



GHL SYSTEMS BERHAD

Company No: 199401007361 (293040-D)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2021
(THE FIGURES HAVE NOT BEEN AUDITED)**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30.09.2021 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.09.2020 RM'000	CURRENT YEAR TO DATE 30.09.2021 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.09.2020 RM'000
Revenue	A9	85,570	91,836	264,902	247,028
Cost of sales		(53,723)	(53,014)	(161,602)	(139,885)
Gross profit		31,847	38,822	103,300	107,143
Other operating income		1,527	2,099	5,490	5,623
Administration expenses		(21,206)	(18,878)	(66,592)	(73,524)
Distribution costs		(2,511)	(2,786)	(8,176)	(8,544)
Other operating expenses		(863)	(1,276)	(3,271)	(18,100)
Finance cost		(608)	(814)	(1,682)	(1,728)
Share of results of associated companies		-	(61)	(183)	(162)
Profit before taxation		8,186	17,106	28,886	10,708
Income tax expense		(2,646)	(5,128)	(9,418)	(9,588)
Profit for the period		5,540	11,978	19,468	1,120
Attributable to:					
Owners of the Company		5,539	12,143	19,488	7,549
Non-controlling interest		1	(165)	(20)	(6,429)
		5,540	11,978	19,468	1,120
Earnings Per Ordinary Share					
- Basic (sen)	B9	0.49	1.60	1.71	1.01
- Diluted (sen)	B9	0.49	1.60	1.71	1.01
Profit for the period		5,540	11,978	19,468	1,120
Other comprehensive income, net of tax					
Foreign currency translation differences		(2,233)	(732)	(1,851)	(292)
Total comprehensive income for the period		3,307	11,246	17,617	828
Total comprehensive income attributable to:					
Owners of the Company		3,306	11,411	17,637	7,257
Non-controlling interest		1	(165)	(20)	(6,429)
		3,307	11,246	17,617	828

(The condensed consolidated statement of comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements)



GHL SYSTEMS BERHAD

Company No: 199401007361 (293040-D)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021
(THE FIGURES HAVE NOT BEEN AUDITED)**

	AS AT 30.09.2021 (Unaudited) RM'000	AS AT 31.12.2020 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	95,459	99,599
Goodwill on consolidation	168,639	168,639
Intangible assets	970	1,169
Investment in joint ventures and an associate	166	-
Trade receivables	3,227	415
Deferred tax assets	3,035	2,955
	271,496	272,777
Current assets		
Inventories	54,399	59,872
Trade receivables	51,493	45,159
Other receivables	92,907	92,781
Current tax assets	5,478	2,198
Other investment	67,460	64,810
Cash and bank balances	188,658	148,894
	460,395	413,714
TOTAL ASSETS	731,891	686,491
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	351,485	351,485
Reserves	(3,365)	(3,516)
Retained earnings	152,272	133,788
Equity attributable to owners of the parent	500,392	481,757
Non controlling interest	164	184
Total equity	500,556	481,941
Non-current liabilities		
Bank borrowing	17,044	13,901
Contract liabilities	562	328
Lease liabilities	1,215	2,901
Employee benefits obligation	2,234	2,234
Deferred tax liabilities	4,928	4,479
	25,983	23,843
Current liabilities		
Trade payables	48,591	32,299
Other payables	106,732	127,236
Contract liabilities	4,585	4,543
Lease liabilities	3,274	6,161
Bank borrowings	36,880	8,274
Current tax liabilities	5,290	2,194
	205,352	180,707
Total liabilities	231,335	204,550
TOTAL EQUITY AND LIABILITIES	731,891	686,491
Net assets per share (sen)	43.84	65.28

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements)



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2021
(THE FIGURES HAVE NOT BEEN AUDITED)

	Share Capital RM'000	Retirement benefit Reserve RM'000	ESS Shares RM'000	Exchange Reserve RM'000	Share Options Reserve RM'000	Retained Profits / (Accumulated Losses) RM'000	Equity Attributable Owners Of The Parent RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 January 2020	330,200	59	(11,161)	261	2,202	120,889	442,450	6,413	448,863
Issuance of ordinary shares	21,285	-	-	-	-	-	21,285	-	21,285
Share options granted under ESS	-	-	9,394	-	(1,651)	(578)	7,165	-	7,165
Total comprehensive income for the year	-	-	-	(2,008)	-	7,549	5,541	(6,429)	(888)
At 30 September 2020	<u>351,485</u>	<u>59</u>	<u>(1,767)</u>	<u>(1,747)</u>	<u>551</u>	<u>127,860</u>	<u>476,441</u>	<u>(16)</u>	<u>476,425</u>
At 1 January 2021	351,485	(305)	(2,254)	(1,209)	252	133,788	481,757	184	481,941
Purchase of ESS shares	-	-	(110)	-	-	-	(110)	-	(110)
Transfer of ESS Shares to employees	-	-	2,364	-	-	(1,004)	1,360	-	1,360
Share option granted under ESS	-	-	-	-	(252)	-	(252)	-	(252)
Total comprehensive income for the year	-	-	-	(1,851)	-	19,488	17,637	(20)	17,617
At 30 September 2021	<u>351,485</u>	<u>(305)</u>	<u>-</u>	<u>(3,060)</u>	<u>-</u>	<u>152,272</u>	<u>500,392</u>	<u>164</u>	<u>500,556</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 2020 and the accompanying explanatory notes attached to the interim financial statements)



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2021
(THE FIGURES HAVE NOT BEEN AUDITED)**

	CURRENT YEAR TO DATE 30.09.2021 RM'000	PRECEDING YEAR TO DATE 30.09.2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	28,886	10,708
Adjustment for:-		
Amortisation of development cost	199	199
Amortisation of contract liabilities	(10,394)	(7,524)
Bad debts written-off	31	32
Depreciation of property, plant and equipment	21,787	24,275
Fair value loss/ (gain) on other investment	375	(240)
Impairment loss on property, plant and equipment	477	2,626
Impairment loss on goodwill on consolidation	-	11,332
Impairment loss on receivables	2,451	3,772
Impairment loss on other receivables	-	2
Impairment loss on inventories	169	131
Interest expense	1,682	1,728
Interest income	(2,205)	(2,058)
Inventories (back)/ written off	(1,266)	215
Lease liability written off	-	(19)
Gain on disposal of property, plant and equipment	168	115
Fair value loss on contingent consideration	-	6,141
Property, plant and equipment written-off	-	569
Reversal of impairment on trade receivables	(1,281)	(2,181)
Share options granted under ESS	-	287
Share of loss/ (gain) from an associate	183	162
Unrealised loss/ (gain) on foreign exchange	513	(51)
Operating profit before working capital changes	<u>41,775</u>	<u>50,221</u>
Increase/(Decrease) in working capital		
Inventories	19,667	20,302
Trade and other receivables	(11,522)	2,692
Trade and other payables	(3,650)	(32,204)
Advance receipt from contract liabilities	10,632	7,049
Employee benefits obligations	-	71
	<u>15,127</u>	<u>(2,090)</u>
Cash generated from operations	56,902	48,131
Interest received	2,208	2,058
Interest paid	(1,491)	(810)
Tax paid	(10,039)	(7,762)
Tax refund	701	4,463
	<u>(8,621)</u>	<u>(2,051)</u>
Net cash generated from operating activities	<u>48,281</u>	<u>46,080</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(32,741)	(28,454)
Purchase of other investment	(318)	(159)
(Increase)/ Decrease in fixed deposits pledged	(2,372)	566
Proceeds from disposal of property, plant and equipment	670	448
Net cash used in investing activities	<u>(34,761)</u>	<u>(27,599)</u>
Cash Flows From Financing Activities		
Purchase of ESS shares	(111)	-
Proceeds from issuance of shares-ESOS	1,108	9,148
Repayment of lease liabilities	(4,963)	(6,039)
Drawdown of bank borrowings	50,700	66,629
Repayment of bank borrowings	(19,066)	(69,600)
Net cash generated from financing activities	<u>27,668</u>	<u>138</u>
Net increase in cash and cash equivalents	41,188	18,619
Effect of exchange rate fluctuation	(771)	(2,996)
Effect of fair value changes in cash and cash equivalents	(375)	240
Cash and cash equivalents at beginning of the finance period	200,314	179,401
Cash and cash equivalents at end of the finance period	<u>240,356</u>	<u>195,264</u>
Cash and cash equivalents at end of the finance year:-		
Cash and bank balances	188,658	136,730
Other investments	67,460	70,465
	<u>256,118</u>	<u>207,195</u>
Less: Fixed deposits pledged to licensed banks	(15,762)	(11,931)
	<u>240,356</u>	<u>195,264</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 2020 and the accompanying explanatory notes attached to the interim financial statements)

Part A: Explanatory notes on consolidated results for the quarter ended 30 September 2021

A1. Basis of Preparation

These condensed consolidated interim financial statements (Condensed Report) have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting 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 2020.

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 2021 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2020.

During the financial period, 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 2021

Title	Effective Date
<ul style="list-style-type: none"> • Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases – Interest Rate Benchmark Reform – Phase 2 	1 January 2021

The adoption of these MFRSs did not have any material impact on the Group’s results and financial position.

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 and have not been applied by the Group and the Company.

Title	Effective Date
<ul style="list-style-type: none"> • Amendments to MFRS 16, Leases - Covid-19 Related Rent Concessions beyond 30 June 2021 • Annual Improvements to MFRS Standards 2018 – 2020 • Amendments to MFRS 3 Reference to the Conceptual Framework • Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before intended use • Amendments to MFRS 137 Onerous Contracts – Cost of Fulfilling a Contract • Amendments to MFRS 101 Classification of liabilities as Current or Non-current • MFRS 17 Insurance Contracts • Amendments to MFRS 17 Insurance Contracts • Amendments to MFRS 101 Presentation of Financial Statements – Disclosure of Accounting Policies • Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates • Amendments to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction • Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture 	1 April 2021 1 January 2022 1 January 2022 1 January 2022 1 January 2022 1 January 2023 1 January 2023 1 January 2023 1 January 2023 1 January 2023 1 January 2023 1 January 2023 Deferred

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



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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 2020 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

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 30 September 2021.

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, Indonesia, Myanmar and Singapore)

The core revenue of the Group comprises three business segments; 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.



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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 Executive Director/Group Chief Executive Officer. Core businesses revenue and geographical profit are used to measure performance as management believes that such information is 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 September	Malaysia		Philippines		Thailand		Others		Adjustment and Elimination		Consolidated	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CONTINUING OPERATIONS												
REVENUE												
External Sales												
Transaction Payment Acquisition	49,876	48,360	5,140	4,624	411	698	23	10	(824)	(828)	54,626	52,864
Shared Services	17,340	22,899	5,198	6,795	5,286	2,845	-	-	-	-	27,824	32,539
Solution Services	1,866	1,629	531	619	346	3,896	380	306	(3)	(17)	3,120	6,433
Inter-segment sales	12,072	17,411	-	-	-	-	-	-	(12,072)	(17,411)	-	-
	81,154	90,299	10,869	12,038	6,043	7,439	403	316	(12,899)	(18,256)	85,570	91,836
RESULTS												
EBITDA	14,408	12,677	2,865	5,396	523	2,228	210	(122)	(2,891)	5,252	15,115	25,431
Interest income	684	741	8	6	(1)	-	-	-	-	-	691	747
Interest expense	(569)	(632)	(36)	(175)	(3)	(7)	-	-	-	-	(608)	(814)
Depreciation	(4,311)	(6,631)	(1,901)	(2,078)	(718)	(737)	(1)	(134)	(14)	1,389	(6,945)	(8,191)
Amortisation of intangible assets	(67)	(67)	-	-	-	-	-	-	-	-	(67)	(67)
Profit/ (Loss) before taxation	10,145	6,088	936	3,149	(199)	1,484	209	(256)	(2,905)	6,641	8,186	17,106
Taxation	(2,373)	(2,947)	(227)	(963)	(10)	(128)	(32)	(201)	(4)	(889)	(2,646)	(5,128)
Minority interest	-	-	-	-	-	-	-	-	(1)	165	(1)	165
Segment profit/ (loss) for the financial period after non-controlling interest	7,772	3,141	709	2,186	(209)	1,356	177	(457)	(2,910)	5,917	5,539	12,143
Segmental assets	813,153	1,012,220	71,571	70,169	28,603	32,087	2,168	3,822	(183,604)	(452,914)	731,891	665,384
Segmental liabilities	405,383	627,481	24,805	25,159	11,755	12,783	717	2,775	(211,326)	(479,239)	231,335	188,959



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A9. Segmental Reporting (continued)

Cumulative - 30 September	Malaysia		Philippines		Thailand		Others		Adjustment and Elimination		Consolidated	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CONTINUING OPERATIONS												
REVENUE												
External Sales												
Transaction Payment Acquisition	147,736	129,658	16,319	12,408	1,866	3,392	74	25	(2,326)	(1,635)	163,669	143,848
Shared Services	64,115	64,210	16,393	19,370	9,622	8,273	-	-	-	-	90,130	91,853
Solution Services	6,924	4,221	1,802	1,828	1,413	4,421	1,079	878	(115)	(21)	11,103	11,327
Inter-segment sales	17,887	24,878	-	-	-	-	-	-	(17,887)	(24,878)	-	-
	236,662	222,967	34,514	33,606	12,901	16,086	1,153	903	(20,328)	(26,534)	264,902	247,028
RESULTS												
EBITDA	44,132	46,870	10,828	13,106	515	3,454	89	(979)	(5,215)	(27,599)	50,349	34,852
Interest income	2,182	2,036	21	17	2	5	-	-	-	-	2,205	2,058
Interest expense	(1,505)	(1,037)	(164)	(633)	(13)	(58)	-	-	-	-	(1,682)	(1,728)
Depreciation	(13,522)	(15,681)	(6,024)	(6,046)	(2,187)	(2,214)	(14)	(425)	(40)	91	(21,787)	(24,275)
Amortisation of intangible assets	(199)	(199)	-	-	-	-	-	-	-	-	(199)	(199)
Profit/ (Loss) before taxation	31,088	31,989	4,661	6,444	(1,683)	1,187	75	(1,404)	(5,255)	(27,508)	28,886	10,708
Taxation	(7,612)	(6,923)	(1,481)	(1,951)	170	(24)	(133)	(201)	(362)	(489)	(9,418)	(9,588)
Minority interest	-	-	-	-	-	-	-	-	20	6,429	20	6,429
Segment profit/ (loss) for the financial period after non-controlling interest	23,476	25,066	3,180	4,493	(1,513)	1,163	(58)	(1,605)	(5,597)	(21,568)	19,488	7,549
Segmental assets	813,153	1,012,220	71,571	70,169	28,603	32,087	2,168	3,822	(183,604)	(452,914)	731,891	665,384
Segmental liabilities	405,383	627,481	24,805	25,159	11,755	12,783	717	2,775	(211,326)	(479,239)	231,335	188,959



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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 2020.

A11. Material Subsequent Events to the end of Current Quarter

There was no material event subsequent to the end of the reporting period and up to the date of issuance of this report.

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>18,838</u>

A14. Capital Commitments

Capital commitments for purchase of property, plant and equipment not provided for as at 30 September 2021 are as follows:

	RM'000
Approved but not contracted for	<u>6,099</u>



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

B1. Review of Performance

Performance of current quarter (3Q 2021) vs corresponding quarter (3Q 2020) by segment

GHL's 3Q21 group revenue was down -6.8% yoy at RM85.6million as compared to RM91.8 million in the corresponding period in 3Q20. Consequently, 3Q21 registered lower pre-tax profits of RM8.2 million compared to 3Q20's pre-tax profit of RM17.1 million. Similarly, 3Q21 profit after tax and minority interest was also lower at RM5.5 million (3Q20 PATMI RM12.1 million).

18 months on since COVID-19 first impacted the region, 3Q21 continued to reflect the impact of COVID-19 lockdown in ASEAN where business closures and movement restrictions impacted consumer movement and spending. 3Q21 saw COVID-19 positive cases surged to their all-time high in our key markets which tighten the lockdown conditions and also heighten consumer cautiousness. Fortunately, as vaccination efforts intensified, positive cases began to trend downwards leading to the loosening of lockdown measures in September onwards. The group's revenue in this quarter was led by the TPA division which registered a marginal yoy improvement but Shared and Solutions services registered declines yoy and gross margins were impacted due to the change in revenue mix. The group's balance sheet remains healthy with a net cash position of RM130.2 million (31.12.2020 – Net cash RM117.7 million) but these figures exclude amounts placed in short term money market investments.

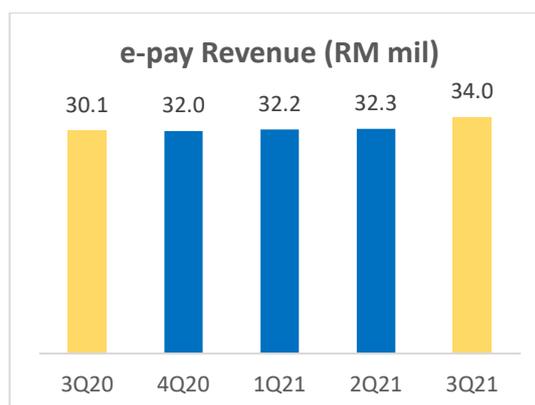
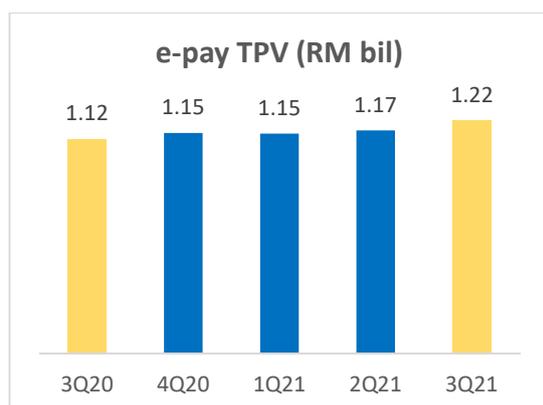
The performances of the individual segments are as follows: -

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 46,700 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 8.4% yoy with a decline in gross profit margins to 93 basis (3Q20 105 basis) points due to the change in merchant mix where the sales occurred as well as product mix during the quarter under review.





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Performance of current quarter (3Q 2021) vs corresponding quarter (3Q 2020) by segment (continued)

Table 1

e-pay <i>(All stated in RM'millions unless stated otherwise)</i>	3Q 2020	3Q 2021	% change
Transaction Payment Value	1,123.1	1,216.9	8.4%
Gross Revenue	32.1	34.0	5.9%
Gross Revenue / Transaction Payment Value (Note 1)	2.85%	2.80%	-1.8%
Gross Profit	11.7	11.3	-3.4%
Gross Profit / Transaction Payment Value (Note 1)	1.05%	0.93%	-11.4%
Merchant Footprint - e-pay Only (Thousands)	43.6	46.7	7.1%

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

(ii) GHL (e-payment services)

This TPA electronic payment services business is driven by our direct arrangement with international schemes, TPA arrangements with leading domestic banks in our respective markets as well as a leading China e-wallet provider which is expanding into ASEAN and local e-wallet providers in the 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) e-Commerce 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 growth declined for the first time by -14.9% yoy, due to tightening of lockdown measures in 3Q21 as COVID-19 positive numbers grew significantly, whereas 3Q20 saw a strong rebound in consumer spending in 3Q20 following the lockdown in MCO 1.0. Gross profit/transaction margins achieved in the quarter was lower at 15 basis points (3Q20 - 19 basis points) due to 1) product mix change of payment types, 2) merchant mix change as transactions are captured more at larger merchants. Many offline merchants remained closed during the quarter due to the strict SOPs during the quarter under review.

In view of the above, gross profits declined -33.0% yoy to RM5.9 million (3Q20 RM8.8 million). Performance and margins over the coming quarters expected to improve as most governments are relaxing the SOPs and businesses re-opening with consumers returning to the retail space.

Performance of current quarter (3Q 2021) vs corresponding quarter (3Q 2020) by segment (continued)

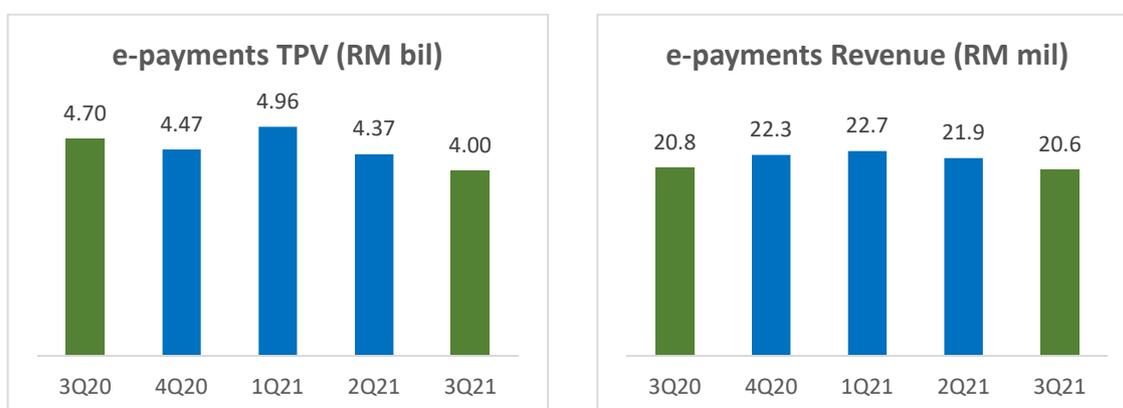


Table 2

GHL Electronic payments TPA <i>(All stated in RM'millions unless stated otherwise)</i>	3Q 2020	3Q 2021	% change
Transaction Payment Value	4,703.1	4,003.2	-14.9%
Gross Revenue	20.8	20.6	-1.0%
Gross Revenue / Transaction Payment Value (Note 1)	0.44%	0.51%	15.9%
Gross Profit	8.8	5.9	-33.0%
Gross Profit / Transaction Payment Value (Note 1)	0.19%	0.15%	-21.1%
Merchant Footprint - TPA Only (Thousands)	104.5	117.1	12.1%

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

TPA division's revenues was up 3.3% yoy in 3Q21 to hit RM54.6 million (3Q20 – RM52.9 million) driven by e-pay revenues which were up 5.9% yoy. Payments TPA on the other hand declined –1.0% yoy in revenue generated. e-pay remains the larger contributor in the TPA segment but the GHL electronic payments TPA (encompassing card, online, mobile and next gen payments) are growing at a faster rate.

Some key observations during the COVID-19 pandemic were:

- 1) movement restrictions where consumers were unable to go to physical shops, and high positive COVID-19 numbers continue to impact TPV and margins in 3Q21. On a positive note, vaccination rates also improved during the quarter which enabled governments to ease the lockdown SOPs in September and October which bodes well for 4Q21.
- 2) health concerns amongst consumers have given cashless payments a significant boost where both consumers and merchants turning to using cards and e-wallets to conduct transactions and avoid physical cash. This behavioural change bodes well for the group's outlook moving forward.



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Shared Services

Shared services revenue in 3Q21 declined -14.5% to RM27.8 million (3Q20 – RM32.5 million) due to lower rental and maintenance charges collected from the banking sector. Hardware EDC sales revenue were marginally down as most banks are remain cautious due to the COVID-19 conditions.

Solutions Services

Solutions services gross revenue was down -51.1% in 3Q21 to RM3.1 million (3Q20 – RM6.4 million) mainly due to higher network hardware sales in Thailand in the corresponding period in 3Q20 which not was repeated in 3Q21.

Performance of current quarter (3Q 2021) vs corresponding quarter (3Q 2020) by geographical segment

GHL's 3Q21 group revenue was down -6.8% yoy to RM85.6million as compared to RM91.8 million in the corresponding period in 3Q20. The group's revenue in this quarter was led by the TPA division which registered a marginal yoy improvement but Shared and Solutions services registered declines yoy and gross margins were impacted due to the change in revenue mix. All the main geographical markets contributed positively to the group's EBITDA. Group wise, 3Q21 registered profit before tax of RM8.2 million compared to 3Q20's profit before tax of RM17.1 million.

Malaysia operations accounted for 79.7% of the group revenue in 3Q21 with a -5.4% yoy decline to RM68.2 million due a reduction in Shared Services rental and maintenance revenue. TPA, and Solutions Services divisions showed minor yoy improvement.

The Philippines operations was the second largest contributor, accounting for 12.7% yoy of 3Q21 group revenue. This 3rd quarter saw revenue declined -9.7% yoy to RM10.9 million (3Q20 – RM12.0m) due to decline in revenue in the shared and solutions divisions of RM1.6 million. Although the TPA division registered improvements yoy, it was insufficient to mitigate the decline in the earlier mentioned two divisions.

Thailand operations' 3Q21 revenue contributed 7.1% to the group total and declined -17.9% yoy to RM6.1 million (3Q20 RM7.4 million) due to higher network sales revenue recorded in its solutions services in 3Q20 and this was not repeated in 3Q21. The decline in its solutions services were however partly offset by higher EDC sales captured in its Shared Solutions division which recorded RM2.4 million higher sales. TPA revenue remain subdued as the tourism sector remained closed in 3Q21.

The group's other geographical operations recorded 3Q21 revenue of RM0.4 million (3Q20 – RM0.3 million) on an ongoing maintenance projects in Australia in its Solutions service division. There were no Shared solutions and TPA revenue recorded by our Australian operations for the quarter under review.

Performance of current quarter (3Q21) vs preceding quarter (2Q21) by business segment

Table 3

Revenue (RM million)	2Q21	3Q21
TPA	54.2	54.6
Shared Services	33.1	27.8
Solutions Services	5.4	3.1
Group revenue	92.7	85.6
Profit Before Tax	11.7	8.2

For the quarter ended 30 September 2021, the group recorded revenue of RM85.6 million, down -7.6% qoq over RM92.7 million recorded in 2Q21. The main contributing factors were lower EDC hardware sales in 3Q21 compared to 2Q21 as well as the recognition of the settlement sum from a fuel subsidy project which was captured in 2Q21. The performance



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across all segments were impacted due to the sporadic relaxation or tightening of movement control and lockdown as the countries react to positive cases of COVID-19 in the respective countries.

Performance of year to date period (3Q21) vs corresponding period (3Q20) by business segment

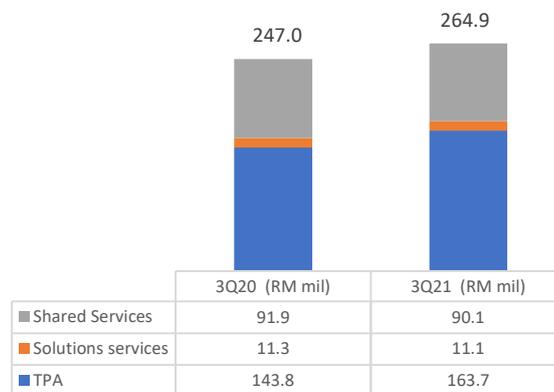
Group revenue for the period ended 30 September 2021 was up 7.2% yoy to RM264.9million (3Q20 – RM247.0 million) with growth driven by TPA but registered declines in the Shared and Solution service business pillars. Malaysia and Philippine markets showed growth but the Thai market registered a decline which was impacted by its TPA and Shared services segment.

The segmental revenue growth for TPA was 13.8% yoy; but Shared Services was down -1.9% yoy; and Solutions Services also down -2.0% yoy. Despite the improvement in top-line revenue, the group’s gross profit margins declined to 39.0% (3Q20 –43.4%) due to the changes in the group revenue mix. 3Q21 registered a pre-tax profit of RM28.9 million compared to RM10.7 million in the same nine-month period a year ago. In the first 9 months of 2020, there were two key non-cash expenses included in the financials, namely, fair value loss on the 2018 Paysys acquisition consideration shares (RM6.1 million) and write-down of the group’s Cambodia investment (RM11.9 million). Adjusting for these two non-cash items in 2Q20, the first 9 months of 2021 registered a marginal improvement in profitability despite the decline in gross profit margin.

Net profit after tax and minority interest in 3Q21 YTD was RM19.5 million compared to the same period last year for 3Q20 YTD of RM7.6 million.

Table 4

Revenue By Business Segment (RM mil YTD)



TPA recorded improved revenue performance (13.8% yoy) due to higher TPV recorded in both the offline and online segment compared to the same period last year. Shared Services recorded a small decline of -1.9% yoy due to lower rental revenue as the result of terminal retrievals by the banks but this was offset by higher terminal sales and installations. Solutions Services performance was similarly lower at -1.7% yoy as compared to the same period last year mainly due to lower hardware sales mitigated by higher software sales during the nine-month period.

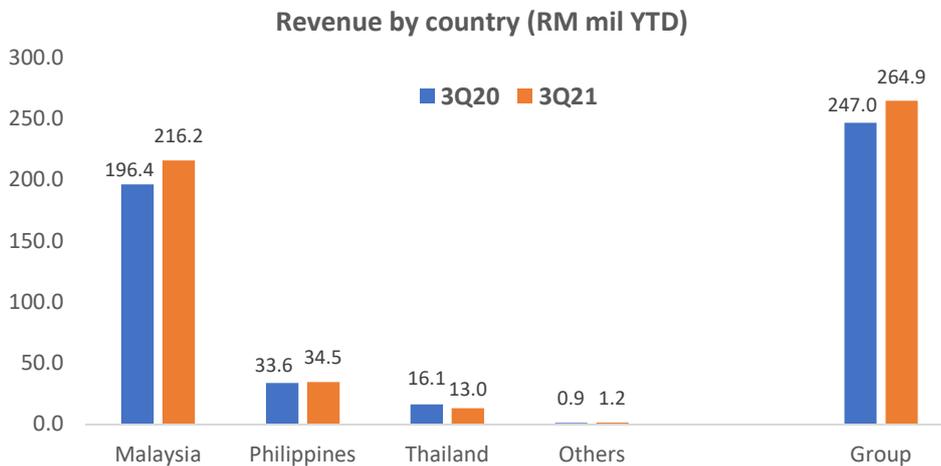
Table 5

Annuity vs Non annuity revenue (RM mil YTD)



The annuity-based revenue component within the group’s total revenue remains high at 84.4% and this compared to 87.3% achieved in the same period in the previous year due to higher hardware and software sales recognised in 3Q21 YTD. Although the annuity based revenue was lower in percentage terms, in absolute terms, it was higher due to higher recurring TPA transactions captured. 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 recovery gathers momentum in all three geographical markets, we expect the annuity revenue to remain strong and gradually recover in the coming quarters.

Performance of year to date period (3Q21) vs corresponding period (3Q20) by country



Group revenue for the first nine months of 2021 was up 7.2% yoy to RM264.9 million (3Q20 – RM247.0 million) with overall growth driven by TPA but tempered by minor yoy declines in Shared services and Solution services business pillars. Malaysia and Philippine markets registered growth during this period but Thailand continue to be impacted by lower TPA transactions and higher Solutions services revenue in the comparative with 3Q20 period.

Malaysian operations contributed 81.6% (3Q20 – 79.5%) of group revenue and registered a 10.1% yoy growth due to improvements in TPA and Solutions Services with a flat performance in Shared Services despite the Covid-19 pandemic and the accompanying lockdown measures.



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Performance of year to date period (3Q21) vs corresponding period (3Q20) by country (continued)

Philippines' revenue was 2.7% yoy higher at RM34.5 million (3Q20 – RM33.6 million) driven by better TPA performance but dragged by lower Shared Services due to terminal retrievals by certain banks. Solutions Services registered a flat performance. The lockdown situation in the Philippines remained on high alert in 3Q21 but with daily cases trending down.

Thailand recorded a decline in revenue of -19.4% to RM13.0 million from RM16.1 million in 3Q20 dragged by lower TPA transactions resulted from COVID-19 lockdown and lower Solutions services revenue due to higher hardware sales captured in 3Q20 which were not repeated in 3Q21. However, in 3Q21 shared services recorded EDC hardware sales which were delayed from earlier quarters. The TPA segment continued to be affected by the contraction due to the border closures which impacted tourist arrivals and hence the group's cross border e-wallet segment.

Other countries remain the smallest contributor to group operations at RM1.2 million of group turnover compared to 3Q20 turnover of RM0.9 million. The EBITDA contribution improved to RM0.1 million compared to RM1.0 million losses in 3Q20 mainly due to operational and investment costs incurred in our new markets.

As at end September 2021, the group's payment touchpoints stood at 396,400 points, a 4.1% yoy growth overall where TPA touchpoints grew 12.1% but this was negated by the rental terminal retrievals by certain banks. This large merchant touchpoint base has enabled the group to process a TPV of RM16.9 billion in payment transactions (21.1% yoy growth).

During 3Q21, whilst the group maintained its regional footprint growth strategy, the group scaled back its footprint investment to RM6.3 million in the first 9 months of 2021. The amount was scaled back as the COVID-19 situation remained uncertain in 2021. This investment figure is lower than previous quarters due to the movement restrictions imposed in our key markets. The group has also intentionally scaled back these investments to conserve cash as the group monitors the impact of COVID-19 pandemic.

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 2021)

The 3rd Quarter represents a very unique and extraordinarily challenging quarter due to the severe lockdowns and movement control restrictions, across the markets we operate in. These restrictions have had a direct impact in the quarter to our TPV and terminals deployed by Shared services business. 2021 started relatively unchanged compared to the last quarter of 2020 as the COVID-19 pandemic remained the main concern. Different countries are implementing commensurate measures to contain the spread whilst juggling and keeping their economies as open as possible. Cross border travel remains nascent but vaccination efforts are being intensified by most countries. The Group believes that these efforts will have a positive impact and the various economies will experience a more meaningful recovery and reopening in last quarter of 2021 which will in turn lead to a robust recovery of our TPA and Shared services businesses.

Given our Group's diverse range of merchant base, some of our payment touchpoints such as convenience stores, pharmacies, medical facilities, supermarkets and petrol stations are still functioning throughout the movement control period. However, as most of the businesses in the retail, leisure, tourism and other non-essential sectors are closed, our Group's TPA business remains affected but improved compared to a year ago in 3Q20. Although the group recorded a revenue improvement but margins were impacted due to merchant and revenue type mix.

With the emergence of COVID-19 vaccines towards the end of 2020, to be deployed in stages in 2021, has brought cautious optimism that 2021 will see a gradual recovery in the global economies, and with it, the opening of borders and hence travel and trade. Vaccinations gathered momentum in 3Q21 with Malaysia leading the pace and has achieved >75% fully vaccinated over total population as at 25 November 2021. The improving rate of vaccinations has led to most countries slowly relaxing their SOPs and border relaxation beginning October 2021 onwards. The reopening of businesses



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and borders bodes well for consumption and hence cashless payments to further improve in the coming quarters barring any unforeseen resurgence of COVID-19 cases.

The Group remains positive in the long-term potential of the ASEAN e-payments industry and believes the trends of switching to e-payments and cashless channels will continue going forward.

B3. Profit before Taxation

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

	Current Quarter 30.09.2021 RM'000	Preceding Year Corresponding Quarter 30.09.2020 RM'000	Current Year To Date 30.09.2021 RM'000	Preceding Year To Date 30.09.2020 RM'000
Amortisation of intangible asset	67	67	199	199
Bad debts written off	14	32	31	32
Depreciation of property, plant and equipment	6,945	8,191	21,787	24,275
Fixed assets written (back)/ off	-	(204)	-	569
(Gain)/Loss on foreign exchange:				
Realised	(62)	1,217	(143)	(45)
Unrealised	321	229	513	(51)
(Gain)/loss on disposal of fixed Assets	(11)	(76)	168	115
Fair value loss/(gain)on other investments	173	(108)	375	(240)
Fair value loss on contingent consideration	-	-	-	6,141
Impairment loss on inventories	(1)	9	169	131
Impairment loss on goodwill	-	-	-	11,332
Impairment loss on property, plant and equipment	282	526	477	2,626
Impairment loss on receivables	407	1,221	2,451	3,774
Interest income	(691)	(747)	(2,205)	(2,058)
Interest expenses	608	814	1,682	1,728
Inventories written (back)/off	-	-	(1,266)	215
Rental expenses	75	133	252	361
Reversal of allowance for doubtful debts	(717)	(570)	(1,281)	(2,181)
Share based payment	-	-	-	287

B4. Tax expense

	Current Quarter 30.09.2021 RM'000	Year To Date 30.09.2021 RM'000
Current tax expenses based on profit for the financial quarter:		
Malaysian income tax	(2,227)	(7,524)
Foreign income tax	(269)	(1,444)
Relating to origination and reversal of temporary differences	(150)	(450)
Total	(2,646)	(9,418)



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The Group's effective tax rate for the current quarter and for the year to date ended 30 September 2021 was higher than the statutory tax rate mainly due to certain disallowable expenses for tax purposes.

B5. Status of Corporate Proposals

There were no corporate proposals announced but not completed during the quarter under review as at the date of this report.

B6. Group Borrowings and Debt Securities

The Group's borrowings and debt securities as at 30 September 2021 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	-	6,633	-	31,689	-	38,322
- Philippine Peso	924	76	728	60	1,652	136
Unsecured						
<i>Bank borrowings</i>						
- Ringgit Malaysia	-	10,335	-	5,131	-	15,466
		17,044		36,880		53,924

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 Defense 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;



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- (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 Defense to Counterclaim. On 21 November 2019, the matter 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 trial is on-going and the Court has now fixed 26 November 2021, 20 December 2021 and 21 December 2021 for continue trial.

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.

B8. Dividend

No dividend has been declared for the financial quarter ended 30 September 2021.

B9. Earnings Per Share

a) Basic earnings per share

Basic earnings per ordinary share for the financial period is calculated by dividing the profit/(loss) 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/(loss) 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.



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	Current Quarter 30.09.2021	Preceding Year Corresponding Quarter 30.09.2020	Current Year To Date 30.09.2021	Preceding Year To Date 30.09.2020
<u>Basic</u>				
Profit attributable to owners of the Company (RM'000)	5,539	12,143	19,488	7,549
Weighted average number of ordinary shares in issue and issuable (Unit'000)	1,141,500	758,712	1,141,371	748,237
Basic earnings per ordinary share (Sen)	0.49	1.60	1.71	1.01
<u>Diluted</u>				
Profit attributable to owners of the Company (RM'000)	5,539	12,143	19,488	7,549
Weighted average number of ordinary shares in issue and issuable (Unit'000)	1,141,500	759,764	1,141,371	750,473
Diluted earnings per ordinary share (Sen)	0.49	1.60	1.71	1.01