gross revenue was down by -25.7% in 3Q19 to RM2.6 million (3Q18 – RM3.5 million) mainly due to lower network hardware sales in in Malaysia and Philippines.

Transaction Payment Acquisition (TPA)

The TPA business has two 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") and e-wallet payment services. Each of these is described in more detail as follows: -

(i) e-pay (reload and collection services)

e-pay is the largest provider of reload and bill collection services in Malaysia. It has approximately 42,000 acceptance points nationwide, encompassing all petrol chains, large convenience store chains and general stores. The e-pay brand is well known to consumers who use the service. With over 20 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. As can be seen, the transaction value processed by e-pay grew by 7.8% with a dip in gross profit margins of 1.1% (3Q18 1.2%) due to the change in product mix during the quarter under review.

GHL

GHL SYSTEMS BERHAD
(Company No: 293040-D)

B1. Review of Performance (continued)

(i) e-pay (reload and collection services)

Table 1

e-pay *(All stated in RM'millions unless stated otherwise)*	**3Q 2018**	**3Q 2019**	**% change**
Transaction Value Processed	**958.5**	**1,033.4**	**7.8%**
Gross Revenue	**32.1**	**31.8**	**-1.0%**
Gross Revenue / Transaction Value (Note 1)	**3.4%**	**3.1%**	**-8.2%**
Gross Profit	**11.7**	**11.1**	**-4.7%**
Gross Profit / Transaction Value (Note 1)	**1.2%**	**1.1%**	**-11.6%**
Merchant Footprint - e-pay Only (Thousands)	**37.3**	**42.0**	**12.4%**

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

(ii) GHL (e-payment services)

This TPA electronic payment services business is driven by our TPA arrangements with leading domestic banks in our respective markets as well as a leading China e-wallet providers which is expanding into Asean and local e-wallet providers in their respective countries. The existing GHL TPA data as shown in Table 2 comprises the following activities;
a) Various Merchant Discount Rate ("MDR") revenue sharing arrangements under direct contracts with merchants and banks in Malaysia, Thailand and Philippines.
b) Domestic debit card merchant acquisition in Malaysia, Thailand and Philippines.
c) Internet TPA ("eGHL") in Malaysia, Indonesia, Thailand and Philippines.
d) e-wallet providers in Malaysia, Thailand and Philippines.

A summary of key data relating to the e-payment business is found in the Table 2 below. The transaction value processed grew strongly by 61.8% whilst Gross profit/transaction margins was relatively stable at 0.3% (3Q18 – 0.3%) due to 1) product mix change of payment types, 2) ongoing competition of MDR and monthly rental in the market. However, absolute gross profit showed a very healthy 51.8% yoy growth to RM8.0 million (3Q18 RM5.3 million). Over the longer term, however, margins should stabilise as more merchants are on-boarded and a larger portfolio is built as well as our overseas TPA in Philippines and Thailand gather momentum.

The introduction of e-wallets in all three markets in 2018 is expected to continue to contribute positively in the near future.

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(ii) GHL (e-payment services) (continued)
Table 2 (continued)

GHL Electronic payments TPA *(All stated in RM'millions unless stated otherwise)*	**3Q 2018 (Restated)**	**3Q 2019**	**% change**
Transaction Value Processed (Note 1)	1,592.1	2,576.1	61.8%
Gross Revenue	14.6	20.6	41.1%
Gross Revenue / Transaction Value (Note 2)	0.9%	0.8%	-12.8%
Gross Profit (Note 3)	5.3	8.0	51.8%
Gross Profit / Transaction Value (Note 2)	0.3%	0.3%	-6.2%
Merchant Footprint - TPA Only (Thousands)	45.8	86.7	89.4%

Note 1 - Gross Revenue or Gross Profit respectively divided by the Transaction Value Processed expressed as a %.
Note 2 – The gross profit has been restated as a result of changes in indirect costs allocation basis due to required improvements to our internal business processes to include certain network service and compliance fees, as well as support expenses relating to the TPA business that were previously included in the administrative OPEX expenses. This reclassification from OPEX to COGS is intended to more accurately reflect the gross margins of this e-payment TPA segment

TPA division's revenues was up by 12.9% yoy in 3Q19 to hit RM52.7 million (3Q18 – RM46.7 million) due to growth from payments TPA. e-pay revenues was however down with a -1.0% yoy decline due to lower telco prepaid top-ups margins. Payments TPA on the other hand also showed a 41.1% yoy improvement in revenue earned. e-pay remains the major contributor in the TPA segment but the GHL electronic payments TPA (encompassing card, online, mobile and nextgen payments) are growing at a faster rate.

Performance of current quarter (3Q 2019) vs corresponding quarter (3Q 2018) by geographical segment

GHL's 3Q19 group revenue increased marginally by 0.3% yoy to RM87.7 million as compared to RM87.4 million for the corresponding period in 3Q18. The group's revenue in this quarter was driven primarily by TPA segment but was tempered by declines from the Shared Services and Solutions Services which registered a decline yoy over 3Q18. All the 3 main geographical markets contributed positively to the EBITDA line except for the new markets of Cambodia and Indonesia. Group wise, 3Q19 pre-tax profits were also 16.1% higher at RM10.8 million compared to RM9.3 million in 3Q18.

Malaysia operations accounted for 79.8% of the group revenues in 3Q19 with a 10.1% yoy growth driven by Shared Services' rental/maintenance revenue growth as well as hardware sales. The TPA segment contribution was also up by 6.4% yoy due to higher transaction fees from payments TPA. Solutions Services was down yoy mainly due to lower network hardware sales revenue.

The Philippines operations was the second largest contributor, accounting for 13.0% yoy of 3Q19 group revenues. This 3rd quarter saw revenues grew by 27.6% yoy to RM11.4 million (3Q18 – RM8.9 million) supported by growth in Shared Services and TPA. Solutions Services saw a small decline of RM0.4 million yoy.

Thailand operations' 3Q19 revenue contributed 7.0% to the group total and declined -57.9% yoy to RM6.2 million (3Q18 RM14.6 million) due primarily to a decline in EDC hardware sales. In the corresponding period in 2018, Thailand saw strong EDC hardware sales due to the implementation of a government project for the welfare card. The decline was offset by the growth in its Solutions Services and TPA divisions. TPA revenues saw higher transactional fee whereas the Solutions Services saw higher software sales recorded.

The group's other geographical operations recorded 3Q19 revenues of RM0.32 million (3Q18 – RM0.31 million) on an ongoing maintenance projects in Australia in its Solutions Service segment. There were no Shared Services and TPA revenues recorded by our Australian operations for the quarter under review. This geographical grouping saw negative contributions at the EBITDA level due to ongoing investments in our Cambodian operations.

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Performance of current quarter (3Q19) vs preceding quarter (2Q19) by segment

Revenue (RM million)	2Q19	3Q19
Shared Services	31.5	32.4
Solutions Services	3.1	2.6
TPA	51.3	52.7
Group revenue	**85.9**	**87.7**
Profit Before Tax	**10.3**	**10.8**

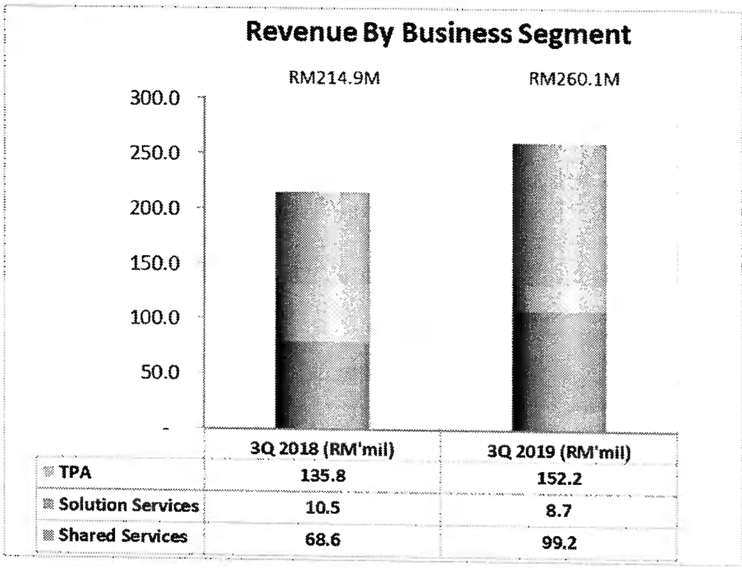
For the 3Q19 ended 30 September 2019, the group recorded revenues of RM87.7 million, a 2.1% qoq improvement over RM85.9 million recorded in 2Q19. The marginal improvement to topline was due to a better performing Shared Services (Malaysia EDC hardware sales) and TPA (Malaysia, Philippines and Thailand) in 3Q19. TPA transaction value showed qoq improvement in all three countries. 3Q19 pre-tax profit grew by 4.9% qoq in-line with the growth on the topline revenue and gross profit.

Performance of year to date period (3Q19) vs corresponding period (3Q18) by segment

Group revenue for the first nine months of 2019 was up 21.1% yoy to RM260.1 million (3Q18 – RM214.9 million) with growth registered in Malaysia and Philippines but Thailand was down due to its strong EDC hardware sales in 2018. The segment performance was as follows (Shared Services, 44.6% yoy; Solutions Services, -17.5% yoy; TPA, 12.1% yoy).

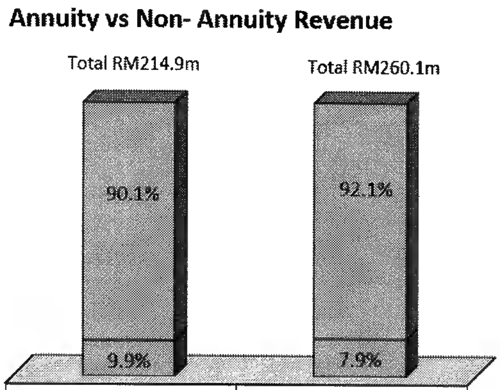
Pre-tax profit was up by 29.5% yoy to RM30.1million compared to RM23.2 million a year ago and pre-tax margin was higher at 11.6%, compared to 3Q18's pre-tax margin of 10.8%.

Net profit after tax and minority interest grew by 19.6% yoy to RM20.8 million (3Q18 – RM17.4 million). Net profit growth was lower as compared to pre-tax profit growth due to higher effective tax rate in 3Q19.



Shared Services and TPA both recorded improved performance due to higher rental/maintenance and EDC hardware sales revenue in the nine months ended 30 September 2019 and higher TPA transaction fees collected. The Shared Services improved performance in 3Q19 YTD was partly due to the inclusion of revenue contribution from Paysys (M) Sdn Bhd which was not consolidated in the first 6 months in the corresponding period in 3Q18 YTD. Solutions Services performance was however down by -17.5% yoy as compared to the same period last year due to lower hardware and software sales in Malaysia. Although Solutions Services in the Philippines were up marginally during this period but it was insufficient to offset the lower sales recorded in Malaysia and Thailand.

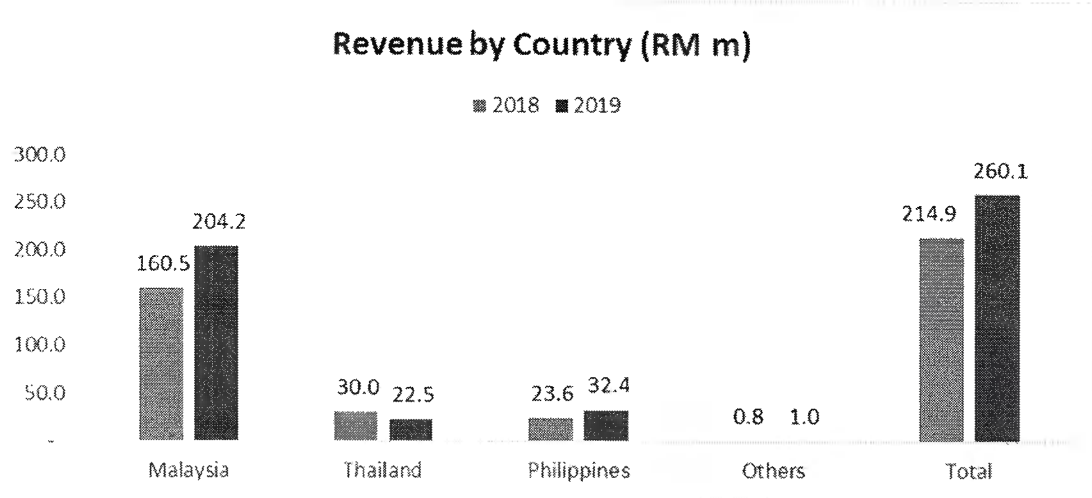
Performance of year to date period (3Q19) vs corresponding period (3Q18) by segment (continued)



	3Q 2018 (RM'mil)	3Q 2019 (RM'mil)
Annuity	187.1	224.7
Non-annuity	27.8	35.4

The annuity based revenue component within the group's total revenue remains high at 86.4% and this compared to 87.1% achieved in the same period in the previous year. Annuity based income continued to grow in absolute terms, and 3Q18 saw higher EDC hardware sales in Thailand which resulted in higher non annuity based income in the previous period. The group's strategy is to grow the TPA and other businesses that have a strong recurring annuity-based revenue and at the same time to continue to support our main bank customers with their hardware and software requirements. As TPA gathers momentum in all three geographical markets, we expect annuity revenues to remain strong.

Performance of year to date period (3Q19) vs corresponding period (3Q18) by country



3Q19 group revenue was higher by 21.1% yoy to hit RM260.1 million (3Q18 – RM214.9 million) with growth delivered by Malaysia and Philippines, but a decline in Thailand due to higher EDC hardware sales in the previous 2018 year. Pre-tax profits were up by 29.5% yoy to RM30.1 million compared to RM23.2 million a year ago and net profit after tax and minority interest grew by 19.6% yoy to RM20.9 million (3Q18 – RM17.4 million).

Performance of year to date (3Q19) vs corresponding period (3Q18) by country (continued)

Malaysian operations contributed 78.7% (3Q18 – 74.7%) of group revenue and the 27.2% yoy increase was due to stronger rental and maintenance revenue as well as TPA revenues whereas Solutions Services revenue showed a decline of 26.2% in the first 9 months of 2019. However, EBITDA margin was higher at 23.8% for 3Q19 compared (3Q18 17.5%).

Philippines revenue was 37.3% yoy higher at RM32.4 million (3Q18 – RM23.6 million) with EBITDA margins at 40.8% from 34.0% in the corresponding period. Both Shared Services and TPA segments registered yoy growth in line with the growth in the revenue.

Thailand recorded a decline in revenue of -24.9% to RM22.5 million from RM30.0 million previously dragged by lower Shared Services revenue as 3Q18 saw strong EDC hardware sales from a Thai bank customer which was not repeated in the corresponding period in 3019. TPA segment however saw 3Q19 revenue growth to RM9.7 million vs 3Q18 TPA revenues of RM6.3 million due to the ongoing merchant acquiring for the Chinese based e-wallet. EBITDA margins remains positive and higher at 19.4% compared to 16.4% in 3Q18.

Other countries remain the smallest contributor to group operations at RM0.98 million or 0.4% of group turnover compared to 3Q18 turnover of RM0.85 million. The EBITDA contribution loss of RM1.4 million compared to RM0.4 million profit in the same period of the previous year was due to operational and investment costs incurred in our new market, Cambodia.

Overall though the first nine months of 2019, the group has continued its growth in revenue (21.1% yoy), EBITDA (27.4% yoy), pretax profits (29.5%) and profit after tax and minority interest (PATMI) (19.6% yoy). These improvements in its financial performance was achieved concurrently whilst investing in new merchant touchpoints which as at end September 2019, stood at 383,100 points, a 18% yoy growth. This large merchant touchpoint base has enabled the group to process a TPV of RM9.8 billion in payment transactions (35% yoy growth).

During this nine-month period, the group has invested approximately RM7.6 million in growing our merchant touchpoints across all our 5 ASEAN markets, Malaysia, Philippines, Thailand, Cambodia and Indonesia. This investment will further strengthen the group's positioning as ASEAN's leading small merchant acquirer for all the various e-payment types, from card schemes to e-wallets, online to offline.

The group strives to maintain its strategy of a sustainable growth in its financial performance whilst maintaining the same growth trajectory in strengthening its ASEAN presence.

B2. Current Year's Prospects (FY 2019)

The Group continues to focus on merchant acquisition across its main markets by offering our clients, payments options ranging from credit/debit acceptance, mobile payments as well as internet payments. The emergence QR based e-wallets have spurned growth of domestic e-wallet players in its main markets and 2018 saw the launch of several local players in this space. This bodes well for GHL, as it increases our competitive edge in offering our merchants an integrated omni-channel payment solution.

In the nine-month period to 30 September 2019, the group processed RM9.8 billion (35.0% yoy) of transaction payment value (TPV) across its TPA merchant touchpoints in ASEAN which also grew to 128,700 points (64.8% yoy) as the group remains focused on strengthening its position as the leading payments player in ASEAN.

In 2018, the group completed two corporate exercises which will contribute from 2019 onwards. One of these was a new market in Cambodia and in 1Q19, the group announced a TPA tie up with Bank Nagara Indonesia (BNI) which marks our foray into merchant acquiring in Indonesia. The group is optimistic about these two new markets but is

B2. Current Year's Prospects (FY 2019) (continued)

cognizant on the need to first invest to develop the infrastructure and marketing network which will lead to additional operating costs before the revenue streams are crystallised.

Although TPA is a key focus, the group recognises that the payment infrastructure within the markets it operates in remains under developed. Opportunities remain in the traditional space of EDC hardware sales and payment network infrastructure and GHL remains well positioned to capitalise on this growth area. The outlook for 2019 and beyond remains optimistic.

B3. Profit before Taxation

Profit before tax is arrived at after charging/(crediting) the following items:

	Current Quarter 30.09.2019 RM'000	Preceding Year Corresponding Quarter 30.09.2018 RM'000	Current Year To Date 30.09.2019 RM'000	Preceding Year To Date 30.09.2018 RM'000
Amortisation of intangible asset	66	63	199	190
Bad Debt written off	203	190	203	1,384
Depreciation of property, plant and equipment	8,288	7,434	22,855	18,052
Fixed assets written off	-	-	173	9
(Gain)/Loss on foreign exchange:				
Realised	9	59	162	153
Unrealised	17	231	(119)	(76)
(Gain)/loss on disposal of fixed Assets	(200)	(248)	(1,712)	(249)
Gain on disposal of investment	-	-	-	(172)
Impairment loss on receivables	95	302	555	500
Interest income	(740)	(807)	(2,374)	(1,520)
Interest expenses	586	547	1,922	1,405
Inventory written off/(back)	43	91	57	65
Rental expenses	292	311	727	1,022
Reversal of allowance for doubtful debts	(1,045)	(307)	(1,191)	(1,534)
Share based payment	285	515	854	772

B4. Tax expense

	Current Quarter 30.09.2019 RM'000	Current Year To Date 30.09.2019 RM'000
Current tax expenses based on profit for the financial quarter:		
Malaysian income tax	(3,335)	(7,526)
Foreign income tax	(366)	(2,046)
Deferred tax:		
Relating to origination and reversal of temporary differences	(150)	(640)
Total	(3,851)	(10,211)

The Group's effective tax rate for the current quarter and for the year to date ended 30 September 2019 was higher than the statutory tax rate mainly due to certain disallowable expenses for tax purposes.

B5. Status of Corporate Proposals

There was no corporate proposal announced but not completed as at the reporting date.

B6. Group Borrowings and Debt Securities

The Group's borrowings and debt securities as at 30 September 2019 are as follows:

	Long-term Borrowings		Short-term Borrowings		Total Borrowings	
	Foreign '000	**RM'000**	**Foreign '000**	**RM'000**	**Foreign '000**	**RM'000**
Secured						
Bank borrowings						
- Ringgit Malaysia	-	2,715	-	30,042	-	32,757
- Philippine Peso	-	-	11,087	898	11,087	898
Hire purchase						
- Ringgit Malaysia	-	1,253	-	587	-	1,840
- Philippine Peso	66,981	5,412	52,670	4,255	119,651	9,667
Unsecured						
Bank borrowings						
- Ringgit Malaysia	-	7,534	-	2,999	-	10,533
-Thai Baht	-	-	80,000	10,962	80,000	10,962
		16,914		**49,743**		**66,657**

B7. Material Litigation

KUALA LUMPUR HIGH COURT NO. WA-22NCvC-692-09/2019
BESTINET SDN BHD v GHL EPAYMENTS SDN BHD

On 5 September 2019, GHL Epayments Sdn Bhd ("Defendant"), a wholly-owned subsidiary of GHL Systems Berhad was served with a Writ and Statement of Claim from Bestinet Sdn Bhd ("Plaintiff") for claims arising from alleged misrepresentation and breach of the contract in respect to the development, management and maintenance of digital wallet.

On 30 October 2019, the Defendant has filed Statement of Defence and Counterclaim against the Plaintiff by averring, amongst others, that:

(a) there was no misrepresentation made by the Defendant to the Plaintiff that it is an e-wallet issuer;
(b) there was no delay on the part of the Defendant in completing the project under the contract;
(c) the Plaintiff breached the contract by way of non-payment or failure of payment to the Defendant.

The Defendant has counterclaimed against the Plaintiff for the following:

(a) A declaration that the termination of the contract between the Plaintiff and the Defendant (through the fee quotation dated 5.4.2017 which was accepted by the Plaintiff dated 18.4.2017) by the Plaintiff was unlawful;
(b) The outstanding invoice no. 10000867 dated 31.12.2018 and invoice no. 2019000225 dated 31.5.2019 be paid by the Plaintiff to the Defendant;
(c) Interest on the sum of RM92,750.00 at the rate of 2% per month from 30.1.2019 to the date of judgment;
(d) Interest on the sum of RM92,750.00 at the rate of 2% per month from 30.6.2019 to the date of judgment;

B7. Material Litigation (continued)

(e) Loss of profits in the sum of RM1,855,000.00 or alternatively loss of profits and/or loss of future profits and/or loss of opportunity to be assessed by this Honourable Court;
(f) Post judgment interest;
(g) Costs;
(h) Such further and/or other reliefs deemed just and proper by this Honourable Court.

On 20 November 2019, the Plaintiff has served on eGHL with its Reply and Defence to Counterclaim. On 21 November 2019, the matter which was fixed for case management before the Registrar. The Registrar had directed the parties to file the following by 23 December 2019:
(1) Summary of Case;
(2) Bundle of Pleadings;
(3) Common Bundle of Documents;
(4) Statement of Agreed facts;
(5) Statement of Issues to be Tried; and
(6) List of Witnesses.

The Registrar further fixed the matter for case management on 30 December 2019 and further directed that any interlocutory application must be filed by 16 December 2019.

Save as disclosed above, there were no other material litigations against the Group as at the date of this report.

B8. Dividend
No dividend has been declared for the financial period ended 30 September 2019.

B9. 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.

B9. Earnings Per Share (continue)

	Current Quarter 30.09.2019	Preceding Year Corresponding Quarter 30.09.2018	Current Year To Date 30.09.2019	Preceding Year To Date 30.09.2018
Basic				
Profit attributable to owners of the Company (RM'000)	7,336	6,304	20,847	17,435
Weighted average number of ordinary shares in issue and issuable (Unit'000)	749,206	737,259	743,113	691,653
Basic earnings per ordinary share (Sen)	0.98	0.86	2.81	2.52
Diluted				
Profit attributable to owners of the Company (RM'000)	7,336	6,304	20,847	17,435
Weighted average number of ordinary shares in issue and issuable (Unit'000)	752,295	738,656	746,418	695,793
Diluted earnings per ordinary share (Sen)	0.98	0.85	2.79	2.51