



GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT QUARTER	CORRESPONDING QUARTER	CUMULATIVE YEAR TO DATE	CUMULATIVE YEAR TO DATE
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	87,622	84,173	347,764	299,067
Cost of sales		(48,040)	(48,565)	(197,047)	(172,191)
Gross profit		39,582	35,608	150,717	126,876
Other operating income		7,385	6,380	13,763	10,967
Administration expenses		(27,942)	(22,694)	(102,616)	(80,604)
Distribution costs		(2,198)	(2,909)	(9,387)	(8,596)
Other expenses		(7,076)	(4,414)	(10,266)	(12,440)
Finance cost		(858)	(509)	(2,780)	(1,914)
Share of results of associated companies		(117)	(1,214)	(555)	(797)
Profit before taxation		8,776	10,248	38,876	33,492
Income tax expense		(1,646)	(3,130)	(11,857)	(8,908)
Profit for the period		7,130	7,118	27,019	24,584
Attributable to:					
Owners of the Company		7,877	7,108	28,724	24,543
Non-controlling interest		(747)	10	(1,705)	41
		7,130	7,118	27,019	24,584
Earnings Per Ordinary Share					
- Basic (sen)	B9	1.06	0.96	3.87	3.49
- Diluted (sen)	B9	1.06	0.96	3.86	3.47
Profit for the period		7,130	7,118	27,019	24,584
Other comprehensive income, net of tax					
Foreign currency translation differences		3,192	(824)	5,393	2,464
Total comprehensive income for the period		10,322	6,294	32,412	27,048
Total comprehensive income attributable to:					
Owners of the Company		11,069	6,284	34,117	27,007
Non-controlling interest		(747)	10	(1,705)	41
		10,322	6,294	32,412	27,048

(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 SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	Note	AS AT 31.12.2019 (Unaudited) RM'000	AS AT 31.12.2018 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		101,868	93,100
Right of use assets		4,559	-
Goodwill on consolidation		179,971	168,639
Intangible assets		1,433	1,697
Other investment		410	226
Deferred tax assets		3,712	2,101
		<u>291,953</u>	<u>265,763</u>
Current assets			
Inventories		62,661	79,088
Trade receivables		56,912	64,969
Other receivables		56,862	73,494
Tax recoverable		9,055	8,660
Other investment		42,164	-
Fixed deposits placed with licensed banks		24,071	25,420
Cash and bank balances		125,609	119,723
		<u>377,334</u>	<u>371,354</u>
TOTAL ASSETS		<u>669,287</u>	<u>637,117</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		330,200	314,344
Reserves		127,027	91,882
ESS Shares		(11,161)	-
Equity attributable to equity holders of the parent		<u>446,066</u>	<u>406,226</u>
Non controlling interest		6,413	170
Total equity		<u>452,479</u>	<u>406,396</u>
Non-current liabilities			
Hire purchase payables	B6	6,192	5,629
Bank borrowing	B6	19,374	11,194
Lease liabilities		1,932	-
Deferred tax liability		445	4,156
Other payables		-	14,951
		<u>27,943</u>	<u>35,930</u>
Current liabilities			
Trade payables		20,828	40,258
Other payables		142,026	130,679
Contract liabilities		34	-
Lease liabilities		1,384	-
Deferred income		1,528	1,537
Hire purchase payables	B6	5,509	4,436
Bank borrowings	B6	6,831	13,408
Tax payable		10,725	4,473
		<u>188,865</u>	<u>194,791</u>
Total liabilities		<u>216,808</u>	<u>230,721</u>
TOTAL EQUITY AND LIABILITIES		<u>669,287</u>	<u>637,117</u>
Net assets per share (sen)		60.39	55.07

(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)



GHL SYSTEMS BERHAD
(Company No: 293040-D)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	Share Capital RM'000	ESS Shares RM'000	Exchange 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 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 to acquire a subsidiary	20,793	-	-	-	-	-	20,793	-	20,793
Issuance of ordinary shares	84,500	-	-	-	-	-	84,500	-	84,500
Issuance of ordinary shares pursuant to ESS	153	-	-	-	-	-	153	-	153
Resale of ordinary shares in open market	788	-	-	-	306	-	1,094	-	1,094
Share options granted under ESS	-	-	-	1,001	-	-	1,001	-	1,001
Total comprehensive income for the year	-	-	2,464	-	-	24,543	27,007	41	27,048
At 31 December 2018	<u>314,344</u>	<u>-</u>	<u>(1,455)</u>	<u>1,001</u>	<u>-</u>	<u>92,336</u>	<u>406,226</u>	<u>170</u>	<u>406,396</u>
At 1 January 2019	314,344	-	(1,455)	1,001	-	92,336	406,226	170	406,396
Effects of MFRS 16	-	-	-	-	-	(114)	(114)	-	(114)
At 1 January 2019 (Restated)	314,344	-	(1,455)	1,001	-	92,222	406,112	170	406,282
Issuance of ordinary shares	14,387	-	-	-	-	-	14,387	-	14,387
Issuance of ordinary shares pursuant to ESS	1,256	-	-	-	-	-	1,256	-	1,256
Purchase of ESS shares	-	(11,943)	-	-	-	-	(11,943)	-	(11,943)
Share option granted under ESS	213	782	-	1,198	-	(56)	2,137	-	2,137
Forex reserve - Non controlling interest	-	-	-	-	-	-	-	(69)	(69)
Acquisition reserve - allocated goodwill	-	-	-	-	-	-	-	8,017	8,017
Total comprehensive income for the year	-	-	5,393	-	-	28,724	34,117	(1,705)	32,412
At 31 December 2019	<u>330,200</u>	<u>(11,161)</u>	<u>3,938</u>	<u>2,199</u>	<u>-</u>	<u>120,890</u>	<u>446,066</u>	<u>6,413</u>	<u>452,479</u>

(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 31 DECEMBER 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	CURRENT YEAR TO DATE 31.12.2019 RM'000	PRECEDING YEAR TO DATE 31.12.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	38,876	33,492
Adjustment for:-		
Amortisation of development cost	265	253
Amortisation of deferred income	(2,530)	(3,884)
Bad debts written-off	951	1,369
Depreciation of property, plant and equipment	32,223	22,700
Impairment loss on other investment	-	2,118
Impairment loss on receivables	5,684	2,860
Interest expense	2,780	1,717
Interest income	(3,094)	(2,679)
Inventories written off/ (back)	850	2
Loss/(Gain) on disposal of property, plant and equipment	(1,084)	158
Loss/ (Gain) on liquidation of subsidiary	153	(52)
Gain on disposal of other investment	-	(841)
Reversal of impairment on other investment	(2,118)	-
Fair value gain on contingent consideration	(2,542)	(307)
Property, plant and equipment written-off	1,454	49
Property, plant and equipment written back	-	(664)
Reversal of impairment on trade receivables	(1,283)	(4,258)
Share options granted under ESS	1,518	1,019
Share of loss from an associate	555	797
Unrealised loss/ (gain) on foreign exchange	(63)	(485)
Operating profit before working capital changes	<u>72,595</u>	<u>53,364</u>
(Increase)/Decrease in working capital		
Inventories	18,614	(22,970)
Trade and other receivables	21,459	(62,113)
Trade and other payables	(7,651)	38,370
Lease liabilities	(634)	-
Advance receipt from deferred income	2,521	4,587
	<u>34,309</u>	<u>(42,126)</u>
Cash generated from operations	106,904	11,238
Interest received	3,094	2,679
Interest paid	(2,780)	(1,717)
Tax paid	(5,626)	(9,757)
Tax refund	-	26
	<u>(5,312)</u>	<u>(8,769)</u>
Net cash from operating activities	<u>101,592</u>	<u>2,469</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(42,788)	(22,570)
Purchase of other investment	(739)	(2,118)
Proceeds from disposal of property, plant and equipment	3,716	2,914
Proceeds from disposal of other investments	2,118	8,000
Addition in intangible assets	(1)	(21)
Acquisition of subsidiary for cash, net cash acquired	(8,345)	(34,395)
Net cash used in investing activities	<u>(46,039)</u>	<u>(48,190)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of shares	-	84,500
Purchase of ESS shares	(11,943)	-
Proceeds from issuance of shares-ESOS	1,256	135
Proceeds from issuance of shares-Treasury	-	1,094
(Increase)/Decrease in fixed deposits pledged	(664)	(4,465)
Drawdown of hire purchase	7,341	6,647
Repayment of hire purchase payables	(5,917)	(2,236)
Drawdown of bank borrowings	84,012	79,857
Repayment of bank borrowings	(82,741)	(87,275)
Net cash used in financing activities	<u>(8,656)</u>	<u>78,257</u>
Net increase/(decrease) in cash and cash equivalents	46,897	32,536
Effect of exchange rate fluctuation	(509)	642
Cash and cash equivalents at beginning of the finance period	<u>133,123</u>	<u>99,945</u>
Cash and cash equivalents at end of the finance period	<u>179,511</u>	<u>133,123</u>

Cash and cash equivalents at end of the finance year:-		
Cash and bank balances	125,609	119,723
Deposits with licensed banks	42,164	-
Fixed deposits with licensed banks	24,071	25,420
	<u>191,844</u>	<u>145,143</u>
Less: Fixed deposits pledged to licensed banks	(12,333)	(12,020)
	<u>179,511</u>	<u>133,123</u>

(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)



GHL SYSTEMS BERHAD
(Company No: 293040-D)

Part A: Explanatory notes on consolidated results for the quarter ended 31 December 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	Effects of adoption of MFRS 16 RM'000	As at 01.01.2019 RM'000
Non-current assets			
Right-of-use asset	-	5,020	5,020
Liabilities			
Lease liabilities - Non-current liabilities	-	2,641	2,641
Lease liabilities - Current liabilities	-	1,082	1,082

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 RM4,559,000 of right-of-use assets and RM3,316,000 of lease liabilities as at 31 December 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 year ended 31 December 2019, the Group recognized RM1,338,000 of depreciation charges and RM173,000 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 Interest Rate Benchmark Reform	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 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	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.



GHL SYSTEMS BERHAD
(Company No: 293040-D)

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

There were no 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 31 December 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:

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")

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.



GHL SYSTEMS BERHAD
(Company No: 293040-D)

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.



GHL SYSTEMS BERHAD
(Company No: 293040-D)

A9. Segmental Reporting (continued)

Quarter - 31 Dec	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												
Transaction Payment Acquisition	45,595	41,337	5,744	3,094	2,715	2,145	10	-	(681)	-	53,383	46,576
Shared Services	21,092	24,092	6,651	6,694	2,942	2,755	1	-	293	29	30,979	33,570
Solution Services	1,794	2,585	847	645	325	488	294	309	-	-	3,260	4,027
Inter-segment sales	8,818	9,521	-	-	-	-	-	-	(8,818)	(9,521)	-	-
	77,299	77,535	13,242	10,433	5,982	5,388	305	309	(9,205)	(9,492)	87,622	84,173
RESULTS												
EBITDA	25,645	4,388	4,552	4,528	1,723	1,151	(1,452)	150	(12,122)	4,092	18,346	14,309
Interest income	709	1,154	8	2	3	3	-	-	-	-	720	1,159
Interest expense	(563)	(371)	(265)	(111)	(29)	(27)	-	-	-	-	(857)	(509)
Depreciation	(6,602)	(1,800)	(2,262)	(1,943)	(782)	(695)	(183)	-	462	(210)	(9,367)	(4,648)
Amortisation of intangible assets	(66)	(63)	-	-	-	-	-	-	-	-	(66)	(63)
Profit before taxation	19,123	3,308	2,033	2,476	915	432	(1,635)	150	(11,660)	3,882	8,776	10,248
Taxation	(522)	(2,204)	(831)	(679)	(57)	(149)	-	(1)	(236)	(97)	(1,646)	(3,130)
Minority interest	-	-	-	-	-	-	-	-	747	(10)	747	(10)
Segment profit/ (loss) for the financial period after non-controlling interest	18,601	1,104	1,202	1,797	858	283	(1,635)	149	(11,149)	3,775	7,877	7,108
Segmental assets	687,318	546,127	66,671	53,904	33,670	34,099	4,319	886	(122,691)	2,101	669,287	637,117
Segmental liabilities	349,131	190,979	37,247	17,644	14,377	17,858	2,257	84	(186,204)	4,156	216,808	230,721



GHL SYSTEMS BERHAD
(Company No: 293040-D)

A9. Segmental Reporting (continued)

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Cumulative - 31 Dec	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												
Transaction Payment Acquisition	175,527	163,411	18,395	10,584	12,411	8,404	39	-	(681)	-	205,691	182,399
Shared Services	90,999	55,914	24,564	20,973	14,712	25,255	63	-	(185)	-	130,153	102,142
Solution Services	6,685	9,213	2,673	2,459	1,377	1,698	1,185	1,156	-	-	11,920	14,526
Inter-segment sales	28,149	30,743	-	-	-	-	-	-	(28,149)	(30,743)	-	-
	301,360	259,281	45,632	34,016	28,500	35,357	1,287	1,156	(29,015)	(30,743)	347,764	299,067
RESULTS												
EBITDA	74,367	52,985	17,766	12,555	6,094	6,065	(2,885)	527	(24,292)	(16,452)	71,050	55,680
Interest income	3,072	2,662	13	10	9	7	-	-	-	-	3,094	2,679
Interest expense	(1,701)	(1,597)	(962)	(347)	(117)	(66)	-	-	-	96	(2,780)	(1,914)
Depreciation	(22,852)	(19,204)	(9,158)	(6,989)	(3,096)	(2,443)	(833)	(2)	3,716	5,938	(32,223)	(22,700)
Amortisation of intangible assets	(265)	(253)	-	-	-	-	-	-	-	-	(265)	(253)
Profit before taxation	52,621	34,593	7,659	5,229	2,890	3,563	(3,718)	525	(20,576)	(10,418)	38,876	33,492
Taxation	(8,349)	(5,897)	(2,551)	(2,012)	(384)	(492)	(0)	-	(573)	(507)	(11,857)	(8,908)
Minority interest	-	-	-	-	-	-	-	-	1,705	(41)	1,705	(41)
Segment profit/ (loss) for the financial period after non-controlling interest	44,272	28,696	5,108	3,217	2,506	3,071	(3,718)	525	(19,444)	(10,966)	28,724	24,543
Segmental assets	687,318	546,127	66,671	53,904	33,670	34,099	4,319	886	(122,691)	2,101	669,287	637,117
Segmental liabilities	349,131	190,979	37,247	17,644	14,377	17,858	2,257	84	(186,204)	4,156	216,808	230,721



GHL SYSTEMS BERHAD
(Company No: 293040-D)

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	<u>19,462</u>

A14. Capital Commitments

Capital commitments for purchase of property, plant and equipment not provided for as at 31 December 2019 are as follows:

	RM'000
Approved but not contracted for	<u>5,514</u>



GHL SYSTEMS BERHAD
(Company No: 293040-D)

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

B1. Review of Performance

Performance of current quarter (4Q 2019) vs corresponding quarter (4Q 2018) by segment

GHL's 4Q19 group revenue was up 4.1% yoy to RM87.6 million as compared to RM84.2 million for the corresponding quarter in 4Q18. 4Q19 pre-tax profits were down 14.4% at RM8.8 million compared to 4Q18 mainly due to higher depreciation expenses. Profit after tax and minority interest was up 10.8% at RM7.9 million (4Q18 RM7.1 million). The group's revenue in this quarter was driven by the TPA division but was tempered by declines from the Shared and Solutions Services compared to 4Q18. 4Q19 Shared Services recorded a decline of 12.9% yoy in revenue on the back of lower rental income in the current quarter. Contribution from Paysys (M) Sdn Bhd is reflected in both the current 4Q19 and corresponding quarter in 4Q18. The group's balance sheet remains healthy with a net cash position of RM111.8 million (31.12.2018 – Net cash RM110.5 million).

The performances of the individual segments are as follows: -

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 collection services in Malaysia. It has approximately 43,500 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 payment value (TPV) by e-pay grew by 16.2% with a dip in gross profit margins to 103 basis points due to the change in product mix during the quarter under review.

Table 1

e-pay <i>(All stated in RM'millions unless stated otherwise)</i>	4Q 2018	4Q 2019	% change
Transaction Payment Value	946.5	1,099.9	16.2%
Gross Revenue	31.3	31.6	0.8%
Gross Revenue / Transaction Payment Value (Note 1)	3.31%	2.87%	-13.3%
Gross Profit	10.9	11.3	3.8%
Gross Profit / Transaction Payment Value (Note 1)	1.15%	1.03%	-10.6%
Merchant Footprint - e-pay Only (Thousands)	38.0	43.5	14.4%

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



GHL SYSTEMS BERHAD
(Company No: 293040-D)

B1. Review of Performance (continued)
Transaction Payment Acquisition (TPA)

(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 payment value continued to grow strongly by 70.1%, and gross profit/transaction payment value margins declined to 30 basis points (4Q18 - 37 basis points) due to 1) change in payment type mix, 2) change in merchant segment mix. Absolute gross profits showed a very healthy 40% yoy growth to RM9.0 million (4Q18 RM6.4 million). Over the longer term, 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.

Table 2

GHL Electronic payments TPA <i>(All stated in RM'millions unless stated otherwise)</i>	4Q 2018 (Restated)	4Q 2019	% change
Transaction Payment Value (Note 1)	1,764.4	3,000.7	70.1%
Gross Revenue	15.5	21.8	40.8%
Gross Revenue / Transaction Payment Value (Note 2)	0.88%	0.73%	-17.2%
Gross Profit (Note 3)	6.4	9.0	39.9%
Gross Profit / Transaction Payment Value (Note 2)	0.37%	0.30%	-17.7%
Merchant Footprint - TPA Only (Thousands)	58.7	95.3	62.5%

Note 1 - Gross Revenue or Gross Profit respectively divided by the Transaction Payment Value 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 14.6% yoy in 4Q19 to hit RM53.4 million (4Q18 – RM46.6m) driven by both revenue growths from payments TPA and e-pay revenue. e-pay revenues were up 0.8% yoy due to 16.2% yoy growth in e-pay TPV. Payments TPA on the other hand also showed a 40.8% yoy improvement in revenue generated. e-pay remains the larger contributor in the TPA segment but the GHL electronic payments TPA (encompassing card, online, mobile and nextgen payments) are growing at a faster rate.

Shared Services

Shared Services revenue in 4Q19 declined by -7.7% to RM31.0 million (4Q18 – RM33.6 million) due to lower rental & maintenance revenue from Malaysia when compared to the same period a year ago.



GHL SYSTEMS BERHAD
(Company No: 293040-D)

B1. Review of Performance (continued)

Solutions Services

Solutions Services gross revenue was down by -20.5% in 4Q19 to RM3.2 million (4Q18 – RM4.0 million) due to lower network hardware sales in in Malaysia and Philippines.

Performance of current quarter (4Q 2019) vs corresponding quarter (4Q 2018) by geographical segment

GHL's 4Q19 group revenue was up 4.1% yoy to RM87.6 million as compared to RM84.2 million in the corresponding quarter in 4Q18. The group's revenue in this quarter was driven by the TPA division but was tempered by declines from the Shared and Solutions Services compared to 4Q18. All the 3 main geographical markets contributed positively to the net profit except for the new markets of Cambodia and Indonesia. Group wise, 4Q19 pre-tax profits were down 14.4% yoy at RM8.8 million compared 4Q18 primarily due to higher depreciation charges.

Malaysia operations accounted for 77.8% of the group revenue in 4Q19 with a 3.2% yoy decline due to lower revenue from Shared and Solutions Services but was mitigated by growth in the TPA segment which was up due to higher transaction fees.

The Philippines operations was the second largest contributor, accounting for 15.0% yoy of 4Q19 group revenue. This 4th quarter saw revenue grew by 26.9% yoy to RM13.2 million (4Q18 – RM10.4m) supported by growth in Solutions Services and TPA. Shared Services was flat and saw a small decline in revenue of RM0.04 million yoy.

Thailand operations' 4Q19 revenue contributed 6.8% to the group total and grew 11% yoy to RM6.0 million (4Q18 RM5.4 million) due to growth in Shared Services and TPA. The growth was offset by a decline in its Solutions Services which saw lower software sales in 4Q19. TPA revenues saw higher transactional fees which contributed to a 26.6% yoy growth for the Thai TPA segment.

The group's other geographical operations recorded 4Q19 revenues of RM0.30 million (4Q18 – RM0.31 million) on an ongoing maintenance projects in Australia in its Solutions Service division. 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 and Indonesian operations.

Performance of current quarter (4Q19) vs preceding quarter (3Q19) by segment

Revenue (RM million)	3Q19	4Q19
TPA	52.7	53.4
Shared Services	32.4	31.0
Solutions Services	2.6	3.2
Group revenue	87.7	87.6
Profit Before Tax	10.8	8.8

For the 4Q19 ended 31 December 2019, the group recorded revenues of RM87.6 million slightly lower as compared to RM87.7 million recorded in 3Q19. The marginal decline was due to a better performing in TPA (Malaysia, Philippines and Thailand) in 4Q19 and Solutions Services but was dragged by a lower Shared Services (stronger Malaysia hardware sales in 3Q19). TPA transaction value showed qoq improvement in all three countries. In line with the marginal decline in group revenue, 4Q19 pre-tax profit was also down by 18.5% qoq due to higher depreciation charges in 4Q vs 3Q.



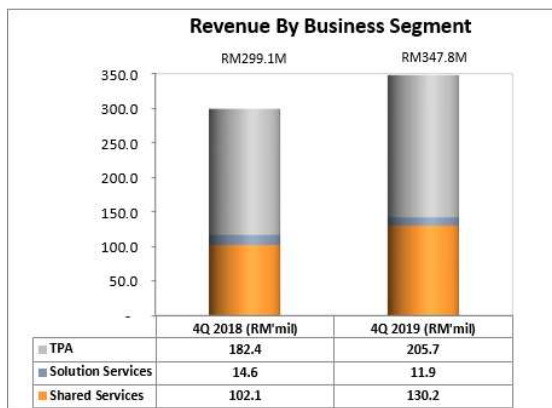
GHL SYSTEMS BERHAD
(Company No: 293040-D)

Performance of year to date (4Q19) vs corresponding year(4Q18) by segment

Group revenue for the twelve-months of 2019 was up 16.3% yoy to RM347.8 million (2018 – RM299.1 million) with growth registered in Malaysia and Philippines but Thailand was down due to its higher hardware sales in 2018. The segment performance was as follows (TPA 12.8% yoy; Shared Services 27.4% yoy; and Solutions Services, -17.9% yoy;).

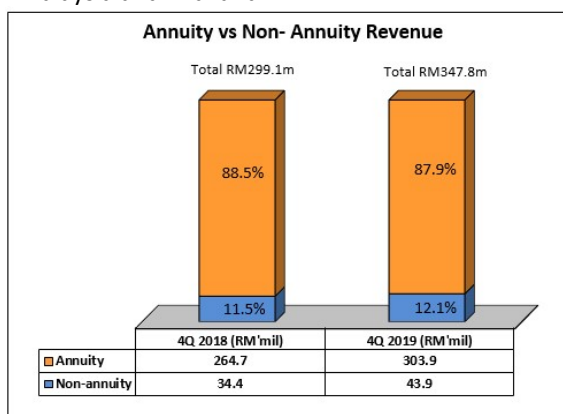
Pre-tax profit was up by 16.1% yoy to RM38.9 million compared to RM33.5 million a year ago and pre-tax margin maintain at 11.2%.

Net profit after tax and minority interest grew by 17% yoy at RM28.7 million (2018 – RM24.5 million). Net profit growth was higher as compared to the pre-tax profit growth due to a higher minority interest credit for 2019 which resulted from losses in the new markets of Cambodia.



Shared Services and TPA recorded improved performance due to higher rental/maintenance and EDC sales revenue in the twelve-months to 31 December 2019 and higher TPA transaction fees collected. The Shared Services improved performance in 2019 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 2018. Solutions Services performance was however down by -17.9% yoy as compared to the same period last year due to softer hardware and software sales in Malaysia.

Although Solutions Services in the Philippines were up marginally for the year under review but it was insufficient to offset the lower sales recorded in Malaysia and Thailand.

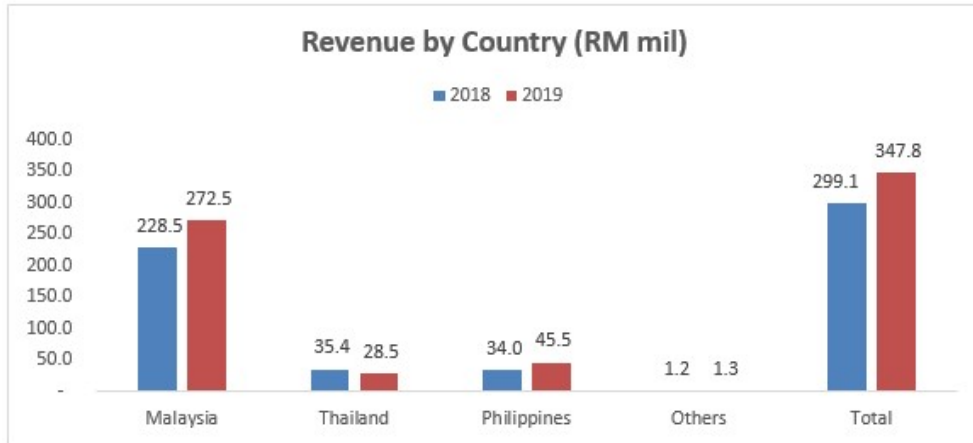


The annuity based revenue component within the group’s total revenue remains high at 87.9% and this compared to 88.5% achieved in the previous year. Annuity based income continued to grow in absolute terms, and 2018 saw higher hardware sales in the Thai market which resulted in higher non annuity based income in the previous year. 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.



GHL SYSTEMS BERHAD
(Company No: 293040-D)

Performance of year to date (4Q19) vs corresponding period (4Q18) by country



Year to date group revenue was higher by 16.3% yoy to hit RM347.8 million (2018 – RM299.1m) with growth delivered by Malaysia and Philippines, but a decline in Thailand due to higher hardware sales in the previous 2018 year. Pre-tax profits were up by 16.1% yoy to RM38.9 million compared to RM33.5 million a year ago and net profit after tax and minority interest grew by 17.0% yoy to RM28.7 million (2018 – RM24.5 million).

Malaysian operations contributed 78.3% (2018 – 76.4%) of group revenue and the 19.2% yoy increase was due to stronger rental and maintenance revenue as well as TPA revenues whereas Solutions Services revenue showed a decline of 27.4% in the twelve-months of 2019. However, EBITDA margins was higher at 27.3% for 2019 (2018 - 20.4%).

Philippines revenue was 34.2% yoy higher at RM45.6 million (2018 – RM34.0m) with EBITDA margins at 39.0% from 38.9% on the corresponding year. All three divisions, TPA, Shared Services and Solutions Services registered yoy growth in line with the growth in the revenue.

Thailand recorded a decline in revenue of -19.4% to RM28.5 million from RM35.4 million previously dragged by lower Shared Services revenue as 2018 saw strong hardware sales from a Thai bank customer which was not repeated in 2019. TPA segment however saw revenue grew to RM12.4 million vs 2018 of RM8.4 million due to the ongoing merchant acquiring for the Chinese based e-wallet as well as domestic e-wallets. EBITDA margins remains positive at 21.5% compared to 17.2% in 2018.

Other countries remain the smallest contributor to group operations at RM1.3 million or 0.4% of group turnover compared to 2018 turnover of RM1.2 million. The EBITDA contribution loss of RM2.9 million compared to RM0.5 million profit in the same period of the previous year was due to operational and investment costs incurred in our new market, Cambodia and Indonesia.

For the year ended 31 December 2019, the group has continued its growth in revenue (16.3% yoy), EBITDA (27.6% yoy), pretax profits (16.1%) and profit after tax and minority interest (PATMI) (17.0% yoy). These improvements in its financial performance was achieved concurrently whilst investing in new merchant touchpoints which as at end December 2019, stood at 397,500 points, a 10% yoy growth. This large merchant touchpoint base has enabled the group to process a TPV of RM13.9 billion in payment transactions (39% yoy growth).

During this twelve-month period, the group has invested approximately RM11.9 million in growing our merchant touchpoints across all our 5 ASEAN markets namely, 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.



GHL SYSTEMS BERHAD
(Company No: 293040-D)

B2. Current Year's Prospects (FY 2020)

The Group continues to focus on merchant acquisition across the five 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 spurred growth of domestic e-wallet players in 2019 saw the accelerated deployment and launch of several local players in this space, especially in Malaysia. This bodes well for GHL, as it increases our competitive edge in offering our merchants an integrated omni-channel payment solution.

In 2020, the Group will be focussing on strengthening its positioning in Malaysia, Philippines and Thailand. The Group will also be commencing acquiring at a stronger pace in Indonesia and Cambodia.

Although TPA is a key focus, the group's 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 2020 and beyond remains optimistic.

At the start of 2020, there is an outbreak of Covid-19 coronavirus in China which has affected many countries globally. This has impacted the tourism industry as well as the general retail industry. We are continuously assessing the impact of this situation and putting in place required Business Continuity Processes (BCP) to ensure our operations would not be impacted. Our company strategy remains the same and we believe the continuous growth of cashless payment adoption will continue to drive the growth of the company.

B3. Profit before Taxation

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

	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible asset	66	63	265	253
Bad Debt written off	748	(15)	951	1,369
Depreciation of property, plant and equipment	9,367	4,648	32,223	22,700
Fixed assets written off	1,281	40	1,454	49
(Gain)/Loss on foreign exchange:				
Realised	(382)	(17)	(220)	136
Unrealised	55	(316)	(63)	(392)
(Gain)/loss on disposal of fixed Assets	628	407	(1,084)	158
Gain on disposal of other investment	-	(669)	-	(841)
Impairment loss on receivables	5,129	2,360	5,684	2,860
Impairment loss on investment	(2,118)	2,118	(2,118)	2,118
Interest income	(720)	(1,159)	(3,094)	(2,679)
Interest expenses	857	509	2,780	1,914
Inventory written off/(back)	793	237	850	302
Rental expenses	162	490	889	1,512
Reversal of allowance for doubtful debts	(92)	(2,545)	(1,283)	(4,079)
Share based payment	664	247	1,518	1,019



GHL SYSTEMS BERHAD
(Company No: 293040-D)

B4. Tax expense

	Current Quarter 31.12.2019 RM'000	Year To Date 31.12.2019 RM'000
Current tax expenses based on profit for the financial quarter:		
Malaysian income tax	(1,305)	(8,830)
Foreign income tax	(889)	(2,935)
Deferred tax:		
Relating to origination and reversal of temporary differences	630	(10)
Under provision in prior year	(82)	(82)
Total	(1,646)	(11,857)

The Group's effective tax rate for the current quarter and for the year to date ended 31 December 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 31 December 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						
<i>Bank borrowings</i>						
- Ringgit Malaysia	-	2,680	-	3,546	-	6,226
- Philippine Peso	-	-	9,607	776	9,607	776
<i>Hire purchase</i>						
- Ringgit Malaysia	-	943	-	357	-	1,300
- Philippine Peso	64,957	5,249	63,755	5,152	128,712	10,401
Unsecured						
<i>Bank borrowings</i>						
- Ringgit Malaysia	-	16,694	-	2,509	-	19,203
-Thai Baht	-	-	-	-	-	-
		25,566		12,340		37,906



GHL SYSTEMS BERHAD
(Company No: 293040-D)

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;
- (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 Suit has been fixed for further case management on 6 February 2020 and for trial on 24 April 2020 and from 27 April 2020 to 29 April 2020.

As at the date of this report, there is no material financial and operational impact arising from the Suit on the Defendant and the Company.

Save as disclosed above, there are no other material litigations against the Company and its subsidiaries as at the date of this report.



GHL SYSTEMS BERHAD
(Company No: 293040-D)

B8. Dividend

No dividend has been declared for the financial year ended 31 December 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.

	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Basic				
Profit attributable to owners of the Company (RM'000)	7,877	7,108	28,724	24,543
Weighted average number of ordinary shares in issue and issuable (Unit'000)	742,830	737,306	742,098	703,160
Basic earnings per ordinary share (Sen)	1.06	0.96	3.87	3.49
Diluted				
Profit attributable to owners of the Company (RM'000)	7,877	7,108	28,724	24,543
Weighted average number of ordinary shares in issue and issuable (Unit'000)	745,187	741,466	744,783	707,247
Diluted earnings per ordinary share (Sen)	1.06	0.96	3.86	3.47