GHL

GHL SYSTEMS BERHAD (293040-D)
INCORPORATED IN MALAYSIA

The ASEAN payment people

Annual Report 2017

CONTENTS

FINANCIAL STATEMENTS

VISION

To be the leading end-to-end payment service enabler in the ASEAN region and BEYOND by deploying world-class payment services and solutions.

&

MISSION

We help merchants, financial institutions and telcos make money by simplifying their distribution, payment and collections needs. We provide ASEAN merchants, both big and small, with complete solutions that fulfil their customers' needs.

CORE VALUE

CUSTOMER IS THE BOSS
We listen, anticipate and deliver what the customer needs for now and for the future.

TEAMWORK
One Team, One Dream.

"BOLEH" ATTITUDE
We are leaders, NOT mere followers. We are passionate about the things we do each day.

NO DISHONESTY
Not tolerated!

ADDICTED TO INNOVATION
Innovate anything and everything, internal or external, small or big!

CORPORATE PROFILE

GHL Systems Berhad
the ASEAN payment people

GHL Systems Berhad (Main Market, Bursa Malaysia; Stock Code GHLSYS0021; Bloomberg: GHLS) ("GHL" or "the Group") is a leading payment services provider in ASEAN with key business operations in Malaysia, Philippines, Thailand, Indonesia, Singapore and Australia. GHL also has software development centres in Wuhan (China), Philippines and Malaysia.

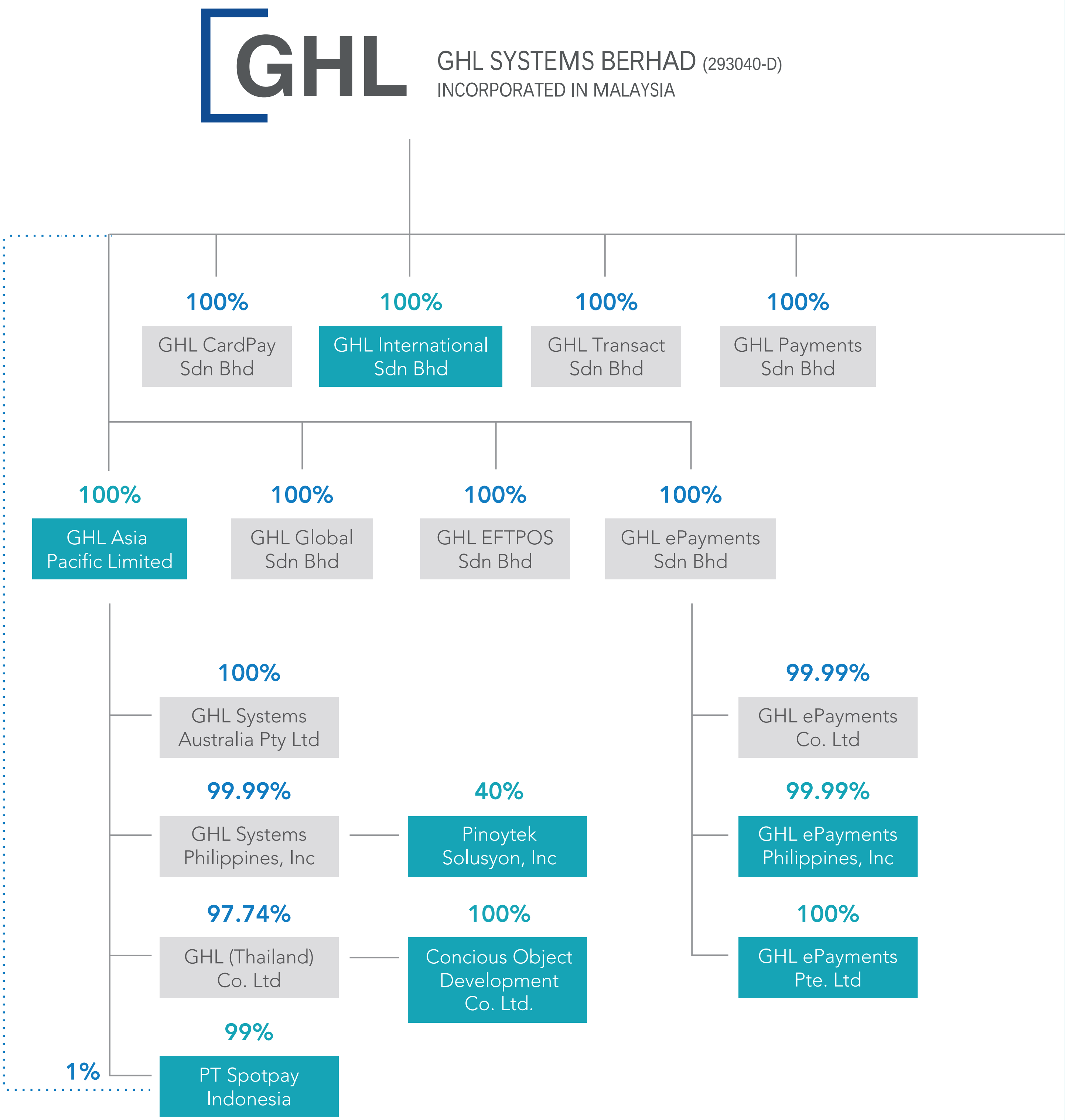
The Group provides world-class payment services and solutions encompassing physical, Internet and mobile payments on a sale, rental or transactional basis and is one of the top merchant acquirers in the region. Other than serving the traditional banking and financial sector, the Group also serves major telecommunications, petrol/gas retailing, loyalty, retail, and airlines companies in ASEAN.

GHL manages more than 170,000 acceptance points in ASEAN that enable credit card, debit card, prepaid contactless payment, loyalty, prepaid top up as well as bill payment collection services. Beyond ASEAN, GHL has, through its distribution partners, successfully sold its proprietary software and payment network products in more than 20 countries. These include; Singapore, China, Taiwan, Australia, Romania, Holland, South America as well as the Middle East.

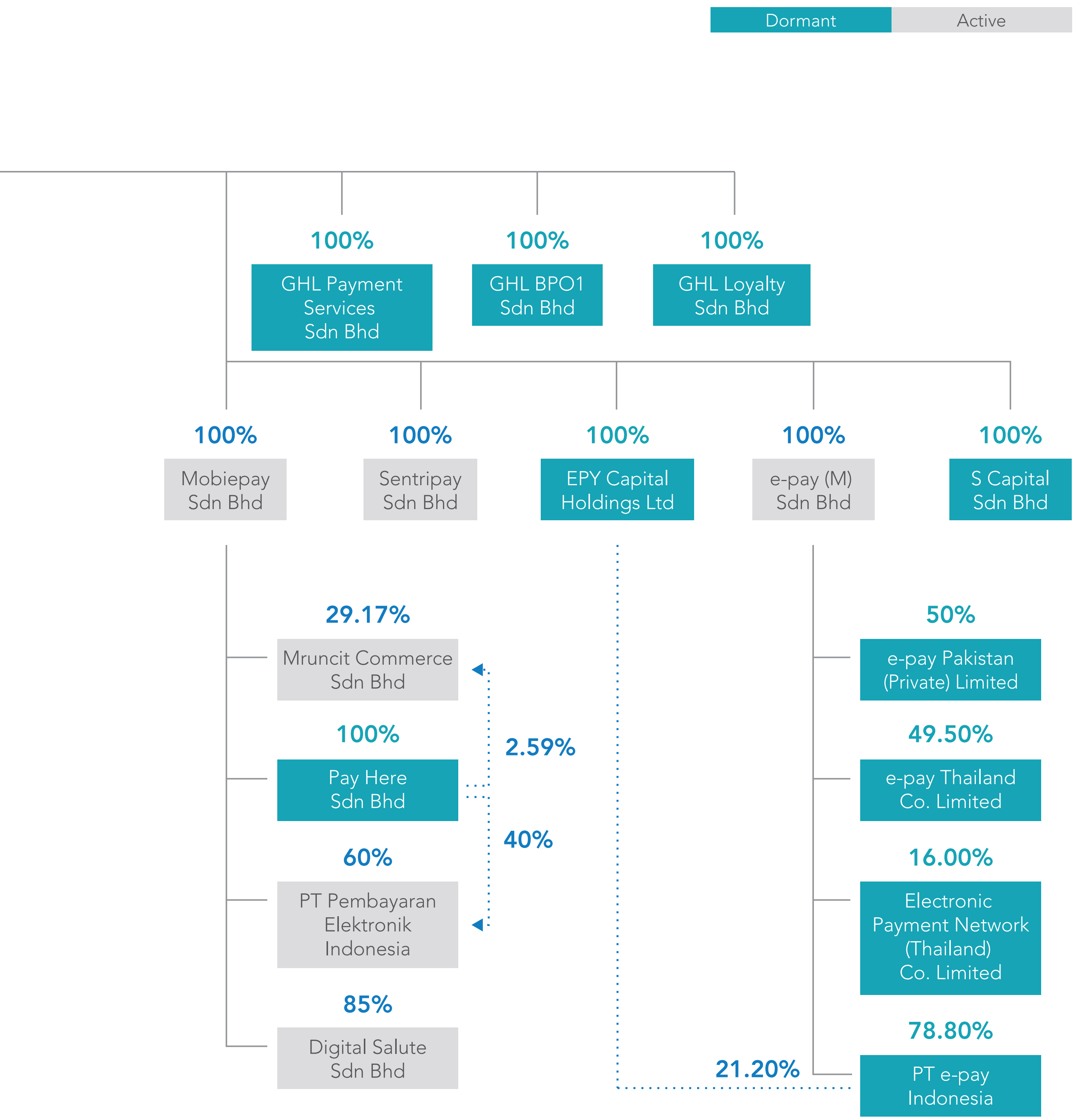
GHL has been listed on Bursa Malaysia since 2003. The Group processed over RM7.8 Billion of transaction value in 2017.

For more information on GHL Group kindly visit www.ghl.com

CORPORATE STRUCTURE



CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK KAMARUDDIN BIN TAIB
(Independent Non-Executive Chairman)

LOH WEE HIAN
(Executive Vice Chairman)

FONG SEOW KEE
(Senior Independent Non-Executive Director)

HOSSAMELDIN ABDELHAMID MOHAMED ABOUMOUSSA
(Non-Independent Non-Executive Director)
(Appointed on 26 May 2017)

ALI ZAYNALABIDIN HAERI MAZANDERANI
(Non-Independent Non-Executive Director)
(Appointed on 26 May 2017)

KANAGARAJ LORENZ
(Executive Director)
(Retired on 26 May 2017)

BRAHMAL A/L VASUDEVAN
(Non-Independent Non-Executive Director)
(Resigned on 24 May 2017)

COMPANY SECRETARY

Wong Wai Foong (f) (MAICSA 7001358)
Lim Poh Yen (f) (MAICSA 7009745)
Kuan Hui Fang (f) (MIA 16876)

AUDIT AND RISK COMMITTEE

Fong Seow Kee (Chairman)
Datuk Kamaruddin Bin Taib
Hossameldin Abdelhamid Mohamed Aboumoussa
(Appointed on 26 May 2017)
Brahmal a/l Vasudevan (Resigned on 24 May 2017)

NOMINATION AND REMUNERATION COMMITTEE

Fong Seow Kee (Chairman)
Datuk Kamaruddin Bin Taib
Hossameldin Abdelhamid Mohamed Aboumoussa
(Appointed on 26 May 2017)
Brahmal a/l Vasudevan (Resigned on 24 May 2017)

AUDITORS

BDO (AF0206)
Level 8
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur.

CORPORATE INFORMATION

PRINCIPAL BANKERS

Alliance Bank Berhad
Bank Islam Malaysia Berhad
CIMB Bank Berhad
Standard Chartered Bank Malaysia Berhad

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +6(03) 2783 9299 Fax : +6(03) 2783 9222

REGISTERED OFFICE

Tricor Corporate Services Sdn Bhd
Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +6(03) 2783 9191 Fax : +6(03) 2783 9111

LEGAL ADVISORS

Wong Beh & Toh
Peti #30, Level 19, West Block
Wisma Selangor Dredging,
142-C, Jalan Ampang,
50450 Kuala Lumpur

Chalermchat Law Office Co., Ltd.
518/5, Maneeya Centre,
16 Floor, Ploenchit Road, Lumpini,
Pathumwan, Bangkok 10330 Thailand.

Fortun Narvasa Salazar Law Offices
23rd Floor Multinational Bancorporation Centre,
6805 Ayala Avenue,
1226 Makati City Philippines.

STOCK EXCHANGE LISTING

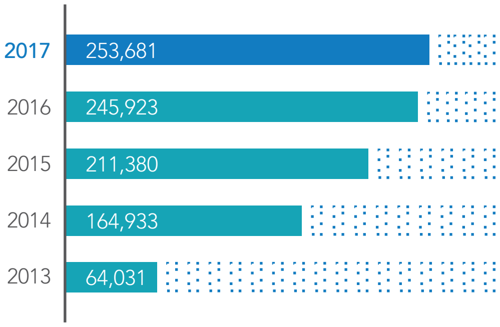
Main Market of Bursa Malaysia Securities Bhd (BMSB)
BMSB Code : 0021
Reuteres Code : GHLS.KL
Bloomberg Code : GHLS MK

WEBSITE

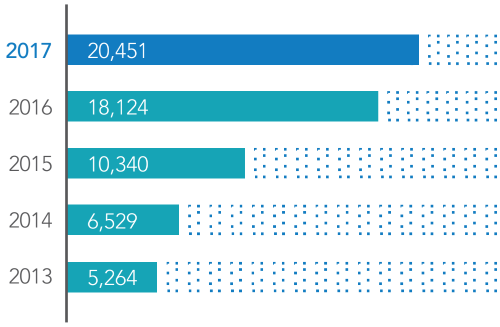
www.ghl.com

FINANCIAL HIGHLIGHTS

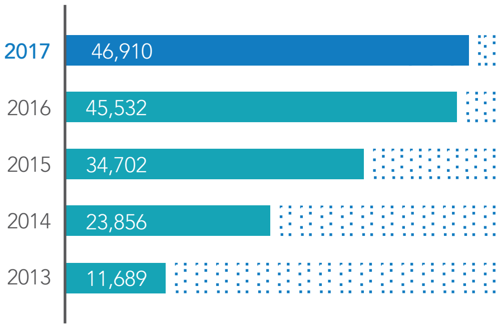
REVENUE
(RM'000)



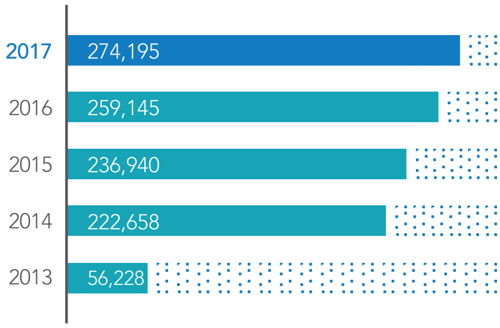
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS
(RM'000)



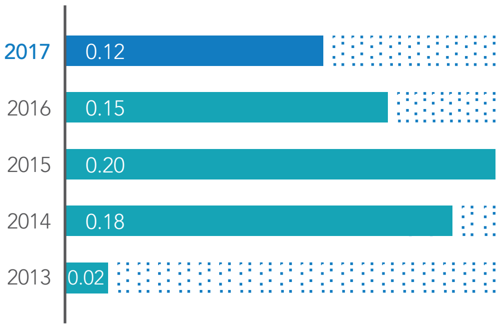
EARNINGS BEFORE INTEREST, TAX, DEPRECATION & AMORTISATION (EBITDA)
(RM'000)



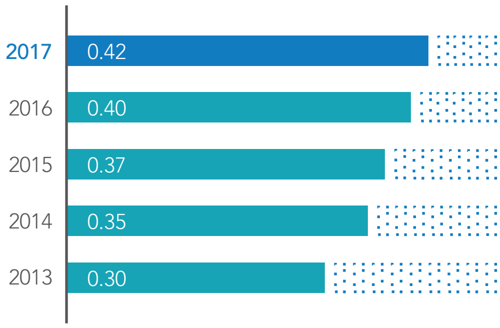
SHAREHOLDERS' EQUITY
(RM'000)



GEARING RATIO
(Times)



NET ASSETS PER SHARE
(RM)



KEY PERFORMANCE INDICATORS

FINANCIAL HIGHLIGHTS		Year				
Financial Year Ended 31 December		**2013**	**2014**	**2015**	**2016**	**2017**
Revenue	RM'000	64,031	164,933	211,380	245,923	**253,681**
Gross Profit	RM'000	40,352	67,137	82,786	95,310	**105,726**
Gross Profit Margin	%	63.02	40.71	39.16	38.76	**41.68**
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	RM'000	11,689	23,856	34,702	45,532	**46,910**
Profit/(Loss) For The Year Attributable To Equity Holders	RM'000	5,264	6,529	10,340	18,124	**20,451**
Shareholders' Equity	RM'000	56,228	222,658	236,940	259,145	**274,195**
Net Operating Cash Flow	RM'000	-4,888	-9,487	15,167	32,042	**56,372**
Net Assets Per Share	RM	0.30	0.35	0.37	0.40	**0.42**
Basic Earnings Per Share	sen	2.06	1.19	1.61	2.79	**3.12**
Total Borrowings	RM'000	974	40,466	46,513	38,124	**34,186**
Gearing Ratio	times	0.02	0.18	0.20	0.15	**0.12**
Net Gearing Ratio		Net Cash	Net Cash	Net Cash	Net Cash	**Net Cash**

Note:
* *EBITDA exclude the exceptional items.*

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I AM PLEASED TO PRESENT YOUR COMPANY'S, GHL SYSTEMS BERHAD'S ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

CHAIRMAN'S STATEMENT
CONT'D

2017 marks several key milestone for the Group, one of which was the acquisition by Actis of a 44.4% stake in GHL making them the single largest shareholder of GHL.

I would like to welcome Mr Hossameldin Abdelhamid Mohamed Aboumoussa and Mr Ali Zaynalabidin Haeri Mazanderani as newly appointed Non-Independent Non-Executive Directors, representing our new shareholder Actis.

I would also like to take this opportunity to thank Mr Brahmal Vasudevan who has resigned from your Board as a Non-Independent Non-Executive Director on 24 May 2017. Mr Brahmal has served in various capacities within the GHL group. I would also like to thank Mr Kanagaraj Lorenz who has retired from the Board on 26 May 2017 as Executive Director. Mr Kanagaraj was first appointed as Group Chief Executive Office in 2011 and was re-designated as Executive Director on 30 November 2016.

2017 has been a tough year as banks were consolidating their terminal base following the Pin & Pay initiative in 2016. Despite tough conditions the group continued to grow positively in 2017. I would like to congratulate the board, management and staff for their hard work and commitment to the success of the business.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

GHL saw Group revenues grew to RM253.7 million for the year ended 31 December 2017 from RM245.9 million a year ago (+3.2% yoy). Pretax profits grew by 2.4% yoy also to RM25.4 million from RM24.8 million in 2016. Pretax margins were stable at 10.0% with a slight decrease from 10.1% in 2016.

2017 also saw strong growth for Philippines and Thailand driven by the TPA business. In Malaysia, business has been static but the transaction volume has increased by 50% yoy and e-pay's merchant footprint has also grown by 14.7% from 2016.

SIGNIFICANT EVENTS

Partnering with Alipay in Malaysia

GHL Malaysia started offering Alipay payment acceptance services to Malaysian in-store merchants as well as online merchants. The roll out started with physical merchants before the end of May 2017 and was extended to e-commerce merchants. We currently have acquired and enabled over 5,000 outlets to accept payments through Alipay. Malaysia marks the second ASEAN country, where GHL has tied-up with Alipay to offer an alternative payment option to merchants. GHL started merchant acquiring for Alipay in Thailand for physical stores in Q2 2016.

Acquiring license agreement with Mastercard

In April 2017, GHL's wholly owned subsidiary, GHL Cardpay Sdn Bhd signed an acquiring license agreement with Mastercard that will help GHL to offer electronic payment services and enhance card acceptance infrastructure for Mastercard products and solutions. This will benefit many small scale Malaysian merchants and sole proprietors that represent a rapidly-growing but underserved segment.

Proposed acquisition of MPOS Global Limited

On 7 November 2017, GHL entered into agreements for the proposed acquisition of up to 31.16% equity interest in MPOS Global Limited ("MPOS") with an effective equity interest of 29.8% in Vietnam MPOS Technology Joint Stock Company.

GHL Philippines partners with AF Payments Inc.

GHL Systems Philippines, Inc ("GHL Philippines") commenced offering beep™ payment acceptance services to Philippines in-stores merchants in May 2017. beep™ is a stored value e-payment service which allows consumers to make payments using a contactless smartcard or any other form factor containing the beep™ Application (the "beep™ card") at Transport Establishments and other accredited retailers, merchants, and establishments where the beep™ card is accepted as means of payment for goods and services. beep™ is owned by AF Payments Inc, the company that was awarded the contract to develop an automatic fare collection/ticketing systems by the Department of Transportation and Communications of Philippines.

CHAIRMAN'S STATEMENT
CONT'D

CORPORATE SOCIAL RESPONSIBILITY (CSR)

GHL's e-pay Malaysia donated RM20,000 to Bukit Bintang Charity Society (the CSR Arm of KK Group) in January 2017. The event theme called "Precious Love" saw the distribution of sponsored goods worth RM120,000 from KK Group's suppliers to the less fortunate.

- In March, e-pay donated RM3,000 to the National Cancer Society of Malaysia in conjunction with the Rapid KL BRT Run 2017 (which earned a certificate from Malaysia Book of Records for being the First Dedicated Elevated Guideway Running Event in Malaysia) in which we were one of the sponsors.

In July 2017, GHL Philippines partnered with Gawad Kalinga, a non-profit non-government organization which specializes in building homes and communities for the less privileged, for a house building activity. Employees from different departments took up their trowels and shovels to build homes. Families who will later be the beneficiaries of the houses also helped in the activity.

Another event was held in December 2017 in conjunction with the Christmas season. The talented children from the Children's Joy Foundation Inc. ("CJFI") serenaded GHL employees with carols. CJFI is an organization which provides rehabilitation and developmental services to children and youth. GHL employees shared their blessings by donating clothes, toys, hygiene kit, food and milk products and educational materials.

CHAIRMAN'S STATEMENT
CONT'D

GHL Thailand decided to do something for the environment last year and helped plant seedlings at the Sirindhorn International Environmental Park. The park was initiated by HRH Princess Maha Chakri Sirindhorn on 14th August 1994. The park is designated a learning and training center for the restoration and conservation of natural resources, the environment as well as energy conservation. International innovations linking science, technology and local wisdom promote the application of philosophy of sufficiency economy. It is also the network of education, research and development, both domestic and international, for sustainable community development.

In November 2017, the GHL Thailand team helped plant artificial reefs to restore the nature of Thailand's sea at Toei Ngam Beach.

OUTLOOK AND PROSPECTS

Our TPA strategy has bode well for the group as can be seen in the growth in Thailand and Philippines. The Group will continue to focus on merchant acquisition across the three markets by offering payment options to businesses. We will continue to ride on the emergence of QR based e-wallets as we will see the launch of several local players in this space. This will increase GHL's competitive edge in offering our merchants an integrated omni-channel payment solution.

The Group remains optimistic of further developing TPA as a key growth engine driven by the positive changes in consumer preferences towards e-payments. We expect 2018 prospects to be positive given our strong network and partnership with the banking sector as well as our extensive merchant network of 170,000 acceptance points as at end 2017 in ASEAN. The Group is also expecting to increase its investments to further strengthen our market positioning as e-payments gain more prominence.

APPRECIATION AND THANK YOU

The Board and I wish to thank all our shareholders for your continued support and encouragement demonstrated at our shareholder annual general meetings. We hope our shareholders will continue to support and remain with the company.

I would like to record my appreciation and thanks to the board members, management, business partners, and staff of the GHL family across Malaysia, Thailand, Philippines, Indonesia and Australia. Everyone's tireless commitment and hard work has resulted in another great year in 2017 and setting the group up to do the same in 2018. Let us keep the focus and faith as we continue to establish our aim to be the leading end-to-end payment service enabler in the ASEAN region and beyond.

Terima Kasih

DATUK KAMARUDDIN BIN TAIB
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

GHL Systems Berhad ("the Group") is a leading payment services provider in ASEAN with key business operations in Malaysia, Philippines, Thailand, Australia, Singapore and Indonesia.

The Group provides world-class payment services and solutions encompassing physical, internet and mobile payments on a sale, rental or transactional basis and is one of the region's top merchant acquirers. GHL manages more than 170,000 acceptance points in ASEAN that enable credit card, debit card, prepaid contactless payment, loyalty, prepaid top up and bill collection payment services.. The Group has 3 core business segments as follows:-

1. ***Transaction Payment Acquisition ("TPA")*** comprises mainly of revenue derived from 2 distinct sub-segments:

   i) e-pay services which includes 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")

2. ***Shared Services*** comprises mainly of revenue derived from the sale, rental and maintenance of EDC terminals and other payment acceptance devices.

3. ***Solution Services*** comprises mainly of revenue derived from the sale and maintenance of hardware and software that are proprietary to the Group. These include; network devices and related software, outsourced payment networks, management and processing of pre-paid and loyalty cards and internet payment processing.

The Group's objective is to become ASEAN's largest merchant acquirer by directly contracting with merchants ("merchant acquisition") under its TPA initiative. These businesses have since grown rapidly resulting in a higher proportion of annuity income and a significant change in the business segment mix for the Group (See Sections 2.5 and 3.1 for details).

GHL has been listed on Bursa Malaysia since 2003.

2. DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND CONDITIONS

Analysis of Financial Results

2.1 Revenue

Group revenue grew +3.2% yoy to RM253.7 million (2016 – RM245.9 million) with growth registered in all three business segments (i.e. TPA, Shared Services and Solutions Services) as well as all geographical markets, except Australia.

2.2 Net Profit

Pre-tax profits grew at +2.4% to RM25.4 million as compared to RM24.8 million a year ago. Pre-tax margins were stable +10.0%, with a slight decline from 2016's pre-tax margins of +10.1%.

Net profit after tax grew +13.3% yoy to RM20.5 million (2016 – RM18.1 million) driven by overall better gross profit margin of 41.7%, a growth of +7.5% yoy from 38.8% in 2016. The increase was also as a result of growth in all business segments and geographical markets except for Australia, particularly in the TPA segment.

2.3 Taxation

The effective tax rate for 2017 was 19.3% (2016 – 26.6%) which was lower than the statutory tax rate mainly due to unabsorbed tax losses and unutilised tax allowances. Post-tax profit margins improved to 8.1% in 2017 versus 7.4% in 2016 due to improved operating margins and lower interest expense.

MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

2. DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND CONDITIONS (cont'd)

***Analysis of Financial Results** (cont'd)*

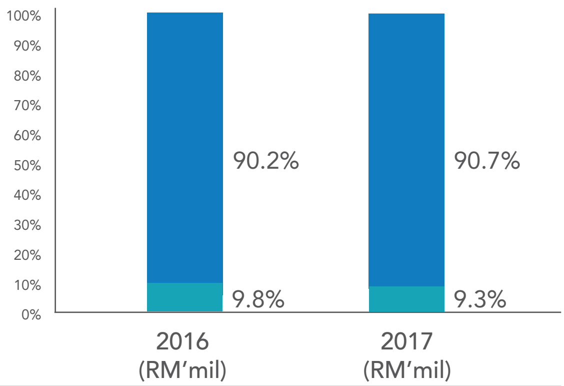
2.4 Profit Attributable to Equity Holders of the Group

The profit attributable to equity holders of the Group increased to RM20.5 million, a +12.8% improvement yoy. Diluted earnings per ordinary share for the year amounted to 3.12 sen an improvement of +12.2% yoy. These financial measurements reflect the improvement in the Group's results in 2017.

2.5 Annuity versus Non-Annuity Revenues

Annuity vs Non-Annuity Revenue

Total RM245.9m   Total RM253.7m



	2016 (RM'mil)	2017 (RM'mil)
■ Annuity	221.7	230.1
■ Non-annuity	24.2	23.6

The annuity based revenue component within the Group's total revenue remains high at 90.7% in 2017 as compared to 90.2% in 2016. The Group's strategy is to continue to grow the TPA and other businesses that have strong annuity based revenue in favour of non-annuity hardware and software sales. As TPA gathers momentum in all 3 geographical markets, we expect that annuity revenue streams will become even larger.

2.6 Liquidity and Capital Resources

As at 31st December 2017, the Group's Net Cash Position (Note 1) amounted to RM73.3 million (31st December 2016 – RM45.7 million). The key items that impacted the Group's cashflow in 2017 were as follows:-

(Note 1 – Defined as Total Cash and Bank Balances less all Bank Borrowings and Hire Purchase obligations)

(i) Net cash generated from operating activities increased significantly to RM56.4 million (2016 – RM32 million) mainly from a) an reduction in working capital requirements of +RM21.3 million due to i) an increase in receivables (-RM38.8 million), offset by ii) a significant reduction in inventories (+RM60.0 million) and iii) an increase in trade, other payables and advanced payments (+RM0.1 million) b) marginal improvement in operating profit before working capital changes +RM3.3 million and, c) offset by additional tax and interest paid –RM0.6 million.

(ii) An amount of RM28.8 million (2016 – RM3.2 million) was expended on capital expenditure which was mostly in respect of the Group's purchases of EDC terminals. These outflows were partly cushioned by the disposal of assets of RM2.6 million (2016 – RM0.76 million).

(iii) The Group repaid RM19.7 million of its bank borrowings and hire purchase payables in 2017 (2016 – RM17.5 million. The Group also drew-down fresh bank loans in 2017 of RM16.0 million (2016 – RM9 million). The net effect of these financing activities reduced the Group's overall borrowings by RM4.0 million in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

CONT'D

2. DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND CONDITIONS (cont'd)

***Analysis of Financial Results** (cont'd)*

2.6 Liquidity and Capital Resources (cont'd)

(iv) The Group increased its share capital by RM4.5 million (2016 – RM2.0 million) due to the issuance of 4.72 million shares upon the exercise of employees' stock options and the resale of 737,000 treasury shares.

2.7 Trends and Events

The Group continues to benefit from initiatives undertaken by regulators in the region to convert cash retail payments into electronic payments. In Malaysia, Bank Negara has set a target of 800,000 EDC terminals to be deployed by 2020. This has encouraged Banks to partner with the Group to deploy new EDC terminals either under the TPA business model for smaller merchants or a referral and rental model for larger merchants. The directive has also brought about opportunistic sales of hardware and software to support the Banks in their drive to achieve this regulatory target. A growing acceptance point base will further encourage the usage of e-payments (especially debit cards which have a relatively high penetration in Malaysia and Thailand).

Similar persuasive initiatives have been undertaken by regulators in Thailand and the Philippines. The Thai central bank has further encouraged the growth of the EDC terminal base to support initiatives such as PromptPay to enable simple and low cost e-payment options to the consumers. Similarly, in the Philippines, the central bank has commence the need to deploy EMV enabled terminals which will lead to opportunities to replace and grow the existing terminal base.

The drive to a cashless society has also significantly increased the use of domestic direct debit card payments (i.e. ATM card payments) in the region. The Group is a member of the Malaysian direct debit card association and has benefitted from increased transactional throughput as more and more non-credit card holders utilise their debit cards for payment.

We expect that regulators will continue to drive the use of electronic payments throughout the region by increasing the number of merchant acceptance points and by promoting debit cards and non-card electronic payments to the mass population that is ineligible for credit cards. These initiatives are entirely congruent with the Group's strategy and will certainly help provide sustainable growth going forward.

The recent announcements by industry players in our three key markets of Malaysia, Thailand and Philippines of their plans to launch e-wallets further underpins the move towards a cashless society. The opportunities accorded in these multiple e-wallet deployments will also provide the group with opportunities to enable our existing merchant base as well as new ones to start accepting e-wallets as a mode of payment.

MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

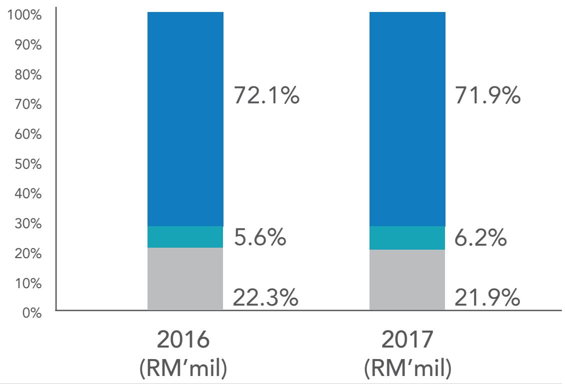
3. PERFORMANCE BY BUSINESS SEGMENT AND GEOGRAPHY

3.1 Performance By Business Segment

As indicated earlier, the core business segments of the Group comprise of the following:- 1) Transaction Payment Acquisition ("TPA"), 2) Shared Services and 3) Solution Services. An analysis of the performance of all three business segments follows below:-

Revenue By Business Segment

Total RM245.9m Total RM253.7m



	2016 (RM'mil)	2017 (RM'mil)
TPA	177.2	182.3
Solution Services	13.8	15.7
Shared Services	54.9	55.7

a) Transaction Payment Acquisition ("TPA") Segment

The TPA business has 2 distinct sub-segments, 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 electronic payment services ("electronic payment services").

With both sub-segments combined, the TPA business grew 2.9% to RM182.3 million in 2017 (2016 – RM177.2 million), contributing 71.9% of total revenue in 2017 (2016 – 72.1%). Within this, the e-pay business contributed 76.5% of the total Group TPA revenue. The electronic payments business is smaller in absolute terms but is growing at a much faster rate, especially for Thailand and Philippines. The electronic payments TPA gross revenue grew strongly by +33.3% yoy to RM42.9 million (2016 (restated) – RM32.2 million) whereas the e-pay business declined -4.4% to RM139.4 million in 2017 from RM145.8 million in 2016 (restated). Given the considerable untapped opportunity within ASEAN, the TPA business remains the main driver of growth for the Group in the near term.

Each of the 2 components within the TPA business 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 36,350 acceptance points nationwide, encompassing all petrol chains, the largest convenience store chains and general retail stores. The e-pay brand is well known to consumers who regularly use the service. With over 18 years' experience, e-pay is clearly the market leader in Malaysia within this industry segment.

A full year's comparison of key data between 2017 and 2016 relating to the e-pay business is found in Table 1 below. As can be seen, the transaction value processed by e-pay grew 3.6% in 2017. The Gross Revenue/Transaction Value declined by 30 bps in the year due to changes in the product mix as bill collections and non-mobile reloads (which have a lower merchant discount rate) outpaced growth in prepaid mobile reloads.

MANAGEMENT DISCUSSION AND ANALYSIS

CONT'D

3. PERFORMANCE BY BUSINESS SEGMENT AND GEOGRAPHY (cont'd)

3.1 Performance By Business Segment (cont'd)

a) Transaction Payment Acquisition ("TPA") Segment (cont'd)

(i) e-pay (reload and collection services) (cont'd)

Table 1

e-pay *(All stated in RM'millions unless stated otherwise)*	**2016 (Restated)**	**2017**	**% change**
Transaction Value Processed	3,634.0	3,763.3	3.6
Gross Revenue	145.8	139.4	4.4
Gross Revenue/Transaction Value (Note 1)	4.0%	3.7%	7.7
Gross Profit	44.5	45.6	2.4
Gross Profit/Transaction Value (Note 1)	1.2%	1.2%	-1.1%
Merchant Footprint - e-pay Only (Note 2)	31.7	36.4	14.7

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

Note 2 – 2016 figures have been restated to reflect the absolute number of EDC terminals deployed at merchant outlets contracted by e-pay to accept e-pay products and services. This includes EDC Terminals, ePOS (Integrated POS) as well as PayHere (Registered Mobile Application Users). Previously, we reported the total number of acceptance points which included EDC Terminals, ePOS (Integrated POS) and an estimated number of Bank ATMs/CDMs that accept e-pay services.

(ii) GHL (electronic payment services)

This 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 provider which is expanding into Asean. The existing GHL TPA data as shown in Table 2 comprises of the following activities:

a) Various MDR revenue sharing arrangements under direct contracts with merchants and banks in Malaysia, Thailnd and Philippines.
b) Malaysian domestic debit card ("MyDebit") merchant acquisition.
c) Internet TPA ("eGHL").
d) e-wallet providers.

A summary of key data relating to the card payment business is found in Table 2 below. While transaction values processed grew strongly at +50% transaction margins declined yoy due to ongoing competition in the market for merchant acquiring as banks compete in terms of MDE and monthly rental. Over the longer term, however, margins should stabilise as more merchants are on-boarded and a larger portfolio is built as well as our overseas TPA in Philippines and Thailand gather momentum. The introduction of e-wallets in all three markets in 2018 is expected to contribute positively.

MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

3. PERFORMANCE BY BUSINESS SEGMENT AND GEOGRAPHY (cont'd)

3.1 Performance By Business Segment (cont'd)

a) Transaction Payment Acquisition ("TPA") Segment (cont'd)

(ii) GHL (electronic payment services) (cont'd)

Table 2

GHL Electronic payments TPA *(All stated in RM'millions unless stated otherwise)*	**2016 (Restated)**	**2017**	**% change**
Transaction Value Processed (Note 1)	2,692.3	4,038.7	50.0
Gross Revenue	32.2	42.9	33.3
Gross Revenue/Transaction Value (Note 2)	1.2%	1.1%	-11.2
Gross Profit (Note 3)	19.9	24.2	21.6
Gross Profit/Transaction Value (Note 2)	0.7%	0.6%	-19.0
Merchant Footprint - TPA Only (Thousands) (Note 4)	25.2	33.6	33.2

Note 1 – The 2016 figure has been restated to be consistent with re-classifications in 2017
Note 2 – Gross Revenue or Gross Profit respectively divided by the Transaction Value Processed expressed as a %.
Note 3 – The 2016 gross profit has been restated to reflect certain processing and maintenance fees relating to the TPA business that were previously excluded and which have now been appropriately re-classified.
Note 4 – This has been restated to reflect the absolute number of POS terminals deployed at merchant outlets contracted by GHL to accept card payment products and services. Previously, we reported the total number of acceptance points for each of the various payment products that GHL offers its merchants e.g. credit cards, MyDebit, etc.

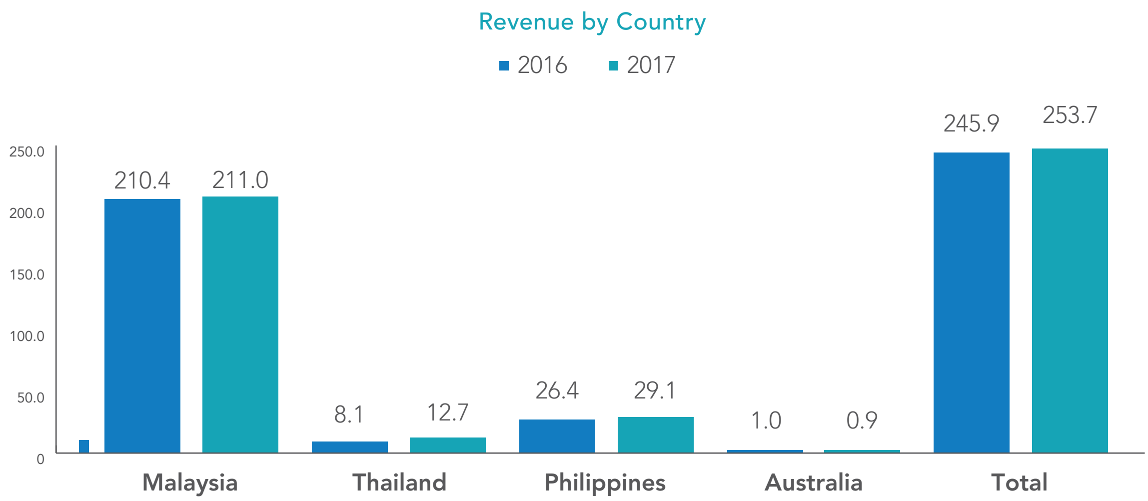
b) Shared Services Segment

Shared services segment revenue grew marginally by +1.5% yoy to RM55.7 million (2016: RM54.9 million) primarily due to the decline in sales of EDC terminals in Malaysia.

c) Solutions Services Segment

Solutions services revenue grew +13.8% to RM15.7 million (2016: RM13.8 million) primarily due to software sales driven by the migration to PIN authentication in Malaysia. Thailand also saw an increase in this segment due to sales of Loyalty and Payment Network solutions.

3.2 Performance by Geography



MANAGEMENT DISCUSSION AND ANALYSIS

CONT'D

3. PERFORMANCE BY BUSINESS SEGMENT AND GEOGRAPHY (cont'd)

3.2 Performance by Geography (cont'd)

2017 Group turnover grew +3.2% yoy to RM253.7 million (2016 – RM245.9m). Pre-tax profits was up +2.4% yoy to RM25.4 million compared to RM24.8 million a year ago and pre-tax margins were stable at 10.0%.

Malaysian operations contributed 83.2% (2016 – 85.6%) of group turnover and the decrease in weighting was due to a better performance from both Thailand and Philippines. EBITDA margins was 15.6% for 2017, a decline from 16.3% in 2016.

Philippines' turnover grew +9.8% yoy at RM29.0m (2016 – RM26.4m) with EBITDA margins up at 37.9% from 32.7% over the corresponding period last year. Solutions Services registered yoy decline but Shared Services and TPA saw growth driven by higher rental fees and transaction fees collected.

Thailand recorded a growth in topline revenue of +56.8% to RM12.7m (2016 – RM8.1m) driven by its TPA segment which saw strong growth in MDR transaction fee collected. Higher rental revenue from its Shared Services segment and contribution from hardware sales from a network project drove growth at its Solutions Services segment. EBITDA remain positive at RM3.4m compared to RM2.2m in 2016 with EBITDA margins remaining stable at 26.6% vs 27.3% in 2016.

Australia remains the smallest contributor to group operations at RM938,000 compared to 2016 YTD turnover of RM1,001,000. Both years saw positive EBITDA contribution of RM97,000 and RM312,000 for 2017 and 2016 respectively.

4. KNOWN RISKS

In the ordinary course of its operations, the Group is exposed to (a) Merchant performance risk (b) Liquidity risk, (c) Interest rate risk and (d) Foreign currency risk.

a) ***Merchant performance risk*** – The TPA business entails the Group contracting directly with merchants for the provision of electronic payment services based on underlying, back-to-back agreements with acquiring Banks. A risk arises in that should the merchant default in his obligations to the cardholder for any particular sale, then, that sale would be reversed ("or charged-back") and the sale amount refunded to the cardholder. The acquiring Bank would then recover the charged-back transaction from the Group which would then seek to recover it from the merchant. The Group could potentially incur a loss if the merchant was no longer in business or otherwise unable to reimburse the Group for the charge-back.

The Group has, over the last 3 years, invested significantly to develop risk management policies, systems and hire risk managers with the requisite experience to monitor merchant performance risk. The Group also obtains deposit and other forms of collateral from merchants to cover performance risk. These controls have effectively mitigated merchant performance risk and as of the date of this report there was negligible exposure arising from this risk. Group losses attributable to merchant performance risk in 2017 amounted to less than RM63,000.

b) ***Liquidity risk*** – As indicated in Section 2.6, the Group is in a net cash surplus position and therefore has no net gearing. This is primarily due to the intake of security deposits from merchants when deploying EDC terminals and exacting prepayments from merchants when they purchase Telco top-ups for onward sale to consumers. Short term purchases for Telco prepaid top-ups are typically funded with internal cash or Bankers Acceptances and are liquidated when these are on-sold to merchants. Longer term EDC terminal purchases are funded with bank term loans that match the life of the EDC terminals. The Group plans to fund the planned expansion in the TPA business by commensurately increasing its bank term loans. Given the Group's strong cash flow and lack of net gearing, it is well positioned to do so.

c) ***Interest rate risk*** – As indicated above, short term assets in the form of prepaid Telco top-ups are self-liquidating and typically funded with Bankers' Acceptances. There is therefore minimal interest rate exposure as the tenors are matched and are short term (typically, 30 days or less). Long term assets are funded with term structure debt that bears a fixed rate of interest. These lending structures minimise the Group's exposure to interest rate risk.

MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

4. KNOWN RISKS (cont'd)

d) ***Foreign currency risk*** – EDC terminals are purchased in USD and therefore can expose the Group to foreign currency risk as the Group's functional currency is in Ringgit. The Group minimise exposure to foreign currency risk by purchasing USD spot at the time of recording the vendor liability.

The Group does not hedge against foreign currency fluctuations in the net asset value of its overseas subsidiaries as these investments are of a long term nature. This would, however, be re-visited should a significant event occur that would cause a permanent diminution in the foreign currency denomination of its overseas subsidiaries.

5. FUTURE PROSPECTS

The Group continues to focus on merchant acquisition across the three markets by offering businesses, payments options ranging from credit/debit acceptance, mobile payments as well as internet payments. In May 2017, Malaysia commence payment acceptance of a China based e-wallet with the Philippines following closely in early 2018. The emergence QR based e-wallets have spurned growth of domestic e-wallet players in all three markets and 2018 will see the launch of several local players in this space. This bodes well for GHL, as it increases our competitive edge in offering our merchants an integrated omni-channel payment solution.

The group remains optimistic of further developing TPA as a key growth engine for the group given the changes in the payment landscape as e-payments gain further traction as driven by not only regulatory directives, growing market acceptance, but also positive changes in consumer preferences towards e-payments.

GHL Group expects 2018 prospects to be positive given our strong network and partnership with the banking sector as well as our extensive merchant network of 170,000 acceptance points (as at end 2017). In the fast evolving market place, the group is expected to increase its investments to further strengthen our market positioning as e-payments gain more prominence.

In the Philippines, the Group only commenced its TPA business in the middle of 2016 with an established local Bank. The TPA business model is consistent with that implemented in Malaysia and will enable the Philippines to target a much wider and larger segment within the marketplace. Merchants have started being acquired under this business model and it is likely that the business will be able to scale up in 2017 once initial teething issues are resolved. The Group expects that this will lead to higher growth rates in the TPA business in the years ahead. The changes in the way the debit transactions are switched previously under Banknet has now opened up opportunities for GHL in the Philippines as we have tied up with three (3) banks to acquire merchants directly for debit card transactions.

In Thailand, we have successfully implemented loyalty card and network device solutions that have reduced our dependency on TPA and Shared Services revenue streams. Other than scheme cards (e.g. VISA and MasterCard) that are heavily contested and thinly priced, we have differentiated ourselves by starting to acquire merchants to accept China based e-wallet payments which is not commonly offered by other merchant acquirers. This has helped us improve our profitability and enabled us to weather the storm of an intensely price competitive environment for merchant acquisition. As the Thai banks continue to support their regulator's initiatives to support the card payment system for the underprivileged and other e-payment options, we see the EDC growth opportunities to remain robust in the current year.

GHL Group is on track in terms of achieving its objective of becoming the largest merchant acquirer in ASEAN.

DIRECTORS' PROFILE

DATUK KAMARUDDIN BIN TAIB

Independent Non-Executive Chairman
Malaysian, Age 61, Male

Datuk Kamaruddin Bin Taib, was appointed as independent Non-Executive Director of the Company on 26 April 2012. He is a member of the Audit and Risk Committee and Nomination and Remuneration Committee. He is currently a Director of DNV GL Malaysia Sdn Bhd, part of the Global DNV GL Group, a leading technical service provider for the Oil and Gas Industry. He has been with the DNV GL Group since 1995, and was a substantial shareholder until December 2016 and retired as the Executive Chairman in June 2017. He holds a Bachelor of Science degree in Mathematics from the University of Salford, United Kingdom.

Datuk Kamaruddin has significant experience in investment banking, corporate finance, mergers and acquisitions. His career started in 1980 with a leading Investment Bank in Malaysia. Subsequently, he served as a Director of several private companies and companies listed on Bursa Malaysia. He has personal experience in listing several companies on Bursa Malaysia. Apart from his vast experience of serving on the board of companies listed on Bursa Malaysia, his experience included serving on the board of companies listed on the Stock Exchange of India as well as listed on Nasdaq (U.S.A.).

Datuk Kamaruddin is currently the Independent Non-Executive Chairman of HSBC Amanah Malaysia Berhad and Great Eastern Takaful Berhad, as well as Independent Non-Executive Director of Great Eastern Life Assurance (Malaysia) Berhad, Great Eastern General Insurance (Malaysia) Berhad, BFC Exchange Sdn Bhd and FIDE Forum.

He serves as a trustee for the Malaysian Oil & Gas Services Council. Prior to being a trustee, he was an elected executive council member.

He attended five (5) out of six (6) Board Meetings held during the financial year ended 31 December 2017.

DIRECTORS' PROFILE
CONT'D

MR LOH WEE HIAN, SIMON
Executive Vice Chairman
Malaysian, Age 56, Male

Loh Wee Hian, Simon, was appointed as Non-Independent Non-Executive Director on 28 December 2010. On the 18 January 2011, he was designated to Non-Independent Non-Executive Chairman, and subsequently to Executive Chairman on 3 March 2011. On 1 September 2012, Simon was designated to Executive Vice Chairman, a position that he holds to the present time.

Simon started his entrepreneurship in the telecommunications industry. He successfully secured the master distributor license for Ericsson mobile phones for Malaysia in 1989 through Telemas Corporation, a company that he founded and controls. As the market for mobile phone distribution matured, Simon ventured out in 1999 to co-found e-pay (M) Sdn. Bhd. ("e-pay"), a company that provides electronic top-ups for prepaid mobile phones. In the ensuing years, e-pay became a leading electronic top-up processor in South East Asia and subsequently became the largest prepaid top-up network in Malaysia. In 2006, e-pay was listed on the Australian Stock Exchange (ASX) and Simon became its Executive Chairman.

In recognition of his contributions in the technology sector, he won the prestigious Ernst & Young Entrepreneur of The Year Malaysia Award under the Technology Category in 2006.

Aside from pursuing his entrepreneurship career, he is one of the founding members of the Young Entrepreneurs Organization Malaysia Chapter, a global, non-profit educational organization for business owners to develop themselves and grow globally.

He attended all six (6) Board Meetings held during the financial year ended 31 December 2017.

DIRECTORS' PROFILE
CONT'D

MR FONG SEOW KEE
Senior Independent Non-Executive Director
Malaysian, Age 61, Male

Fong Seow Kee, David was appointed to the Board on 28 December 2010. He is the Chairperson of the Audit and Risk Committee and the Nomination and Remuneration Committee. He holds a BA (Hons) Economics & Social Studies from University of Manchester, England, is a Fellow of the Institute of Chartered Accountants in England & Wales and a Chartered Accountant of the Malaysian Institute of Accountants.

His career spans 39 years in the finance and investment industry. He worked in investment banking in Malaysia, Hong Kong and Singapore before joining a Singapore based venture capital group in 1992 where he was responsible for investments across Asia and also the United States. In 2000, he co-founded an investment management and advisory firm and from 2001 to 2010, managed a technology focused venture capital fund owned by Ministry of Finance, Malaysia.

He has been active in the development of the Capital Market and Venture Capital Industry in Malaysia where he has sat on various industry working groups, including that pertaining to the Malaysia's capital market reforms announced by the Securities Commission in 2009. He was actively involved in the Malaysian Venture Capital & Private Equity Association in various capacities including as Chairman between 2008 and 2010. David was one of the founder members of the Fintech Association of Malaysia of which he is currently President and is a member of the Advisory Committee on Technology for Finance established by Bank Negara Malaysia.

Currently, he is an Independent & Non-Executive Director of Petron Malaysia Refining & Marketing Bhd.

He attended all six (6) Board Meetings held during the financial year ended 31 December 2017.

DIRECTORS' PROFILE
CONT'D

HOSSAMELDIN ABDELHAMID MOHAMED ABOUMOUSSA

Non-Independent Non-Executive Director
Egyption, Age 40, Male

Mr. Aboumoussa was appointed as Non-Independent Non-Executive Director of the Company on 26 May 2017. He is a member of the Audit and Risk Committee and Nomination and Remuneration Committee.

Mr. Aboumoussa is a Partner at Actis. He joined Actis in 2006, taking on responsibility for originating, executing and managing investments in the Financial Services sector across growth market.

Prior to Actis, he worked at EFG-Hermes Private Equity. Over his 18 years of experience in private equity, Mr. Aboumoussa has held a number of Non-Executive Director roles on various Board of Directors and Boards' Committees including the Board of Directors of Emerging Markets Payments Holdings (EMPH) Mauritius, a leading payments company in Africa and the Middle East; where he also served on the Remuneration and Risk and Audit Committees. He also served as a Director on the Boards of EMPH's subsidiaries in Egypt and Jordan. Mr. Aboumoussa is also an Observer of the Board of Directors of Integrated Diagnostics Holdings (IDH), which is listed on the London Stock Exchange.

Other than the Actis portfolio companies, Mr. Aboumoussa sits on the Board of Trustees of the CIB Foundation, a leading Egyptian nonprofit organization dedicated to enhancing existing health services for underprivileged children in Egypt and is the Treasurer and sits on the Board of Directors of the British International School Society (BISC) in Cairo.

Mr. Aboumoussa holds an MBA from the University of Oxford and a BA in business and finance from the American University in Cairo and is a CFA Charter holder.

He attended three (3) out of six (6) Board Meetings held during the financial year ended 31 December 2017.

DIRECTORS' PROFILE
CONT'D

ALI ZAYNALABIDIN HAERI MAZANDERANI

Non-Independent Non-Executive Director
British, Age 36, Male

Ali Mazanderani ("Ali") was appointed as Non-Independent Non-Executive Director of the Company on 26 May 2017. He is currently a Partner at Actis and leads the Fintech practice globally. He has been instrumental in several Actis transactions including the investments in EMPH, PayCorp, Upstream, Compuscan, Stone and GHL Systems.

Prior to joining Actis, Ali was Lead Strategy Consultant for First National Bank based in Johannesburg. He had also advised private equity and corporate clients for OC&C Strategy Consultants in London. Ali has a BCom(Hons) degree in Economics from the University of Pretoria, a Masters in Economics from Oxford University, a Masters in Economic History from the London School of Economics, and an MBA from INSEAD.

He has been a Non-Executive Board Director of several companies including Upstream Systems, Compuscan, and PayCorp Investments.

He attended three (3) out of six (6) Board Meetings held during the financial year ended 31 December 2017.

NOTES:

1. ***Family Relationship with Director and/or Major Shareholder***

   Other than Loh Wee Hian who is a major shareholder of GHL, none of the other Directors has any family relationship with any director and/or major shareholder of GHL.

2. ***Conflict of Interest***

   None of the Directors has any conflict of interest with GHL Group.

3. ***Conviction for Offences***

   None of the Directors has any conviction for offences within the past 5 years other than traffic offences, if any.

4. ***Public Sanction or Penalties***

   None of the Directors have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

KEY SENIOR MANAGEMENT

MR LEONG KAH CHERN

Group Chief Executive Officer
Malaysian, Age 46, Male

Leong Kah Chern, Danny, joined e-pay (M) Sdn Bhd (e-pay), a wholly owned subsidiary of EPY Capital Holdings Limited in 2010 as the Chief Operating Officer, bringing in new talent and ideas to position e-pay as the largest mobile prepaid reload network provider in Malaysia. He was subsequently promoted to the role of Chief Executive Officer ("CEO") for the Malaysia business in January 2012 to spearhead the aggressive and regional growth of the Company. With GHL Systems Bhd acquisition of e-pay in 2014, Danny assumed the role of CEO for GHL Malaysia, leading both the GHL Malaysia as well as the e-pay businesses. He was tasked to merge the operations of both the entities while developing and executing strategies to increase GHL presence in Malaysia through payment services provided by both the businesses.

In June 2015, he assumed the leadership role of GHL Groups Strategic Planning unit to focus on defining the groups strategy as well as implementing them. He was also tasked to oversee the GHL Thailand business as well as start up the GHL Indonesia business in March 2016. Danny was appointed Group Chief Executive Officer on 1 December 2016.

Prior to joining e-pay, Danny started his career at Accenture Malaysia (formerly known as Andersen Consulting) focusing on telecommunications consulting in 1994. He left Accenture in 2003 to co-found Adeptis Solutions Sdn Bhd (Adeptis) which provides automotive solutions and business consulting services to their clients. In 2006, Adeptis was acquired by Cuscapi Berhad (formerly known as Datascan Berhad) and Danny became the CEO of Cuscapi until 2010.

Danny holds a degree in Accounting and Financial Management from University of Essex of the UK and he was awarded the Emerging Entrepreneurs Award for Outstanding & Exemplary Achievements in Entrepreneurship in 2007.

Danny holds 2,085,000 ordinary shares in GHL.

MR YAP CHIH MING

Group Chief Operating Officer
Malaysian, Age 46, Male

Yap Chih Ming joined GHL Systems Berhad (GHL) on 2 July 2012 as Group Chief Financial Officer. In 2016, Chih Ming moved onto the COO role and played a critical role in the terminal deployment for the Pin & Pay project. In January 2017, Chih Ming expanded his scope to Group Level as Group COO.

Chih Ming is a member of Malaysian Institute of Accountants and an Associate member of the Chartered Institute of Management Accountants, United Kingdom. He has considerable experience in Mergers and Acquisitions, and Joint Venture transactions both in Malaysia and offshore as well as in-depth knowledge of South-East Asian accounting practices.

Prior to joining GHL, he has already garnered over ten years of experience in the e-payment business. In 1999, he joined e-pay (M) Sdn Bhd – the owner of one of the most comprehensive electronic payment service networks across Malaysia – as Head of the Finance Department. Later in 2006, Chih Ming was promoted to Director of Finance. In July 2007, he took on an expanded regional role with his appointment to the Board of e-pay Asia Limited as Chief Financial Officer.

Chih Ming holds 3,570,049 shares in GHL Systems Berhad.

KEY SENIOR MANAGEMENT
CONT'D

MR REY MARIA R. CHUMACERA
Chief Executive Officer,
GHL Systems Philippines, Inc
Filipino, Age 51, Male

Rey joined GHL Systems Philippines, Inc., in April 2008 as Assistant General Manager and was subsequently promoted to Chief Executive Officer in 2012. He was a Faculty Member of the University of the East, Philippines.

Prior to joining GHL Philippines, Rey was a Senior Manager of Bank of the Philippine Islands. He had almost 20 years banking experience and held various other positions in Citytrust Banking Corporation and Philippine National Bank, before joining Bank of the Philippine Islands.

Rey holds 198,000 shares in GHL Systems Berhad.

MS KAM WAI PENG
Group Chief Financial Officer
Malaysian, Age 50, Female

Wai Peng joined GHL Systems Bhd in April 2016 as Group Chief Financial Officer. She is a member of Malaysian Institute of Accountants and a fellow member of the Association of Chartered Certified Accountants, United Kingdom.

Prior to joining GHL she was the Chief Financial Officer & General Manager of Corporate Services of Petronas ICT SdnBhd since 2013. With over 25 years of industry experience, Wai Peng also held a CFO role at Transmile Group Berhad for seven (7) years prior to Petronas ICT. She also held various finance roles during her thirteen (13) years tenure in VADS Berhad, including the role of CFO.

Wai Peng doesn't hold any shares in GHL Systems Berhad.

MS NAPAPORN WILAIKIT
Country Head,
GHL (Thailand) Co., Ltd.
Thai, Age 54, Female

Napaporn joined GHL Thailand in March 2014 as Country Head. She obtained a Degree in Communication Art from Chulalongkorn University and a Masters from San Angelo State University, Texas, USA.

Prior to joining GHL (Thailand) Co., Ltd. in March 2014, Napaporn was the Sales & Marketing Director in Meyer Thailand (Ltd.). She was the Chief Operating Officer of Electronic Payment Network (Thailand) Co., Ltd. prior to joining Meyer Thailand.

Napaporn doesn't hold any shares in GHL Systems Berhad.

KEY SENIOR MANAGEMENT

CONT'D

MR DUNSTAN GERALD MAURICE

Group Chief Risk Officer

Malaysian, Age 41, Male

Dunstan joined GHL Systems Berhad, in September 2014 as the Group Head, Risk Management and was subsequently promoted to the Group Chief Risk Officer in March 2017.

He obtained his Bachelors Degree in Business Administration from the Royal Melbourne Institute of Technology (RMIT) in Australia. Prior to joining GHL Systems Berhad, Dunstan was the Vice President - Technology Banking with CIMB Bank Berhad.

In his 20 years of Risk Management experience, Dunstan has held various other positions within American Express Malaysia, Maybank Berhad and OCBC Bank Berhad managing a variety of areas namely Cards & Merchant Risk Management, Banking Risk Management, Fraud Risk Compliance, Fraud Management Information System, Audit and Training.

Dunstan doesn't hold any shares in GHL Systems Berhad.

MR. SAM ENG SUN

Group Chief Technology Officer

Malaysian, Age 49, Male

Sam joined e-pay (M) Sdn Bhd as IT Manager in Dec 1999 and was promoted to Chief Technology Officer in April 2012. He was subsequently promoted to Group Chief Technology Officer for GHL Systems Berhad in Oct 2017.

He holds a Bachelor of Science Major in Microelectronic and Computer Science from Campbell University North Carolina. Prior to joining GHL, he was IT executive with Bausch & Lomb IT regional support team supporting South Asia group of company which include Malaysia, Singapore, Thailand, Indonesia, Australia and India.

Sam holds 513,344 shares in GHL Systems Berhad.

NOTES:

Save as disclosed above, none of the above senior management team have:

1. *any directorship in public companies and listed issuers;*
2. *any family relationship with any director and/or major shareholder of GHL;*
3. *any conflict of interest with GHL;*
4. *any conviction for offences within the past 5 years other than traffic offences, if any; and*
5. *any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.*

CORPORATE DIRECTORY

MALAYSIA

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GHL SYSTEMS BERHAD

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CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of GHL Systems Berhad ("GHL" or "the Company") recognises that maintaining good corporate governance is critical to GHL and its subsidiaries' ("the Group") long-term sustainable business growth and for the safeguard and enhancement of shareholders' interest. The Board is committed to continuously strive for the highest standards of corporate governance in cultivating a responsible organisation that adopts practices in accordance to the Principles and Recommendations of the Malaysian Code on Corporate Governance 2017 ("MCCG") and the relevant provisions in the Bursa Malaysia Securities Berhad ("Bursa") Main Market Listing Requirements ("MMLR").

The Board reviews and enhances the Group's corporate governance standards on a continuous basis to ensure that its business and affairs are in strict adherence to the doctrine and principles of good corporate governance; such as integrity, transparency, accountability and responsible business conduct. The Board evaluates and, where appropriate, implements relevant proposals to ensure that the Group continues to maintain good corporate governance.

The Board is pleased to report to the shareholders the manner in which GHL has applied the Principles and Recommendations of MCCG and Bursa's MMLR during the financial year 2017 ("FY 2017").

ESTABLISH CLEAR ROLES & RESPONSIBILITIES

Board Charter

A Board Charter (the "Charter") that clearly sets out the role, functions, composition, operation and process of the Board was adopted by the Board in 2012. The Charter ensures that all Directors are aware of their duties and responsibilities as Board members. It acts as a source of reference and primary induction literature for prospective Board members and Senior Management on good corporate governance. It also acts as a guideline to assist the Board in assessing its collective performance and that of each individual Director.

The Board Charter will be reviewed at least annually to ensure consistency with the Board's objectives and responsibilities and adherence to the relevant rules and regulations as well as latest standards or guidelines of corporate governance. The Charter is accessible to the public on the Company's official website at www.ghl.com and any update thereof will be uploaded to the website accordingly.

Roles and Responsibilities

The Charter delineates the functions of the Board and the Management while maintaining a symbiotic relationship between the two groups, enabling effective execution of their respective roles and responsibilities. The Board's principal focus is the overall strategic direction, development and control of the Group in an effective and responsible manner.

The Board is constantly mindful of safeguarding the interests of shareholders in discharging its stewardship and duties. Followings are the Board's core responsibilities:-

- Review and approve the Group's strategic plan to build a sustainable business;
- Oversee and evaluate the Group's business conduct, including the smooth functioning of core processes;
- Identify principal risks and ensure implementation of appropriate systems and processes to manage these risks;
- Monitor succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing key management;
- Maintain an effective investor relations programme; and
- Review the adequacy and integrity of the Group's internal control systems.

The Board has delegated certain responsibilities to dedicated Board Committees with clear Terms of Reference ("TOR") to discharge these responsibilities more effectively.

Code of Conduct and Ethics

The Board acknowledges and emphasises the importance for all Directors and Employees to embrace the highest standards of corporate governance practices and ethical standards.

In view of this, the Board has formalised ethical standards and systems of compliance through the Company's Code of Ethics and Conduct. These codes, which are reviewed annually, are aimed to emphasise the Company's commitment to ethical practices, compliance with applicable laws and regulations, use of confidential information and retention of records.

The Company's Code of Ethics and Conduct is available on the Company's official website at www.ghl.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

ESTABLISH CLEAR ROLES & RESPONSIBILITIES (cont'd)

Whistle-Blowing Policy

The Board establishes a Whistle-Blowing Policy that enables any employee of the Group to bring to the attention of the Board any concerns regarding integrity and misconduct. Procedures are also in place for investigations and appropriate follow-up actions.

Business Sustainability

The Board is mindful of the importance of good corporate governance practices in the application of sustainability practices throughout the Group, communities and environment; the benefits of which are believed to translate into better corporate performance and value creation for its shareholders. The Group's activities which demonstrate its commitment towards creating a better environmental, social and governance, and sustainability agenda during FY 2017 are disclosed in the Sustainability Statement set out on pages 52 to 53 of the Annual Report.

Information for the Board and Committee

The Board and Committee are provided with an agenda on matters to be discussed together with the meeting papers which contain the following for the Directors' perusal, to enable the Directors to deliberate on issues to be considered at the respective meeting or obtain further explanations, where necessary, before the Board or Committee meetings.

- Previous minutes of meetings;
- Operational and financial performance reports;
- Details of corporate proposals;
- Quarterly interim financial reports or the annual audited financial statements;
- Internal Audit Reports; and
- Other matters

Respective departments within the Group will strive to provide these materials to the Directors seven (7) days prior to the Board and Committee meetings, working within the challenges and constraints of the information gathering process; otherwise, the materials will be provided two (2) days before the meetings while those of a confidential nature will be provided during the Board and Committee meetings. Minutes were kept to record the proceedings at the Board and Committee meetings, the deliberations on the matters at hand and the decisions made thereto; and will be circulated in a timely manner upon completion of meeting.

Senior Management is invited to attend the Board and Board Committee meetings to provide insight and furnish clarification on issues that may be raised by the Directors. Professional advisers appointed by the Company, if required, are invited to attend the Board or Committee meetings to provide relevant observations or findings to the Board or Committees.

The Board has unrestricted access to the Group Chief Executive Officer ("CEO"), Group Chief Financial Officer ("CFO"), Senior Management and all information on the affairs of the Group. The Management is obliged to supply all relevant information relating to the business and operations of the Group and governance matters at the request of the Board.

The Board also has full and unrestricted access to the advice and services of Internal Audit Function, External Auditors and Company Secretary. Members of the Board may collectively or individually consult advisers and, where necessary, seek external and independent professional advice and assistance from experts to carry out their duties.

Company Secretary

The Board is supported by the Company Secretary who facilitates overall compliance with the MMLR and Companies Act, 2016 and other relevant laws and regulations.

The Company Secretaries organise and update Board members and committees the changes, if any, in regards to Board and Committee meetings as well as shareholders meetings. The Company Secretary attends all Board and Board Committee meetings to ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. This responsibility will involve the issuance of proper notices of meetings, circulation of previous meetings' minutes, and that accurate and adequate records of the proceedings of the Board meetings and resolutions passed are taken and maintained in the statutory register of the Company.

Removal of Company Secretary, if any, is a matter for the Board to decide collectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

STRENGTHEN COMPOSITION

Board Composition

The Board consisted of five members, comprising one Executive Director and four Non-Executive Directors (of which two were independent, including the Chairman). During the financial year, two members of the Board, Mr. Brahmal a/l Vasudevan and Mr Kanagaraj Lorenz resigned and retired from their position as Non-Independent Non-Executive Director and Executive Director, effective 24th May 2017 and 26th May 2017 respectively.

On 26th May 2017, Mr. Ali Zaynalabidin Haeri Mazanderani and Mr. Hossameldin Abdelhamid Mohamed Aboumoussa were both appointed as Non-Independent Non-Executive Directors of the Company.

The current Board composition complies with the Main Market Listing Requirements of Bursa Malaysia that require a minimum of two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be Independent Directors. However, in accordance to the MCCG Code, the Board does not have majority presence of Independent Non-Executive Directors.

The Board is satisfied with the current composition that provides a balance mix of executive and non-executive members. The current Board brings with it a broad range of business, financial and technical background. This balance facilitates the Board to provide clear and effective leadership to the Group, and bring informed and independent judgement to many aspects of the Group's strategy and performance.

Notwithstanding the above, the Board functions in a manner that promotes an open environment where the Directors are able to exercise independent judgement and the interests of shareholders are always at the forefront when important decisions are made by the Board. The Board will continuously review the Board composition annually during NRC meetings.

Gender Diversity

The Board is cognisant of the recommendation on boardroom diversity in MCCG. Although the Company does not have any boardroom diversity policy, the Board believes that recruitment of Directors should not be based on any gender discrimination or preferences, as it is equally important to have the right mix of skills at the Board in order to enable the Board and its committees to carry out its duties effectively.

Board Committees

The Board delegates certain responsibilities to the dedicated Committees of the Board. Both committees, the Audit and Risk Committee ("ARC") and Nomination and Remuneration Committee ("NRC"), comprise exclusively Non-Executive Directors. These committees operate within clearly defined Terms of Reference; have the authority to examine particular issues; report their proceedings, deliberations and, where appropriate, make recommendations to the Board. On Board reserved matters, the Committees shall deliberate and make their recommendations to the Board for its approval thereafter.

During Board meetings, the Chairman of the Committees provides summary reports of the decisions and recommendations made during respective committee meetings, and highlight to the Board any further deliberation that is required at Board level. Terms of Reference of all Board Committees are available on the Company's official website at www.ghl.com.

Audit and Risk Committees

The Audit Committee takes on the role of assisting the Board in discharging its fiduciary duties, the responsibility of overseeing the financial reporting process, and ensuring that the results of the Company's operations are fairly presented in its financial statements.

A full Audit Committee Report enumerating its composition, summary of activities and the Internal Audit Function during the financial year is set out on pages 42 to 46.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

STRENGTHEN COMPOSITION (cont'd)

Nomination and Remuneration Committees

The Board had previously resolved on 8 April 2013 to combine the Nomination Committee and Remuneration Committee ("NRC" or the "Committee") to form the NRC to better carry out the best practices in MCCG Guide and new requirements in MMLR by Bursa more efficiently.

The NRC comprises three members who are exclusively Non-Executive Directors during FY 2017 as follows:

1. FONG SEOW KEE *(appointed as Chairman on 21st February 2013)*
   (Senior Independent Non-Executive Director)

2. DATUK KAMARUDDIN BIN TAIB
   (Independent Non-Executive Director)

3. BRAHMAL a/l VASUDEVAN *(resigned wef. 24 May 2017)*
   (Non-Independent Non-Executive Director)

4. HOSSAMELDIN ABDELHAMID MOHAMED ABOUMOUSSA *(appointed wef. 26 May 2017)*
   (Non-Independent Non-Executive Director)

The Committee reports regularly to the Board on its activities, deliberations and recommendations in the discharge of its duties and responsibilities as set out in its Terms of Reference available on the Company's official website at www.ghl.com.

The main activities undertaken by the Committee during the financial year are as below:

I. Review terms of reference of the Committee

The Terms of Reference was reviewed to ensure it is in line with the recommendations of the MCCG and remains consistent with the Committee's objectives and responsibilities.

II. Review size, structure and composition of Board and Board Committees

The Committee carried out a review, which was led by the Chairman of NRC, on the size, structure and composition of the Board and Board Committees based on the following criteria:

- The Chairman of the Board should be an Independent Non-Executive Director;
- There is a Senior Independent Non-Executive Director;
- There is balance and diversity of gender, adequate skills, experience and knowledge on business/ management, industry, overseas market, strategic planning, sales, marketing and customer, production and quality assurance, legal, finance and accounting, information technology, human resources management, corporate governance and risk management and internal control; and
- MMLR's regulations, MCCG's recommendation and best practices are adhered to.

Based on the evaluation of a skill set matrix, the Committee recommended strengthening the Board composition with a new member who is experienced in Information Technology (IT). Overall, the Committee was satisfied with the current size of the Group's Board and that there was an appropriate mix of knowledge, skills, attributes, and core competencies in the Board's composition.

III. Facilitate Board, Board Committee and Directors assessment and review the results

The Committee carried out an annual assessment of the Board and Board Committees as a whole and of each Director. Assessment of the Board, as a whole, and Board Committees covered four main areas: structure, roles and responsibilities, risk management, and standard of conduct. Assessment of each individual Director included their respective skills and knowledge, contribution to business strategies and Group's performance, contribution to Board processes, time commitment and standard of conduct. In addition, for Non-Executive Directors, independence was assessed based on their annual declaration and other requirements stated in MMLR.

NRC assessment for FY 2017 was considered to be satisfactory.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

STRENGTHEN COMPOSITION (cont'd)

Nomination and Remuneration Committees (cont'd)

IV. Facilitate Board discussion on key management's annual appraisal results

In FY 2017, the NRC considered and recommended to the Board, the renewal of service contracts of the CEO. In facilitating this, the NRC considered the CEO's contributions, achievements and deliverables for the past year. In accordance with its TOR, the NRC would also consider and recommend to the Board annual remuneration packages, together with the detailed fringe benefits and Executive Share Scheme ("ESS").

V. Review Board's service contract and succession plan

The Committee reviewed each Executive Director's service contract based on the Board Charter's guideline and their respective contributions to the Group. The tenure of each contract is for a maximum continuous period of three years, consistent with the Board Charter.

The Committee also reviewed the succession plan of key management based on the individual's willingness to continue and necessity. The Committee was satisfied with the current succession planning.

VI. Review induction and training needs of Directors

The Committee reviewed and recommended the necessary training suitable for individual Director based on annual assessment results, skill sets and past training record. The Committee concluded that all Directors have received sufficient and appropriate trainings during FY 2017 that is relevant and would serve to enhance their effectiveness in the Board and the Board Committees. The details of the Directors' training are set out on page 39.

VII. Review nomination and election process

The Committee has reviewed the nomination and election process, and has established a clear and transparent nomination and election policy:

- The Committee has an option to outsource Director candidate search to professional firms, if necessary, to ensure that a diverse range of candidates are considered; or to accept recommendations by any Board member. The Committee should not be influenced by major controlling/dominant shareholders or the CEO/ Executive Directors.
- The Director candidate should be interviewed by the Board Chairman and the NRC Chairman, and should meet all Board members.
- The number of Director candidates recommended by the Nominating Committee should be greater than the available board seats, where possible.
- Newly appointed Directors are subject to election by shareholders at the first Annual General Meeting ("AGM") after their appointment.
- At least one-third (1/3) of the remaining Directors be subject to re-election by rotation at each AGM and all Directors shall retire from office at least once every three (3) years. The Directors retiring from office shall be eligible for re-election by the shareholders.
- An Independent Director who had served on the Board for a period of nine years or more shall submit a Declaration of Independence if she or he wishes to continue to serve as an Independent Director. NRC shall consider the re-appointment based on the Declaration of Independence, assessment criteria and guidelines set out in the policy, and make the appropriate recommendation to the Board. This is also subject to re-election by shareholders in the next AGM.

Board Evaluation

The Board and its Committees evaluate their performance and governance processes annually to improve the collective and individual contributions and effectiveness. During FY 2017, a peer-assessment on the Board's performance as a whole, its Committees and their individual Directors, was facilitated by the NRC and led by the Chairman of NRC. The assessment included a review of the administration and operation of the Board and its Committees, agendas, reports and information produced for consideration of the Board. The assessment results were considered by the NRC, which then made recommendations to the Board on the identified areas for improving on effectiveness of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

DIRECTORS' REMUNERATION

The Company has in place fair and competitive remuneration packages for its Directors in order to attract and retain Directors of an appropriate calibre. Executive Directors' basic salaries are fixed for the duration of their contract. Any revision to the basic salary will be reviewed and recommended by NRC, taking into account the individual and the Company's performance, the inflation price index, the affordability, and benchmarking to the industry's rate.

Other benefits in kind such as car, driver, petrol allowance and phone allowance are made available as appropriate. Contribution is made to the Employees Provident Fund ("EPF"), the national mandatory defined contribution plan, in respect of the Executive Directors. Executive Directors are not entitled to receive Directors' fees as well as meeting allowances.

Directors' fees are recommended by the NRC to the Board after taking into consideration the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director in concern. The Company reimburses all expenses incurred by the Directors, where relevant, in the course of carrying out their duties.

The final decision on any remuneration package offered to the Executive Directors and the fees payable to Non-Executive Directors are the responsibility of the entire Board. Individual Directors do not participate in deciding their own remuneration package. Fees payable to Directors are upon approval by the shareholders at the Annual General Meeting.

For the financial year ended 31 December 2017, a total sum of RM1,692,726 was paid and payable to the Directors of the Company. The breakdown of the Directors' remuneration and the number of Directors in the remuneration is as follows:

Directors (MYR, Gross)	Salary and Other Emoluments	Fees	EPF & Socso	Grand Total
Datuk Kamaruddin Bin Taib	27,000	180,000	-	207,000
Loh Wee Hian	920,000	-	111,229	1,031,229
Kanagaraj Lorenz *(retired wef. 26th May 2017)*	249,231	-	30,253	279,484
Fong Seow Kee	27,000	148,000	-	175,000
Brahmal A/L Vasudevan *(resigned wef. 24th May 2017)*	6	-	-	6
Ali Zaynalabidin Haeri Mazanderani *(appointed wef 26th May 2017)*	2	-	-	2
Hossameldin Abdelhamid Mohamed Aboumoussa *(appointed wef 26th May 2017)*	5	-	-	5
Total	**1,223,244**	**328,000**	**141,482**	**1,692,726**

The Directors' remuneration in aggregate, with categorisation into appropriate components, distinguishing between Executive and Non-Executive Directors, is as follows:

Remuneration Component (MYR, Gross)	Executive Directors	Non-Executive Directors
Salaries and other emoluments	1,169,231	54,013
Directors Fees	-	328,000
EPF & Socso	141,482	-
Total	**1,310,713**	**382,013**

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

DIRECTORS' REMUNERATION (cont'd)

The number of Directors of the Company whose remuneration band falls within the following successive bands is as follows:

Ranges of Remuneration (MYR, Gross)	Executive Directors	Non-Executive Directors
1 – 50,000	-	3
150,001 – 200,000	-	1
200,001 – 250,000	-	1
250,001 – 300,000	1	-
1,000,001 – 1,050,000	1	-
Total	**2**	**5**

SENIOR MANAGEMENT'S REMUNERATION

The remuneration of key management personnel comprises primarily a basic salary component and a variable component, which includes bonuses rewarded based on the performance of the Company, the Group as a whole, and individual performance. The Company currently does not have any long-term incentive scheme(s) or contractual provisions to reclaim incentive components of remuneration key management personnel.

Practice 7.2 of the MCCG 2017 recommends that companies disclose the name and remuneration of at least the top five Senior Management personnel. As best practice, companies are encouraged to fully disclose the remuneration of the said top five Senior Management personnel. In addition, companies should also disclose the aggregate of the total remuneration paid or payable to the top five key management personnel.

Due to the existing industry competition to retain and recruit key talent, the Board is of the opinion that it is in the best interest of the Company to disclose the Company's top seven Senior Management personnel's remuneration in bands of RM300,000 during FY 2017:

	Salary and Other Emoluments	Fees	EPF & Socso	Total Remuneration	
	%	%	%	%	Band
Leong Kah Chern	89	-	11	-	III
Kam Wai Peng	89	-	11	-	II
Yap Chih Ming	89	-	11	-	II
Dunstan Maurice	89	-	11	-	II
Sam Eng Sun	89	-	11	-	II
Chumacera, Rey Maria Receno	99	-	1	-	II
Napaporn Wilaikit	95	-	5	-	II

Note:
Band I: Remuneration up to MYR300,000 per annum
Band II: Remuneration between MYR300,001 and MYR600,000 per annum
Band III: Remuneration between MYR600,001 and MYR900,000 per annum

	MYR
Aggregate of the total remuneration paid or payable to the top seven key management personnel	3,838,163

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

REINFORCE INDEPENDENCE

Board Balance and Independence

The Board comprises a mixture of Executive and Non-executive Directors from diverse professional backgrounds with a wealth of experience, skills and expertise to meet the Group's needs.

Although all Directors have equal responsibility towards the Group's business, the Independent Non-Executive Directors provide an independent view, advice and judgement to take into account the interest of the Group, shareholders, employees and communities, in which the Group conducts its business.

Annual Assessment of Independence

The Board, via the NRC, assesses Independent Directors annually. In administering this, the Independent Directors are required to perform a yearly self-assessment/declaration based upon a series of questionnaire which is driven from definitions/criteria of Independent Directors as defined in Chapter 1 of the MMLR. For the financial year, the Board, via the NRC, has reviewed and deliberated the annual assessment performed and is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company.

Tenure of Independence Director

In tandem with the MCCG, the Board, through its Charter, requires independence of any Director who has served more than nine (9) years to be subject to a rigorous review by the Board prior to justifying/recommending to the shareholders for their approval to retain the particular Board member as an Independent Director, if necessary. During the financial year under review, none of the Independent Directors have served for a cumulative term of nine (9) years.

Chairman and CEO

A clear division of responsibility between the Chairman and the CEO exists to ensure a balance of power and authority as no one individual Director has unfettered powers over decision making. Formal position descriptions of the Chairman and the CEO outlining their respective roles and responsibilities are set out in the Board Charter.

The Board is satisfied that the current Board composition provides the appropriate, diversity, balance and size necessary to promote all shareholders and govern the Group effectively. It also fairly represents the ownership structure of GHL, with appropriate representations of minority interests through the Independent Non-Executive Directors. The Board will continue to monitor and review the Board size and composition as may be needed to maximise the shareholders' value.

FOSTER COMMITMENT

Time Commitment

All the Directors have committed sufficient time to carry out their duties during the tenure of their appointments. In accordance to the Listing Requirements, the Directors are prohibited to hold more than five (5) directorships in public listed companies in Malaysia to ensure that Directors have sufficient time to focus and fulfil their roles and responsibilities. The Directors are required to inform the Board should they accept new board memberships in other public listed companies.

The Board meets at least 5 times a year with additional meetings convened on an ad-hoc basis as and when the Board's approval and guidance are required. During the end of each calendar year, the Company Secretaries would draw a proposed timetable of all Board and Board Committees meetings which are held the next calendar year, including the AGM, to assist the Directors in planning their attendances for the Board and Committees meetings. Reminders are sent to the Directors prior to each Board and Committees meeting.

The Board meets at least once each quarter and additional meetings are convened as and when necessary as determined by the Chairman.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

FOSTER COMMITMENT (cont'd)

Board Meeting

Six Board meetings were held during the financial year ended 31 December 2017, and details of the attendance of each Director are as follows:

Name of Directors	Designation & Directorate	Number of Meetings Attended During the Year
Datuk Kamaruddin Bin Taib	Independent Non-Executive Chairman	5/6
Loh Wee Hian	Executive Vice Chairman	6/6
Kanagaraj Lorenz *(retired wef. 26th May 2017)*	Executive Director	4/4
Fong Seow Kee	Senior Independent Non-Executive Director	6/6
Brahmal a/l Vasudevan *(resigned wef. 24th May 2017)*	Non-Independent Non-Executive Director	3/3
Ali Zaynalabidin Haeri Mazanderani *(appointed wef 26th May 2017)*	Non-Independent Non-Executive Director	3/3
Hossameldin Abdelhamid Mohamed Aboumoussa *(appointed wef 26th May 2017)*	Non-Independent Non-Executive Director	3/3

Directors' Training

The Directors are mindful that they are to devote sufficient time and effort to carry out their responsibilities and to maintain their competency as a member of the Board. The Board encourages and supports the Directors to continually develop and refresh their knowledge and skills, and to update themselves on developments in the financial and business landscape both domestically and internationally.

The Board, via the NRC on a continuous basis, evaluates and determines the training needs of its members, and ensure that their training needs are met to aid the Directors in discharging their duties as a Director of the Company.

In their effort to keep abreast with the changes in the industry, legislation, and regulations affecting the Company, the Directors have attended the following briefings, conferences and seminars during the course of the year:

Director	Training Programme/Conference Seminar
Datuk Kamaruddin Bin Taib	- Workshop for Nomination Committee Chairman & Members - Board Educational Series: Malaysia Companies Act 2016 Updates - International Financial Reporting Standards (IFRS) for Audit Committee Members - Risk and Reward: What Must Be Known By Boards About A Sustainable FI Remuneration System - Board Educational Series: 1) Directors' Officer Liability Insurance, 2) IFRS 9 Financial Instruments - 3rd Distinguished Board Leadership Series: Cryptocurrency & Blockchain Technology, Viewpoints of an Entrepreneur
Fong Seow Kee	- Fintech & Digital Economy Conference 2017 - Audit Committee Conference 2017 – Making an Impact - Global Banking Conference - Cyber Security Asia - Money Services Business AP Conference - Payment System Forum
Ali Zaynalabidin Haeri Mazanderani	- The Mandatory Accreditation Programme (MAP)
Hossameldin Abdelhamid Mohamed Aboumoussa	- The Mandatory Accreditation Programme (MAP)

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

FOSTER COMMITMENT (cont'd)

Directors' Training (cont'd)

In addition, all Directors are, from time to time, provided with reading materials and internal briefings pertaining to the latest developments in areas relating to the Directors' roles and responsibilities by the Company Secretary or by its members who attended relevant conferences and seminars. The External Auditors also briefed the Board on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board is committed to provide a balanced, clear and comprehensive assessment of the financial performance and prospects in all the disclosure made to the stakeholders and the regulatory authorities. The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group as at the end of the reporting period, and of their results and cash flows for the period then ended.

The Board is assisted by the Audit and Risk Committee in governing the Group's financial reporting processes and the quality of its financial reporting such as compliance with Malaysian Financial Reporting Standards.

Relationship with the Auditors

The Board has adopted an Auditor Independence Policy on 28 November 2016 which delegates the responsibility to assess the suitability, objectivity and independence of the External Auditor to the Audit and Risk Committee.

The Company's Auditor Independence Policy is available on the Company's official website at www.ghl.com.

Through the Audit and Risk Committee, the Group has established transparent and appropriate relationships with the Group's auditors, both external and internal. The total fees incurred for non-audit services rendered by the external auditors during the financial year are disclosed in Note 6 of the Financial Statements section of this Annual Report.

The statements on roles, duties and responsibilities of the Audit and Risk Committee, in relation to both the Internal and External Auditors, are described in the Audit and Risk Committee Report as set out on pages 42 to 46 of this Annual Report.

RECOGNISE AND MANAGE RISKS

The Board acknowledges its responsibilities for the Group's system of internal controls which covers financial, operational, and compliance controls as well as risk management. The Board has delegated to the Audit and Risk Committee the responsibility of reviewing the effectiveness of control procedures and risk management framework, and to report to the Board on all its findings and recommendations for deliberations.

The Statement on Risk Management and Internal Control furnished in pages 47 to 51 of the Annual Report provides an overview of the state of risk management and internal controls within the Group.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Timely release of announcements on quarterly and annual financial statements, annual report and analyst presentations reflects the Board's commitment to provide transparent and up-to-date disclosures to the public.

Leveraging on information technology for effective dissemination of information, the Group maintains a corporate website, www.ghl.com, which provides a comprehensive avenue for the shareholders and public to access up-to-date information including the Company's announcements, financial information, share prices, and press releases of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Dialogue between the Company and Investors

The Company values dialogue with investors and recognises the importance of being transparent and accountable to its shareholders. Effective communication with shareholders provides a better appreciation of the Company's objectives, while also encourages the Management to be aware of the expectations and concerns of the shareholders.

As such, the Company adheres strictly to the disclosure requirements under Bursa's MMLR to announce results of the Group quarterly, material transactions and events accordingly via Bursa Link. Investor information of the Company, the Annual Report, financial results, Board Charter and Terms of Reference of Board Committees can be accessed on the Company's website at www.ghl.com.

Mr Fong Seow Kee, the ARC and NRC Chairman, is the Board appointed Senior Independent Non-Executive Director. He is available to investors who have concerns that were unable to be addressed through the Chairman and CEO.

Annual General Meeting ("AGM")

The AGM is the principal forum for dialogue with the shareholders. At each AGM, the Board presents to the shareholders on the business performance for the financial year. All Directors are available to respond to shareholders' questions during the AGM.

Each special business included in the notice of AGM will be accompanied by a full explanation of the effects of a proposed resolution to facilitate understanding and evaluation of the issues involved. Separate resolutions are proposed for separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

The Board takes note of the recommendation 8.2 by MCCG on the adoption of electronic voting and encourage poll voting to facilitate greater shareholder participation. The Board is of the view that with the current level of shareholders' attendance at AGMs, voting by way of a show of hands continues to be efficient. However, for agenda that requires poll voting in accordance to listing rules, the Board will inform shareholders in advance, and poll voting will be conducted manually. Nevertheless, the shareholders will be informed on their right to demand for a poll vote at the commencement of general meeting, and voting by way of poll voting will be carried out if required by Bursa's MMLR and other relevant rules and regulations.

The Board has deliberated, reviewed and approved this Statement in accordance with Board's Resolution dated 27 March 2018.

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee Report provides insights into the manner in which the Audit and Risk Committee has discharged its function for the Group in Financial Year 2017 ("FY 2017") and also a summary of its various activities.

FORMATION

The Audit Committee was established as a committee of the Board of Directors of GHL Systems Bhd on 11 February 2003.

On 8 April 2013, the Board of Directors resolved that the Audit Committee be renamed as the Audit and Risk Committee ("ARC" or the "Committee").

COMPOSITION

The ARC comprises three members, all of whom are Non-Executive Directors with the majority being independent. All members of ARC are financially literate, with a Director being a member of the Malaysian Institute of Accountants, and have sufficient understanding of Company's business.

The ARC comprises the following:-

1. FONG SEOW KEE – Chairman
   (Senior Independent Non-Executive Director)

2. DATUK KAMARUDDIN BIN TAIB
   (Independent Non-Executive Director)

3. BRAHMAL A/L VASUDEVAN *(resigned wef. 24 May 2017)*
   (Non-Independent Non-Executive Director)

4. HOSSAMELDIN ABDELHAMID MOHAMED ABOUMOUSSA *(appointed wef. 26 May 2017)*
   (Non-Independent Non-Executive Director)

The Group is currently in a departure from MCCG Practice 8.4, in which it recommends to have the Audit Committee comprising solely of Independent Directors. The Board believes that the current ability of the Committee is sufficient to exercise their judgment in an informed and impartial manner to fulfil the Committee's mandate responsibilities, especially in overseeing the areas of financial reporting, related party transactions and conflicts of interest, internal control environment, internal audit and external audit processes.

TERMS OF REFERENCE ("TOR")

The Terms of Reference for the ARC which is in line with the provisions of the Listing Requirements and other best practices are accessible to the public on the Company's official website at www.ghl.com.

ATTENDANCE OF MEETINGS

The ARC held five (5) meetings during FY 2017. The Company Secretary is responsible for distributing the notice of the meetings to the Committee members prior to each meetings and recording the proceedings of the meetings thereat. The details of attendance of the ARC members are as follows:

Name of the Committee Member	Total Attendance of Meetings
Fong Seow Kee	5/5
Datuk Kamaruddin Bin Taib	5/5
Brahmal A/L Vasudevan *(resigned wef. 24 May 2017)*	1/3
Hossameldin Abdelhamid Mohamed Aboumoussa *(appointed wef. 26 May 2017)*	2/2

AUDIT AND RISK COMMITTEE REPORT
CONT'D

ATTENDANCE OF MEETINGS (cont'd)

The Group Chief Financial Officer ("CFO") was invited to all ARC meetings to facilitate direct communication in relation to the Group financial results while the Risk Management Committee ("RMC") Chairman i.e. Group Chief Executive Officer ("CEO") was invited to all ARC meetings to provide information regarding the Group's Risk Management activities. The Head of Group Internal Audit ("GIA"), relevant members of Management, and the External Auditors were also invited to attend the meetings of the Committee, where appropriate, to brief the ARC on the relevant audit findings.

The ARC held two private meetings with the External Auditors in FY 2017 without the presence of the Management. At these meetings, the ARC enquired about Management's co-operation with the External Auditors, their sharing of information and the competencies and adequacy of resources in the financial reporting functions, particularly in relation to the applicable Malaysian Financial Reporting Standards. The ARC Chairman also permitted the External Auditors to contact him at any time that they became aware of incidents or matters in the course of their audits or reviews that needed his attention or that of the ARC or Board. No such contacts were made during FY 2017.

Minutes of each ARC meetings were recorded and tabled for confirmation at the following ARC meeting and subsequently presented to the Board for notation.

SUMMARY OF ACTIVITIES DURING FINANCIAL YEAR ENDED 31 DECEMBER 2017

The ARC reports regularly to the Board on its activities, deliberations and recommendations in discharging its duties and responsibilities as set out in its Terms of Reference, which the Committee has reviewed to ensure it is in line with the Main Market Listing Requirements of Bursa Malaysia ("MMLR"), and the Malaysian Code on Corporate Governance ("MCCG").

The main activities undertaken by the Committee during the year are as below:

Regarding financial reporting:

a. Reviewed the Annual Report and the audited financial statements of the Group and the Company for FY 2017 together with the External Auditors and Group CFO to ensure compliance of the financial statements with the provisions of the Companies Act 2016 and the applicable approved accounting standards as per the Malaysian Accounting Standards Board ("MASB") prior to recommending the same to the Board for approval.

b. Reviewed the quarterly unaudited financial results of the Company and the Group for FY 2017 together with the Group CFO, focusing particularly on significant changes to accounting policies and practices, significant or unusual events, compliance with accounting standards and other legal requirements prior to recommending the same to the Board of Directors for approval and release to Bursa Malaysia.

c. Reviewed with the Management of the Group to ensure corporate disclosure policies and procedures of the Group (pertaining to accounting, audit and financial matters) comply with the disclosure requirements as set out in the MMLR.

d. Reviewed the progress of project on compliance to MFRS 9 and MFRS 15 implementation and status.

Regarding external audit:

a. Reviewed the performance and accessed the suitability of the External Auditor independence in fulfilling their responsibilities as set out in the By-Laws (On Professional Ethics, Conduct and Practice) for Professional Accountants as adopted by Malaysian Institute of Accounts; the Group policy on Auditors Independence by covering the calibre of the external audit firm; quality of processes and performance during the audit; skills, industrial knowledge and objectivity; and their communications with ARC.

b. ARC had received from the External Auditors written confirmation on their independence and disclosed their policies on independence, safeguards and procedures to address threats or perceived threats to their independence and objectivity, and that they were in compliance with the independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) for Professional.

AUDIT AND RISK COMMITTEE REPORT

CONT'D

SUMMARY OF ACTIVITIES DURING FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

Regarding external audit: (cont'd)

c. Reviewed and discussed with the External Auditors' audit planning memorandum covering audit scope, audit plan, key audit areas and proposed fees for the statutory audit and other non-audit services based on the External Auditors' presentation of audit strategies and plans to ensure that their scope of work adequately covered the activities of the Group.

d. Reviewed and discussed with the External Auditor on the audit results, audit reports and financial statements of the Group.

e. Reviewed and discussed with External Auditor on the issues highlighted in the management letter, the response from the Management and ensure, where appropriate, necessary corrective actions had been taken by Management. ARC also considered the External Auditors' suggestions to improve the accounting procedures and internal control measures.

f. Reviewed and discussed the non-audit fees in respect of services rendered by External Auditors, if any, are in line with the Group Auditor Independence policy. During FY 2017, non-audit fees amounting to RM5,400 had been rendered by External Auditors for the review of Statement of Risk Management and Internal Control in the Annual Report.

g. Recommend to the Board on the re-appointment of External Auditor and their remuneration.

Regarding risk management and internal control:

a. Reviewed the progress of Risk Management Committee ("RMC") in its on-going identification and monitoring of key risks and the controls as well as processes implemented in managing these risks.

b. Reviewed the risk assessment results and the mitigation actions reported by RMC, and regularly review the updates on the action plans to ensure significant internal controls are promptly implemented to mitigate the risks identified.

c. Evaluated, together with Group CEO and Group CFO, the overall adequacy and effectiveness of the system of internal controls during the financial year through a review of the results of work performed by Internal Auditors, External Auditors and the RMC.

d. Continuously monitored whistleblowing program and procedures as part of the risk management structure and good corporate governance practice.

Regarding internal audit:

a. Reviewed the adequacy of resources and reporting structure of GIA to execute the audit plan effectively and independently.

b. Approved the annual internal audit plan for the financial year and reviewed the plan each quarter to identify any requirement of changes that commensurate with the evolving risk landscape of the organisation.

c. Reviewed internal audit findings arising from the work carried out by the GIA and other outsourced service providers for special engagements. The ARC also sought Management's commitment for corrective actions as recommended in internal audit reports.

d. Reviewed the status of audit findings in ensuring appropriate action plans are implemented by the Management, with no audit issues left unaddressed.

e. Reviewed the results of *ad hoc* investigative reports on internal misconduct and suspicion of fraud with the Group tabled during the year and ensured appropriate remedial actions and measures were taken.

AUDIT AND RISK COMMITTEE REPORT
CONT'D

SUMMARY OF ACTIVITIES DURING FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

Regarding related party transaction:

a. Reviewed annual related party transactions and recurrent related party transactions, if any, undertaken by the Group for compliance with the MMLR and the appropriateness of such transactions entered into by the Company and its subsidiaries to avoid potential or actual conflict of interest to ensure the decisions are based on the best interest of the Company and its shareholders.

b. Reviewed the procedures for securing the shareholders' mandate for recurrent related party transactions.

Other activities:

a. Members of the Committee attended various seminars and conferences to enhance and update their knowledge as part of discharging their duties as ARC members and as a Director of the Group. The seminars and conferences attended by the Committee members during FY 2017 are reported under the Statement on Corporate Governance.

b. Reviewed the Statement on Risk Management and Internal Control which provided an overview of the state of internal controls within the Group prior to the Board's approval for inclusion in the Annual Report. The Statement on Risk Management and Internal Control which had been reviewed by the External Auditors is set out on pages 47 to 51 of this Annual Report.

c. Conducted a self-assessment to evaluate the Committee's overall effectiveness in discharging its responsibilities.

d. Obtained update on Executives Share Scheme ("ESS") from ESS Committee and verified allocation of ESS to executives during FY 2017, as being in compliance with the ESS By-Law 5.2.

e. Reviewed compliance with MCCG 2017, compliance with Payment Networks Malaysia rules and regulations.

f. Reviewed Management's actions on IT security control including security patches updates, security certifications and audit conducted.

INTERNAL AUDIT FUNCTION

The Group has established an internal audit function as a key component of its internal control appraisal process. The Head of Internal Audit, reports independently to the ARC and is guided by a formalised Internal Audit Charter and The Institute of Internal Auditor's International Professional Practice Framework.

The main responsibility of the Group Internal Audit ("GIA") function is to undertake independent assessments on the adequacy and effectiveness of internal controls pertaining to key areas as below:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with applicable laws, and regulations

In attaining this, the GIA adopts a risk-based approach towards undertaking Internal Audit reviews for the Group based on an annual internal audit plan approved by the ARC. The GIA has also incorporated a structured internal audit rating methodology that appraises an overall rating of an audit report by using a scoring system. The said system provides the Management and the ARC a consistent and concise assessment of the risks posed by the area or function being reviewed.

AUDIT AND RISK COMMITTEE REPORT

CONT'D

INTERNAL AUDIT FUNCTION (cont'd)

The major activities undertaken by the internal audit function were as follows:

- Developed an annual internal audit plan.
- Continuous monitoring of the Group's compliance with the MCCG Guide, Listing Requirements, rules and regulations.
- Reviewed the adequacy and effectiveness of internal controls pertaining to key business processes of the Group's subsidiaries.
- Undertake follow up audits on the implementation of action plans committed by Management to ensure all previous audit findings highlighted are adequately addressed.
- Investigations and special audit reviews
- Identified areas of opportunities to improve operations and process.
- Assisted the Committee and RMC in risk management function and facilitated the risk assessment of the Group.

During the FY 2017, the GIA had conducted independent reviews on internal control and compliance for the following areas as per Internal Audit Plan approved by ARC:-

- Risk Management
- Sales Process
- Human Resource Management
- Fixed Asset Management
- Policy and Procedure Review
- Group's compliance with the MCCG 2017, Listing Requirements and Payment Card Reform Framework by Bank Negara Malaysia.

The results of all internal audit reviews together with recommendations are presented to the Management for discussion and agreement on necessary corrective action plans. At each ARC meeting, the Head of Internal Audit updates the ARC of the status of ongoing audits and where appropriate, presents internal audit reports and observations. Relevant Management personnel are invited to be present during such presentations. Periodic follow up audits are also performed by the GIA in ensuring corrective actions arising from the previous internal audit findings had been implemented accordingly. The Committee considers the results of audits undertaken and evaluates the adequacy of management's responses to matters raised.

The Committee has allocated a reasonable budget to enable the GIA team to attend briefings, conferences and seminars organised by relevant professional bodies in order for the GIA team to stay abreast with the latest developments in auditing standards globally.

The total cost incurred by GIA in discharging its functions and responsibilities, in respect of the financial year was approximately MYR 230,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("Board") recognises the importance of a sound framework of risk management and internal controls for good corporate governance and to safeguard the Group's assets and shareholders' interests. Towards this end, the Board is committed in maintaining a sound risk management framework and internal control system for the Group and ensuring its continued effectiveness, adequacy and integrity through a process of periodic review. Guided by the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuer and Main Market Listing Requirements, the Board is pleased to present the Statement on Risk Management and Internal Control.

RESPONSIBILITY OF THE BOARD

The Board assumes the responsibility for effective and adequacy of the Group's risk management and internal control system and has an established Term of Reference to assist in discharging of this responsibility.

As such the Board has delegated the responsibility of undertaking this process of periodic review to the Audit and Risk Committee ("ARC"), whose responsibilities and duties are detailed in the ARC Report section of this Annual Report. However, the Board as a whole remains ultimately responsible for the effectiveness, adequacy and integrity of the system of risk management and internal controls.

The Board's risk management approach has continued to evolve in line with the Group's expanding activities. During the financial year, the Group's business has expanded from the partnership with Alipay, a third-party mobile and online payment platform based in China, which is expected to contribute significantly to the Group's business in the coming years. The Group is also committed to grow its overseas markets and to identify suitable Merger and Acquisition ("M&A") opportunities in ASEAN.

The Board is aware that expansion into new areas of business, operating in different countries and M&A activity can involve new and different risk considerations. Whenever these events occur, the Board will, in addition to its normal risk management process, pay particular attention to the impact of Group's overall risk profile and sufficiency of existing internal controls in addressing additional risks, if any. The Board has, during FY 2017, continued to strengthened the Groups' governance and risk management framework to identify, assess, mitigate, report and monitor significant risks in an effective manner.

The Board recognises the integral role of key management in the risk management and internal control process. The Board had established the Risk Management Committee ("RMC"), comprising senior management, to identify and assess the Group's risks and thereafter to design, implement and monitor appropriate risk management processes and internal controls to address and mitigate such risks.

KEY INTERNAL CONTROL PROCESSES

The Group's internal control system comprises the following key processes:

1. **Authority and Responsibility**

   a) **Board Committees**

   Board Committees are established and operate under clearly defined Terms of Reference, which are reviewed regularly, to objectively and independently focus on certain responsibilities delegated by the Board.

   b) **Delegation of Authority**

   In the financial year 2015, the Management has implemented a revised Delegation of Authority, which is in line with the growth of the Company's business. The revised Delegation of Authority clearly defines the authority and authorisation limits of the Management in all aspects of the Company's key business decisions.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

KEY INTERNAL CONTROL PROCESSES (cont'd)

2. Monitoring and Reporting

Monthly management meetings are led by the respective country heads for various lines of operations and business units on key business performance, operating statistics and regular matters. This enables effective monitoring of significant variances and deviation from standard operating procedures and budget. The Board is also kept appraised with the reviewed and deliberated Company's business performance and plans during the scheduled board meetings.

3. Policies and Procedures

The Group has defined and documented internal policies and standard operating procedures to ensure inter alia sound internal controls are implemented and compliance with applicable laws and regulations. The policies and procedures are also being reviewed on a regular basis to ensure its relevance and effectiveness; in which Internal Audit function carried out a review on the Group's operations policies and procedures.

4. Internal Audit Function

As part of the Group's efforts to establish a sound framework for risk management and internal control, an in-house audit function is established as a key component of its internal control processes. The Group Internal Audit ("GIA") reports independently to the ARC and is guided by a formalised Internal Audit Charter and the Institute of Internal Auditor's International Professional Practice Framework.

Acting as the third layer of defence in internal control, the GIA undertakes Internal Audit reviews for the Group based on an annual internal audit plan approved by the ARC. The results of all internal audit reviews, together with the findings and recommendations, are presented to Management for discussion and formulation of the necessary corrective action plans prior to finalisation of the internal audit reports. At each ARC meeting, the Head of Internal Audit updates the ARC of all the status of ongoing audits, and when appropriate. Relevant parties are invited to be present during such presentations.

The GIA is headed by Mr. Liow Tien Chin, a member of Chartered Professional Accountant (CPA) Australia and Chartered Member of The Institute of Internal Auditors Malaysia, with more than 10 years of experience in the profession. GIA department is supported by a reasonable workforce whom possesses the relevant qualification and experience and has adequate resources to fulfil the internal audit plan for the next financial year.

ARC is satisfied that the internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence, and that the audit programme for the financial year under review was carried out by the Internal Auditors as planned.

5. Risk Management

a. Risk Management Committee ("RMC")

The RMC was established by the Board in 2012 as a key component of the Risk Management Framework. The RMC, which is headed by the Group's Chief Executive Officer ("CEO"), comprises the Group's Chief Financial Officer ("CFO"), country heads. The responsibilities of RMC are as follows:

- To identify and assess, on an ongoing basis, the risks faced by the Group and thereafter to design and implement appropriate risk management processes and internal controls to address or mitigate such risks in an effective manner;
- To periodically assess and review the continued effectiveness and appropriateness of risk management processes;
- To determine and recommend to the Board the Group's risk appetite and tolerance;
- To continuously promote an effective risk awareness culture throughout the Group with written policies and other forms of communication to employees and stakeholders; and
- To be accountable and periodically report to the Board, through the ARC, for the design, implementing and monitoring of the risk management system.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

KEY INTERNAL CONTROL PROCESSES (cont'd)

5. **Risk Management** (cont'd)

a. **Risk Management Committee ("RMC")** (cont'd)

The Head of Internal Audit was invited to attend meetings of the RMC as an observer to provide the ARC with an independent assessment of the adequacy and reliability of the risk management processes and compliance with risk policies.

The RMC shall meet at least once a year to conduct a formalised annual risk assessment and report the findings to the ARC. On a quarterly basis, the RMC Chairman, i.e. Group CEO, and the Group CFO, are invited to the ARC meeting to formally brief the ARC of any risks related events and/or new risks faced by the Group with the corresponding action plans taken to mitigate the risks.

b. **Risk Framework**

Risk Management activities are guided by the Group's Enterprise Risk Management Framework. The risk universe covers a span of activities to determine the risk profile inherent from the nature of business which would compromise the business objectives if addressed improperly.

c. **Risk Identification, Evaluation and Ranking**

The Management of each Business Unit, in establishing its business objectives, are required to identify and document all possible risks that can affect their achievements taking into consideration the effectiveness of controls that are capable of mitigating such risks.

Country Managers or Heads of Departments are responsible to identify risks that may have impact in meeting their unit's business objectives. Risk identification process shall also take into consideration the following:

- Risk specific to the achievement of business objectives; and
- Risks that have potential impact on the success and continuity of the business.

Thereafter, identified risks are evaluated as follow:

- Probability or likelihood of occurrence;
- Significance of the risk; and
- Review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks.

d. **Risk Reporting and Monitoring**

Each Business Unit's and Project's identified risks, together with the controls and processes used to manage risks, are tabulated in a risk assessment report. Significant risks of Business Units and Projects are presented to the RMC for their deliberation.

Risk monitoring is an ongoing process in which the RMC monitors the Group's business risks as part of their annual assessment for proper disclosure in the Annual Report.

e. **Merchant Risk**

The Group Risk Department currently monitors merchants' performance risks of its active Transaction Payment Acquisition ("TPA") businesses in Malaysia, Thailand and Philippines. The Group Risk Department performs this function by firstly determining the risk acceptance criteria; followed by measuring, classifying and monitoring merchant activities at a transactional level using predetermined risk rules; and finally instituting remedial and exit procedures for errant merchants. This approach is embodied in the Group's Credit Policy manual and is heavily automated in the Group's M-Cube Risk Management system.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONT'D

KEY INTERNAL CONTROL PROCESSES (cont'd)

5. **Risk Management** (cont'd)

   e. **Merchant Risk** (cont'd)

   During the year, the Group Risk Department exited certain high risk merchants as a result of its review of transaction exceptions, evidencing the veracity of the M-Cube Risk Management system in detecting errant merchant behaviour. Management was continuously kept abreast of these reviews and findings via the monthly Business Reviews. The Group Risk Department also continues to fine tune its policies and procedures to stay in line with changes in the marketplace and business objectives and plans.

6. **Information Technology Controls and Security**

   a. **Disaster Recovery Backup Plan**

   A Disaster Recovery ("DR") backup policy and procedure has been established group wide in order to ensure continuity of the business operations in the event of IT-disabling disaster strikes. DR drills are conducted by the technology division together with external service provider at least once a year, with continuous effort to enhance the DR capability to cover all key aspects of the business.

   b. **Payment Card Industry Data Security Standard ("PCIDSS")**

   PCI DSS is an actionable framework established by Payment Card Industry Security Standards Council ("PCISSC") to ensure the safe handling of cardholder information at every step. PCI DSS covers systems, policies and procedures around the following:

   - Building and maintaining a secure network and system;
   - Protect cardholders' data;
   - Maintaining a vulnerable management program;
   - Implementation of strong access control measures;
   - Regularly monitor and test networks; and
   - Maintain an information security policy

   The Malaysia operations obtained its first Certificate of PCIDSS compliance in 2012 by meeting all the requirements set by the standards. During the year, the Company was reassessed by a qualified security assessor from PCISSC, as part of the annual certification exercises, and continues to be PCIDSS compliant on the latest 3.2 version. During the year, the Company's overseas subsidiaries in the Philippines and Thailand were both certified PCIDSS version 3.2 compliant. The Company acknowledges that maintaining high information technology security controls is critical to its business operations and will continue to implement best practices embedded within the security standards.

7. **Human Capital**

   a. **Performance appraisal & employee trainings**

   Annual appraisal systems are implemented for the employees at all levels within the Group, enforcing dialogue between management and subordinates for continuous improvement on employees' performance. Arising from this appraisal, training need analysis is performed to identify the required training for employees to address the areas of improvement.

   b. **Code of Ethics and Conduct**

   A set of Code of Ethics and Conduct setting out expected ethical standards and code of conduct has been established, which is binding on all employees in the Group, and is available at the official website www.ghl.com.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

KEY INTERNAL CONTROL PROCESSES (cont'd)

7. **Human Capital** (cont'd)

c. **Whistleblowing policy**

The Group has implemented a whistleblowing policy to provide an avenue for employees to report any suspected acts that are in breach of the Group's code of ethics, internal policy and applicable laws or regulations in a confidential manner.

The policy also guarantees an employee making a report of improper conduct in good faith shall not be subject to reprisal action or discrimination of any kind by the Company. The Board Chairman and ARC Chairman are primarily responsible to ensure that all whistleblowing reports are properly followed up.

d. **Fraud policy**

The Group has implemented a policy on acts of Fraud, Misconduct and Dishonesty, which provides the specific procedures or instructions regarding the appropriate actions needed to be undertaken in cases of suspected violations.

8. **Insurance**

Adequate insurance for major assets, building and machinery in all operating divisions and subsidiaries are in place to ensure the Group's assets are sufficiently covered against any calamity that will result in material losses to the Group.

9. **Legal and Compliance**

The compliance with laws and regulations is managed at the respective business unit level and monitored by the Group Compliance and Legal Department. The Group Compliance and Legal Department also provides legal advisory and assists in the preparation and review of any legal documentation.

BOARD ASSESSMENT

The Board is of the view that the Group's overall risk management and internal control system was adequate and effective in all material aspects during FY 2017. Both the Group CEO and Group CFO have given the same assurance to the Board. The Board however recognises that risk management is an evolving process in a changing business environment and is committed to continuously monitor the adequacy and effectiveness of, and where appropriate, enhancing the Groups' risk management framework and internal control system.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control. As set out in their terms of engagement, the said review procedures were performed in accordance with the Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3") issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. AAPG 3 also does not require the External Auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in this Annual Report will, in fact, remedy the problems.

Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

This statement is approved by the Board of Directors on 27 March 2018.

SUSTAINABILITY STATEMENT

The Group embraces values of corporate responsibility and sustainability management in its business operations and activities. The GHL Values demonstrates the Group's commitment towards the need for transparent business practices that encompass ethical values and respect at its workplace, the marketplace, the community and the environment. The GHL Values is available in the Code of Ethics and Conduct.

The Sustainability Statement provides an overview of the Group's sustainability practices for financial year ended 31 December 2017 in the areas of corporate governance, providing a hazard free and harmonious working environment for all employees, upholding stakeholders' interests, and contributing to the communities.

WORKPLACE

The Group values our employees as key assets for the sustainable success of its operations and acknowledges that having a quality working environment develops employees' efficiency, effectiveness and quality of life. Human Resource ("HR") Policies and Procedures comply with relevant legislations to ensure that the Group embraces equality, diversity and innovation.

The Group promotes GHL Values "*Teamwork*" and "*Boleh Attitude*" by continuously pursuing efforts in motivating and developing the workforce by encouraging employees to seek self-improvement through training programmes which would offer opportunities for career development. The following are staff activities during the financial year demonstrating the Group's efforts to create a healthy and conducive workplace:

- Employee Survey 2017
- Town hall meetings
- New hires feedback session
- Employee performance appraisals
- High Potential Employee Development (HIPO) Program – Program focuses on talent development and talent retention by building leadership and other relevant competencies of high potential employees.
- Nutrition Talk – Spread awareness of having a balanced nutrition for optimum vitality
- GHL Chairman Championship 2017 – Badminton competition involving colleagues from Malaysia, Philippines and Thailand
- GHL Walk and Cruise Hunt 2017

MARKETPLACE

Being in the Fintech industry, the Group recognises the significance to uphold ethical and trustworthy marketplace practices to sustain competitive advantages and long-term relations with customers and merchants by conducting businesses and operations with integrity and transparency. In promoting the GHL Value "Customer is the Boss", the Group makes every effort to create a positive customer experience by enhancing our products and service deliveries; and meeting our customers' preferences and needs by taking into consideration the interest of both parties in terms of fairness in all aspects.

Customer support and loyalty is critical to the success of our business. Hence, engagement channels such as 24 hours customer service, online platforms (corporate website, social media, smartphone applications and mobile messaging) and customer satisfaction surveys are provided to monitor customers' trust and confidence towards the Group. As a manifestation to our commitment towards providing value to our customers, we were awarded by Payments Network Malaysia Sdn Bhd (Formerly known as Malaysian Electronic Clearing Corporation Sdn Bhd) the Malaysian e-Payments Excellence Awards for Top MyDebit Acquirer (Non-Bank).

In embracing new ways of doing business and improving customer service, GHL Systems Berhad's partnership with Alipay has successfully turned on and enabled over 5,000 outlets across Malaysia, to commence accepting Alipay as a payment option. This provides a platform to better connect merchants with Chinese customers and boosts Chinese tourist spending at these merchants. The Group also places emphasis on training in respect of our products and services and product enhancement by providing briefings to merchants upon installation of terminals, e.g. anti-money laundering briefings, to ensure that customers are familiar, accustomed and satisfied with our products and services.

SUSTAINABILITY STATEMENT
CONT'D

COMMUNITY

Stakeholder Engagement

The Group strives to engage stakeholders by listening, providing accurate information, and responding to stakeholders' interests in a prompt and consistent manner. Annual general meeting, quarterly business reviews and press releases are conducted to ensure that stakeholders are kept abreast of the latest company's events.

Compliance

The Group makes every effort to be fully compliant with regulations issued by Bank Negara Malaysia, Bursa Malaysia Berhad, Securities Commission Malaysia as well as other applicable compliance laws, regulations and standards in all of the jurisdictions in which we operate. The Group implements a corporate-wide approach to monitor compliance and is regularly reviewed to reflect latest best practices and new regulations, which are communicated to employees on a consistent basis.

Whistleblowing

The Group operates an independent and unbiased Whistleblowing policy which encourages employees and any party to bring to the attention of the Board any concerns of integrity and misconduct. With the aim to develop an open culture, accountability and integrity, our Whistleblowing policy offers protection and places significance on confidentiality, encouraging employees and third parties to speak up if serious concerns about misconduct and irregularity arise.

Corporate Social Responsibility ("CSR")

The Group recognises the responsibility to be constructive as a member of the community, and seeks to create value for society. The Group had made donations to National Cancer Society of Malaysia and Bukit Bintang Charity Society for the less privileged.

The Group encourages its employees to volunteer in community projects such as home building and tree planting campaigns. During the financial year, the Group partnered with the Philippines Gawad Kalinga organisation to build homes for the less privileged communities in Philippines and planted tree seedlings at the Sirindhorn International Environmental Park, Thailand.

ENVIRONMENT

The Group is committed to minimise our environmental impact, manage our environment footprint and seeks to uphold environmental concerns with application of new technologies and industry best practices that are environmental friendly. Our approach to acknowledge significance of paper usage against environment impact is to avoid unnecessary paper consumption and waste generation. The Group encourages the usage of electronic platforms such as social media, email and instant messaging as modes of communication with customers and for day-to-day operations; double-sided printing on hard copies of documents, when necessary; and collects recyclable items or unwanted papers to be recycled.

ADDITIONAL COMPLIANCE TO BURSA LISTING REQUIREMENTS

1. SHARE BUYBACK

The Group has not purchased any of its own shares during financial year ("FY") 2017.

2. MATERIAL CONTRACT

No material contract has been entered into by the Group which involved Directors' and/or substantial shareholders' interest at during FY 2017 or if not then subsisting, entered into since the end of previous financial year.

3. AMERICAN DEPOSIT RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

The Group has not sponsored any ADR or GDR during FY 2017.

4. IMPOSITION OF SANCTIONS AND/OR PENALTIES

No imposition of sanctions or penalties during FY 2017.

5. PROFIT GURANTEES

During FY 2017, there were no profit guarantees given by the Group.

6. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

No proceeds were raised during FY 2017.

7. OPTIONS, WARRANTS OR CONVERTIBLES SECURITIES

There were no options, warrants or convertibles securities raised during FY 2017.

8. VARIANCE IN RESULTS

No material variance between the result of the financial year and the unaudited financial results previously announced.

9. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The details of the related party transactions are set out in page 124 to 125 of the notes to the financial statement in which the transactions were carried out on terms and conditions not material different from those obtainable from transactions with unrelated parties.

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding, developing and selling in-house software programmes, sale and rental of Electronic Data Capture ("EDC") equipment and its related software and services, inclusive of installation, training and maintenance.

The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	20,504,618	(179,560)
Profit/(Loss) attributable to:		
Owners of the parent	20,451,147	(179,560)
Non-controlling interests	53,471	-
	20,504,618	(179,560)

DIVIDENDS

	Company RM
In respect of financial year ended 31 December 2016:	
Interim dividend of 0.005 sen per ordinary share, paid on 20 February 2017	3,266,537

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2017.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than the effects of adoption of Companies Act, 2016 in Malaysia as disclosed in Note 22 to the financial statements.

DIRECTORS' REPORT
CONT'D

DIRECTORS

The Directors of the Company who have held office since the date of the last report are:

GHL Systems Berhad

Loh Wee Hian
Fong Seow Kee
Datuk Kamaruddin Bin Taib
Ali Zaynalabidin Haeri Mazanderani (appointed on 26 May 2017)
Hossameldin Abdelhamid Mohamed Aboumoussa (appointed on 26 May 2017)
Brahmal A/L Vasudevan (resigned on 24 May 2017)
Kanagaraj Lorenz (retired on 26 May 2017)

Subsidiaries of GHL Systems Berhad (excluding those who are already listed above)

Yap Chih Ming
Leong Kah Chern
Rey Maria R. Chumacera
Napaporn Wilakit
Kam Wai Peng
Mira Tania Hidayat

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 in Malaysia were as follows:

	Number of ordinary shares			
	Balance as at 1.1.2017	**Bought**	**Sold**	**Balance as at 31.12.2017**
Shares in the Company				
Direct interests:				
Loh Wee Hian	85,371,184	-	-	85,371,184
Fong Seow Kee	1,861,950	-	-	1,861,950
Indirect interests:				
Loh Wee Hian	150,776,491	-	(105,000,000)	45,776,491
Fong Seow Kee	635,175	-	-	635,175

	Number of ordinary shares of PHP100 each			
	Balance as at 1.1.2017	**Bought**	**Sold**	**Balance as at 31.12.2017**
Shares in a subsidiary, GHL Systems Philippines, Inc.				
Loh Wee Hian	1	-	-	1

DIRECTORS' REPORT
CONT'D

DIRECTORS' INTERESTS (cont'd)

By virtue of his interest in the shares of the Company, Loh Wee Hian is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than those as disclosed in Note 29 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted pursuant to the Executives' Share Scheme ("ESS") disclosed in Note 21 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up share capital of the Company has been increased by way of issuance of 4,720,000 new ordinary shares pursuant to the exercise of ESS at an average exercise price of RM0.683 each.

The newly issued shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of ordinary shares during the financial year.

The Company did not issue any debentures during the financial year.

REPURCHASE OF OWN SHARES

At the Annual General Meeting held on 26 May 2017, the shareholders of the Company by an ordinary resolution renewed the mandate given to the Company to repurchase its own shares based, amongst others, on the following terms:

(a) the aggregate number of shares purchased does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Malaysia Securities Berhad ("Bursa Securities") as at the point of purchase;

(b) the maximum funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained profits of the Company based on the latest audited financial statement and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s);

(c) the Directors of the Company may decide to:

   (i) retain the shares purchased as treasury shares for distribution as dividend to the shareholders; and/or;

   (ii) resale on the market of Bursa Securities and/or for cancellation subsequently; and/or

   (iii) cancel the shares so purchased; and/or

   (iv) retain part of the shares so purchased as treasury shares and cancel the remainder.

DIRECTORS' REPORT

CONT'D

REPURCHASE OF OWN SHARES (cont'd)

The Company has the right to retain, cancel, resell the shares it purchased and/or distribute these shares as dividends. As treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended. Of the total 659,444,992 (2016: 654,724,992) issued and fully paid ordinary shares as at 31 December 2017, 678,601 (2016: 1,415,901) ordinary shares amounting to RM305,847 (2016: RM638,221) are held as treasury shares by the Company.

During the financial year, the Company had completed the resale of treasury shares of 737,300 units with a price ranging from RM1.70 to RM1.73.

The number of outstanding ordinary shares in issue after deducting the treasury shares is 658,766,391 (2016: 653,309,091) as at 31 December 2017.

EXECUTIVES' SHARE SCHEME

The ESS of the Company came into effect on 30 August 2013. The ESS shall be in force for a period of five (5) years until 29 August 2018 ("the scheme period"). The main features of the ESS are as follows:

(a) Eligible Executive Directors and executives are those who meet the following criteria:

  (i) if he has attained the age eighteen (18) years of age and is not an undischarged bankrupt;

  (ii) if he is employed on a full time basis and is on the payroll of any corporation in the Group and has not served a notice to resign or received a notice of termination;

  (iii) if his employment has been confirmed in writing;

  (iv) if he is an Executive Director of the Company, the specific allocation of Scheme Shares and Options granted by the Company to him in his capacity as an Executive Director of the Company under the Scheme has been approved by the shareholders of the Company at a general meeting;

  (v) if he is serving in a specific designation under an employment contract for a fixed duration but not if he is merely employed for a specific project; and

  (vi) if he fulfils any other criteria and/or falls within such category as may be set by ESS Committee from time to time.

(b) The maximum number of options to be offered under the ESS based on the issued and paid-up ordinary share capital as at 31 December 2017, excluding treasury shares held, is 98,814,959 (2016: 97,996,364);

(c) The options granted may be exercised any time upon the satisfaction of vesting conditions of each tranche;

(d) The option price of a new ordinary share under the ESS shall be at a discount of not more than ten percent (10%) of the five (5)-days weighted average market price of the shares as quoted in the Daily Official List issued by Bursa Securities immediately preceding the date of offer, or at the par value of the ordinary shares, whichever is higher;

(e) Upon exercise of the options, the shares issued rank pari passu in all respects with the then existing ordinary shares of the Company;

(f) The employees and Directors to whom the options have been granted have no right to participate, by virtue of these options, in any ordinary share issue of any other company; and

(g) The option price and the number of ordinary shares comprised in the ESS options are subject to adjustment in the event of any alteration in the capital structure of the Company during the scheme period in accordance with the provisions in the ESS By-Laws ("By-Laws"), subject to the determination by ESS Committee.

DIRECTORS' REPORT
CONT'D

EXECUTIVES' SHARE SCHEME (cont'd)

The details of the options over the ordinary shares of the Company are as follows:

		Number of options over ordinary shares					
			Movements during the financial year				
	Option price RM	Outstanding as at 1.1.2017	Granted	Exercised	Forfeited	Outstanding as at 31.12.2017	Exercisable as at 31.12.2017
Date of offer							
20 June 2014							
- second tranche	0.574	1,420,001	-	(1,420,001)	-	-	-
- third tranche	0.574	1,499,999	-	(1,499,999)	-	-	-
		2,920,000	-	(2,920,000)	-	-	-
8 September 2015							
- first tranche	0.860	600,000	-	(600,000)	-	-	-
- second tranche	0.860	600,000	-	(600,000)	-	-	-
- third tranche	0.860	600,000	-	(600,000)	-	-	-
		1,800,000	-	(1,800,000)	-	-	-

DIRECTORS' REMUNERATION

	Group and Company RM
Directors of the Company:	
Executive Directors:	
- salaries, bonus and allowances	1,169,231
- defined contribution plan	141,482
Non-Executive Directors:	
- allowances - current year	45,013
- provision	9,000
- fees	328,000
	1,692,726

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group and from the Company amounted to RM65,746.

DIRECTORS' REPORT
CONT'D

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial year to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors. The amount of insurance premium paid by the Company for the financial year 2017 was RM32,500.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen in any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT
CONT'D

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (cont'd)

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The details of significant event during the financial year are disclosed in Note 31 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The details of significant events subsequent to the end of the reporting period are disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company for the financial year ended 31 December 2017 are disclosed in Note 6 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Loh Wee Hian
Director

Fong Seow Kee
Director

Kuala Lumpur
27 March 2018

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 67 to 130 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Loh Wee Hian Director	**Fong Seow Kee** Director

Kuala Lumpur
27 March 2018

STATUTORY DECLARATION

I, Kam Wai Peng, being the officer primarily responsible for the financial management of GHL Systems Berhad, do solemnly and sincerely declare that the financial statements set out on pages 67 to 130 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly	)	
declared by the abovenamed at	)	
Kuala Lumpur this	)	
27 March 2018	)	**Kam Wai Peng**

Before me:
Commisioner for Oath

INDEPENDENT AUDITORS' REPORT
to the Members of GHL Systems Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GHL Systems Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 130.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a) Assessment of impairment of the carrying amount of goodwill

As at 31 December 2017, the carrying amount of goodwill of the Group amounted to RM105,629,787 as disclosed in Note 13 to the financial statements.

We considered this to be a key audit matter because the determination of the recoverable amount of goodwill requires significant judgement about the future results and cash flows of the business, including forecast growth in future revenues and operating profit margins, as well as determining an appropriate discount factor.

Audit response

Our audit procedures included the following:

(i) Assessed the historical reliability of management's projections by comparing prior period projections to actual results;

(ii) Verified the pre-tax discount rate by comparison to market data, and relevant risk factors;

(iii) Compared projected growth rates of each revenue segment, operating profit margins and terminal values to historical results as well as market and industry data; and

(iv) Performed sensitivity analysis to stress test the key assumptions used in the impairment assessment.

INDEPENDENT AUDITORS' REPORT

to the Members of GHL Systems Berhad

CONT'D

Key Audit Matters (cont'd)

b) Assessment of impairment on the carrying amounts of costs of investments and amounts owing by subsidiaries

As at 31 December 2017, the carrying amounts of costs of investments and amounts owing by subsidiaries of the Company amounted to RM22,471,518 and RM42,667,915 respectively as disclosed in Note 14 and Note 19 to the financial statements.

We considered this to be a key audit matter because the determination of the recoverable amount of costs of investments and amounts owing by subsidiaries requires significant judgement and estimates about the future results and key assumptions applied to cash flow projections of the subsidiaries in determining the recoverable amounts. These key assumptions include projected earnings before interest and tax ("EBIT") margins and growth rates, as well as determining an appropriate pre-tax discount rate used.

Audit response

Our audit procedures included the following:

(i) Challenge assessment of management that no further impairment losses on investments and amounts owing by subsidiaries were required based on recoverable amounts of the subsidiaries;

(ii) Assessed the historical reliability of management's projections by comparing prior period projections to actual results;

(iii) Verified the pre-tax discount rate by comparison to market data, and relevant risk factors; and

(iv) Performed sensitivity analysis to stress test the key assumptions used in the impairment assessment.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT
to the Members of GHL Systems Berhad
CONT'D

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT
to the Members of GHL Systems Berhad
CONT'D

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF : 0206
Chartered Accountants

Rejeesh A/L Balasubramaniam
02895/08/2018 J
Chartered Accountant

27 March 2018
Kuala Lumpur

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the financial year ended 31 December 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	5	253,681,218	245,923,356	21,148,952	14,836,953
Cost of sales		(147,955,137)	(150,613,024)	(8,527,381)	(3,766,117)
Gross profit		105,726,081	95,310,332	12,621,571	11,070,836
Other operating income		10,673,712	7,313,361	7,550,969	9,568,104
Administrative expenses		(56,073,420)	(43,689,557)	(11,037,284)	(8,729,526)
Distribution expenses		(21,393,543)	(21,692,747)	(584,453)	(545,082)
Other operating expenses		(11,626,082)	(10,264,711)	(7,934,716)	(7,163,719)
Finance costs		(1,915,226)	(2,071,227)	(118,529)	(72,874)
Share of profit/(loss) of joint ventures, net of tax		18,253	(142,889)	-	-
Profit before tax	6	25,409,775	24,762,562	497,558	4,127,739
Tax expense	8	(4,905,157)	(6,604,922)	(677,118)	(300,032)
Profit/(Loss) for the financial year		20,504,618	18,157,640	(179,560)	3,827,707
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		(3,478,849)	1,678,276	-	-
Reclassification adjustment relating to a subsidiary disposed of during the year	14(e)	(3,165,518)	-	-	-
Total other comprehensive (loss)/income, net of tax		(6,644,367)	1,678,276	-	-
Total comprehensive income/(loss)		13,860,251	19,835,916	(179,560)	3,827,707
Profit/(Loss) attributable to:					
Owners of the parent		20,451,147	18,123,661	(179,560)	3,827,707
Non-controlling interests		53,471	33,979	-	-
		20,504,618	18,157,640	(179,560)	3,827,707
Total comprehensive income/(loss) attributable to:					
Owners of the parent		13,806,780	19,801,937	(179,560)	3,827,707
Non-controlling interests		53,471	33,979	-	-
		13,860,251	19,835,916	(179,560)	3,827,707

Earnings per ordinary share attributable to equity holders of the Company (sen):

	Note	Group 2017	Group 2016
Basic	9	3.12	2.79
Diluted	9	3.12	2.78

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	11	64,810,295	59,567,866	5,884,495	5,582,314
Intangible assets	12	1,929,163	2,404,929	181,448	240,690
Goodwill	13	105,629,787	105,629,787	-	-
Investments in subsidiaries	14	-	-	22,471,518	22,471,512
Investments in joint ventures	15	181,221	113,968	-	-
Available-for-sale investments	16	8,000,000	8,000,000	-	-
Deferred tax assets	17	1,499,727	1,206,797	-	-
		182,050,193	176,923,347	28,537,461	28,294,516
Current assets					
Inventories	18	63,524,478	83,494,026	617,519	874,320
Trade and other receivables	19	68,942,613	51,616,865	46,388,584	53,635,033
Current tax assets		4,720,001	1,320,791	-	-
Cash and bank balances	20	107,499,945	83,863,854	16,085,617	8,910,398
		244,687,037	220,295,536	63,091,720	63,419,751
TOTAL ASSETS		426,737,230	397,218,883	91,629,181	91,714,267
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	21	208,109,527	130,944,998	208,109,527	130,944,998
Treasury shares		(305,847)	(638,221)	(305,847)	(638,221)
Reserves	22	(3,919,382)	75,711,950	-	72,986,965
Retained earnings/(Accumulated losses)		70,311,094	53,126,484	(131,178,861)	(127,732,764)
		274,195,392	259,145,211	76,624,819	75,560,978
Non-controlling interests		129,076	75,605	-	-
TOTAL EQUITY		274,324,468	259,220,816	76,624,819	75,560,978

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2017
CONT'D

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
LIABILITIES					
Non-current liabilities					
Borrowings	23	17,232,382	17,680,215	229,981	3,717
Deferred tax liabilities	17	2,270,995	2,134,975	136,020	-
Deferred income	25	-	-	-	-
		19,503,377	19,815,190	366,001	3,717
Current liabilities					
Borrowings	23	16,953,857	20,443,509	66,658	98,652
Deferred income	25	833,005	619,469	833,005	239,680
Trade and other payables	26	113,043,485	95,838,711	13,542,407	15,651,956
Current tax liabilities		2,079,038	1,281,188	196,291	159,284
		132,909,385	118,182,877	14,638,361	16,149,572
TOTAL LIABILITIES		152,412,762	137,998,067	15,004,362	16,153,289
TOTAL EQUITY AND LIABILITIES		426,737,230	397,218,883	91,629,181	91,714,267

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2017

Group	Note	Share capital	Treasury shares	Share premium	Exchange translation reserve	Share options reserve	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
		Non-distributable					Distributable			
		RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance as at 1 January 2016		129,969,438	(638,221)	71,077,153	1,046,709	491,824	34,993,442	236,940,345	41,626	236,981,971
Profit for the financial year		-	-	-	-	-	18,123,661	18,123,661	33,979	18,157,640
Foreign currency translations, net of tax		-	-	-	1,678,276	-	-	1,678,276	-	1,678,276
Total comprehensive income		-	-	-	1,678,276	-	18,123,661	19,801,937	33,979	19,835,916
Transactions with owners:										
Share options granted under ESS	21	-	-	-	-	400,408	-	400,408	-	400,408
ESS forfeited		-	-	-	-	(9,381)	9,381	-	-	-
Ordinary shares issued pursuant to ESS	21	975,560	-	1,747,576	-	(720,615)	-	2,002,521	-	2,002,521
Total transactions with owners		975,560	-	1,747,576	-	(329,588)	9,381	2,402,929	-	2,402,929
Balance as at 31 December 2016		130,944,998	(638,221)	72,824,729	2,724,985	162,236	53,126,484	259,145,211	75,605	259,220,816

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2017

CONT'D

Group	Note	Share capital	Treasury shares	Share premium	Exchange translation reserve	Share options reserve	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
		Non-distributable					Distributable			
		RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance as at 1 January 2017		130,944,998	(638,221)	72,824,729	2,724,985	162,236	53,126,484	259,145,211	75,605	259,220,816
Profit for the financial year		-	-	-	-	-	20,451,147	20,451,147	53,471	20,504,618
Foreign currency translations, net of tax		-	-	-	(3,478,849)	-	-	(3,478,849)	-	(3,478,849)
Reclassification adjustments relating to a subsidiary disposed off during the year	14(e)	-	-	-	(3,165,518)	-	-	(3,165,518)	-	(3,165,518)
Total comprehensive income		-	-	-	(6,644,367)	-	20,451,147	13,806,780	53,471	13,860,251
Transactions with owners:										
Dividends paid	10	-	-	-	-	-	(3,266,537)	(3,266,537)	-	(3,266,537)
Share options granted under ESS	21	-	-	-	-	18,962	-	18,962	-	18,962
Resale of treasury shares in open market		934,522	332,374	-	-	-	-	1,266,896	-	1,266,896
Ordinary shares issued pursuant to ESS	21	3,405,278	-	-	-	(181,198)	-	3,224,080	-	3,224,080
Total transactions with owners		4,339,800	332,374	-	-	(162,236)	(3,266,537)	1,243,401	-	1,243,401
Transfer pursuant to Companies Act, 2016*		72,824,729	-	(72,824,729)	-	-	-	-	-	-
Balance as at 31 December 2017		208,109,527	(305,847)	-	(3,919,382)	-	70,311,094	274,195,392	129,076	274,324,468

* *Pursuant to the Companies Act, 2016, the credit balance in the share premium account has been transferred to the share capital account.*

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2017

CONT'D

Company	Note	Non-distributable Share capital RM	Treasury shares RM	Share premium RM	Share options reserves RM	Accumulated losses RM	Total equity RM
Balance as at 1 January 2016		129,969,438	(638,221)	71,077,153	491,824	(131,569,852)	69,330,342
Profit for the financial year		-	-	-	-	3,827,707	3,827,707
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	3,827,707	3,827,707
Transactions with owners:							
Share options granted under ESS	21	-	-	-	400,408	-	400,408
ESS forfeited		-	-	-	(9,381)	9,381	-
Ordinary shares issued pursuant to ESS	21	975,560	-	1,747,576	(720,615)	-	2,002,521
Total transactions with owners		975,560	-	1,747,576	(329,588)	9,381	2,402,929
Balance as at 31 December 2016		130,944,998	(638,221)	72,824,729	162,236	(127,732,764)	75,560,978
Balance as at 1 January 2017		130,944,998	(638,221)	72,824,729	162,236	(127,732,764)	75,560,978
Loss for the financial year		-	-	-	-	(179,560)	(179,560)
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	(179,560)	(179,560)
Transactions with owners:							
Dividends paid	10	-	-	-	-	(3,266,537)	(3,266,537)
Share options granted under ESS	21	-	-	-	18,962	-	18,962
Resale of treasury shares in open market		934,522	332,374	-	-	-	1,266,896
Ordinary shares issued pursuant to ESS	21	3,405,278	-	-	(181,198)	-	3,224,080
Total transactions with owners		4,339,800	332,374	-	(162,236)	(3,266,537)	1,243,401
Transfer pursuant to Companies Act, 2016*		72,824,729	-	(72,824,729)	-	-	-
Balance as at 31 December 2017		208,109,527	(305,847)	-	-	(131,178,861)	76,624,819

* *Pursuant to the Companies Act, 2016, the credit balance in the share premium account has been transferred to the share capital account.*

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		25,409,775	24,762,562	497,558	4,127,739
Adjustments for:					
Amortisation of:					
- intangible assets	12	325,657	697,042	87,233	452,483
- deferred income	25	(1,855,282)	(1,147,354)	(918,492)	(687,799)
Bad debts written off		223,794	23,032	12,000	20,800
Depreciation of property, plant and equipment	11	20,382,340	18,518,472	604,665	603,317
Dividend income		-	-	(2,800,000)	(3,500,000)
Impairment losses on:					
- trade and other receivables		1,410,478	1,811,492	831,254	5,070,709
- investment in a subsidiary	14	-	-	2,400,000	-
Intangible assets written off	12	-	314,249	-	222,228
Interest expense		1,710,205	1,771,247	118,529	72,874
Interest income		(899,936)	(359,800)	(124,944)	(76,950)
Inventories written off	18	122,759	473,428	-	364,890
Inventories written back		(19,357)	-	-	-
Gain on disposal of property, plant and equipment		(216,568)	(144,171)	(210,917)	(49,742)
Loss on de-registration of a subsidiary	14(e)	110,613	-	-	-
Unrealised loss/(gain) on foreign exchange		3,708,218	(1,365,394)	3,921,811	(2,234,840)
Property, plant and equipment written off	11	12,145	584,115	1,714	2
Reversal of impairment losses on:					
- trade and other receivables	19	(869,279)	(187,459)	(2,400,000)	(119,657)
- investment in a joint venture		-	(38,400)	-	-
- investments in subsidiaries	14	-	-	-	(3,576,426)
Share options granted under ESS	7	18,962	400,408	18,962	93,217
Share of (gain)/loss of joint ventures		(18,253)	142,889	-	-
Operating profit before changes in working capital		49,556,271	46,256,358	2,039,373	782,845
Decrease/(Increase) in inventories		19,316,166	(40,713,508)	256,801	(10,460)
(Increase)/Decrease in trade and other receivables		(22,989,601)	15,791,563	(221,953)	(474,379)
Increase/(Decrease) in trade and other payables		16,468,136	17,149,416	(1,128,742)	1,288,379
Advance receipts for deferred income	25	2,068,818	1,327,264	1,511,817	859,699
Cash generated from operations		64,419,790	39,811,093	2,457,296	2,446,084

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2017

CONT'D

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES (cont'd)					
Cash generated from operations		64,419,790	39,811,093	2,457,296	2,446,084
Dividends received		-	-	2,800,000	8,500,000
Interest received		899,936	359,800	124,944	76,950
Interest paid		(1,710,205)	(1,771,247)	(118,529)	(72,874)
Tax paid		(7,339,821)	(6,591,040)	(565,023)	(69,108)
Tax refunded		101,961	233,204	60,932	216,750
Net cash from operating activities		56,371,661	32,041,810	4,759,620	11,097,802
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of:					
- property, plant and equipment	11	(28,802,266)	(3,198,708)	(613,681)	(586,893)
- intangible assets	12	(27,991)	(64,996)	(27,991)	(64,996)
Proceeds from disposal of property, plant and equipment		2,611,512	760,355	266,038	56,882
Acquisitions of:					
- additional interests in subsidiaries	14	-	-	(2,400,006)	(5,000,000)
- additional interests in joint ventures	15	(49,000)	(147,000)	-	-
Placement in deposits pledged		(577,811)	(177,498)	-	-
Repayment from subsidiaries		-	-	4,731,824	761,043
Net cash (used in)/from investing activities		(26,845,556)	(2,827,847)	1,956,184	(4,833,964)

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2017

CONT'D

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of:					
- bankers' acceptance		12,000,000	-	-	-
- term loans		4,000,000	1,000,000	-	-
- Islamic facility		-	8,000,000	-	-
Dividends paid		(3,266,537)	-	(3,266,537)	-
Proceeds from issuance of ordinary shares pursuant to ESS		3,224,080	2,002,521	3,224,080	2,002,521
Proceeds from resale of treasury shares in open market		1,266,896	-	1,266,896	-
Repayments of:					
- term loans		(5,937,135)	(1,144,182)	-	(3,703,500)
- Islamic facility		(12,000,000)	-	-	-
- hire purchase creditors		(1,785,624)	(1,347,772)	(155,730)	(112,532)
- bankers' acceptance		-	(15,000,000)	-	-
Net cash (used in)/from financing activities		(2,498,320)	(6,489,433)	1,068,709	(1,813,511)
Net increase in cash and cash equivalents		27,027,785	22,724,530	7,784,513	4,450,327
Effect of exchange rate changes on cash and cash equivalents		(3,969,505)	1,857,843	(609,294)	15,588
Cash and cash equivalents at beginning of financial year		76,887,102	52,304,729	8,910,398	4,444,483
Cash and cash equivalents at end of financial year	20	99,945,382	76,887,102	16,085,617	8,910,398

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

1. CORPORATE INFORMATION

GHL Systems Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur.

The principal place of business of the Company is located at C-G-15, Block C, Jalan Dataran SD 1, Dataran SD PJU 9, Bandar Sri Damansara, 52200 Kuala Lumpur.

The consolidated financial statements for the financial year ended 31 December 2017 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 27 March 2018.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding, developing and selling in-house software programmes, sale and rental of Electronic Data Capture ("EDC") equipment and its related software and services, inclusive of installation, training and maintenance.

The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 33 to the financial statements.

The financial statements of the Group and of the Company have been prepared under historical cost convention except as otherwise stated in the financial statements.

4. OPERATING SEGMENT

The Group has four reportable segments, as described below, which are the strategic business units of the Group. The strategic business units offer different geographical locations and are managed separately. For each of the strategic business units, the Chief Executive Officer of the Group reviews internal management reports on at least a quarterly basis.

The following summary described the geographical locations units in each of the reportable segments of the Group:

(a) Malaysia
(b) Philippines
(c) Thailand
(d) Australia

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses and also excluding the effects of share-based payments.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
CONT'D

4. OPERATING SEGMENT (cont'd)

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one year.

2017	Malaysia RM	Philippines RM	Thailand RM	Australia RM	Total for reportable segments RM	Adjustments and eliminations RM	Per consolidated financial statements RM
REVENUE							
External sales							
Shared services	30,894,802	18,989,501	5,785,114	-	55,669,417	-	55,669,417
Solution services	8,039,111	3,096,235	3,612,496	936,790	15,684,632	-	15,684,632
Transaction payment acquisition	172,047,327	6,962,776	3,317,066	-	182,327,169	-	182,327,169
Inter-segment sales	33,998,260	-	(2,108)	1,316	33,997,468	(33,997,468)	-
Total revenue	244,979,500	29,048,512	12,712,568	938,106	287,678,686	(33,997,468)	253,681,218
RESULTS							
Segment results							26,425,065
Interest income							899,936
Finance costs							(1,915,226)
Profit before tax							25,409,775
Tax expense							(4,905,157)
Profit for the financial year							20,504,618
Assets							
Segment assets	398,511,498	44,155,915	23,212,009	1,084,025	466,963,447	(40,226,217)	426,737,230
Liabilities							
Segment liabilities	241,115,288	25,255,227	15,469,034	1,745,854	283,585,403	(131,172,641)	152,412,762
OTHER MATERIAL NON-CASH ITEMS							
Amortisation of intangible assets	325,657	-	-	-	325,657	-	325,657
Bad debts written off	223,794	-	-	-	223,794	-	223,794
Depreciation of property, plant and equipment	11,320,605	7,219,981	1,839,033	2,721	20,382,340	-	20,382,340
Gain on disposal of property, plant and equipment	216,447	-	121	-	216,568	-	216,568
Impairment losses on trade and other receivables	956,754	109,203	344,521	-	1,410,478	-	1,410,478
Reversal of impairment losses on trade and other receivables	4,486,567	-	-	-	4,486,567	(3,617,288)	869,279
Unrealised loss/(gain) on foreign exchange	4,125,976	(191,223)	(226,535)	-	3,708,218	-	3,708,218

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
CONT'D

4. OPERATING SEGMENT (cont'd)

2016	Malaysia RM	Philippines RM	Thailand RM	Australia RM	Total for reportable segments RM	Adjustments and eliminations RM	Per consolidated financial statements RM
REVENUE							
External sales							
Shared services	32,589,171	18,052,474	4,261,280	-	54,902,925	-	54,902,925
Solution services	7,152,078	3,217,500	2,405,813	1,001,160	13,776,551	-	13,776,551
Transaction payment acquisition	170,656,794	5,165,091	1,421,995	-	177,243,880	-	177,243,880
Inter-segment sales	21,791,961	-	-	-	21,791,961	(21,791,961)	-
Total revenue	232,190,004	26,435,065	8,089,088	1,001,160	267,715,317	(21,791,961)	245,923,356
RESULTS							
Segment results	54,489,787	1,458,292	571,202	308,676	56,827,957	(30,353,968)	26,473,989
Interest income							359,800
Finance costs							(2,071,227)
Profit before taxation							24,762,562
Tax expense							(6,604,922)
Profit for the financial year							18,157,640
Assets							
Segment assets	356,926,189	43,705,756	13,220,296	618,393	414,470,634	(17,251,751)	397,218,883
Liabilities							
Segment liabilities	217,359,682	25,243,205	14,444,371	1,365,193	258,412,451	(120,414,384)	137,998,067
OTHER MATERIAL NON-CASH ITEMS							
Amortisation of intangible assets	697,042	-	-	-	697,042	-	697,042
Depreciation of property, plant and equipment	9,706,468	7,174,748	1,633,882	3,374	18,518,472	-	18,518,472
Gain on disposal of property, plant and equipment	(144,171)	-	-	-	(144,171)	-	(144,171)
Impairment losses on trade and other receivables	1,005,430	787,960	18,102	-	1,811,492	-	1,811,492
Intangible assets written off	314,249	-	-	-	314,249	-	314,249
Inventories written off	435,865	-	37,563	-	473,428	-	473,428
Property, plant and equipment written off	419,986	-	164,129	-	584,115	-	584,115
Reversal of impairment losses on trade and other receivables	(187,459)	-	-	-	(187,459)	-	(187,459)
Share options granted under ESS	400,408	-	-	-	400,408	-	400,408
Unrealised (gain)/loss on foreign exchange	(2,215,644)	729,655	(232,608)	-	(1,718,597)	353,203	(1,365,394)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
CONT'D

4. OPERATING SEGMENT (cont'd)

Major customers

There are no major customers with revenue equal or more than ten (10) percent of the Group revenue. As such, information on major customers is not presented.

5. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Rental of EDC equipment	48,326,147	46,035,910	104,243	152,542
Sales of value-added solutions	75,127,070	20,400,629	9,203,261	6,470,501
Sales of goods	15,513,505	35,508,687	5,692,192	3,261,842
Sales of prepaid air-time top-ups	114,714,496	143,978,130	-	-
Management fees	-	-	6,149,256	4,952,068
	253,681,218	245,923,356	21,148,952	14,836,953

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Rental of EDC equipment

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.

(b) Sales of value-added solutions

Revenue in respect of the rendering of services is recognised when the stage of completion at the end of each reporting period and the cost incurred can be reliably measured. The stage of completion is determined by the services performed to date as a percentage of total services to be performed.

(c) Sales of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(d) Sales of prepaid air-time top-ups

The Group, being a distributor in the sales of prepaid airtime top-ups, is in substance acting as an agent for the operators. The revenue associated with the sales of prepaid airtime top-ups to end-users is recognised on a net basis, which represents the margin earned.

(e) Management fees

Management fee is recognised when management services is rendered.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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6. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the profit before tax is arrived at:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
After charging:				
Auditors' remuneration				
- statutory audit	447,390	383,132	86,600	97,000
- non-audit services	5,400	21,000	5,400	21,000
Bad debts written off	223,794	23,032	12,000	20,800
Directors' fees paid and payable to the Directors of the Company	328,000	228,000	328,000	228,000
Directors' other emoluments paid and payable to the Directors of the Company	1,364,726	1,447,803	1,364,726	1,447,803
Interest expense on:				
- hire purchase creditors	36,429	35,464	12,329	6,976
- term loans	1,083,507	1,023,293	-	65,898
- bankers' acceptance	590,269	712,490	-	-
Loss on foreign exchange:				
- realised	34,970	83,607	16,594	413,652
- unrealised	3,708,218	-	3,921,811	-
Rental of premises	1,379,304	497,775	36,600	11,277
And crediting:				
Dividend income from a subsidiary	-	-	2,800,000	3,500,000
Gain on disposal of property, plant and equipment	216,568	144,171	210,917	49,742
Gain on foreign exchange:				
- realised	2,095,921	-	1,994,138	-
- unrealised	-	1,365,394	-	2,234,840
Interest income from deposits with licensed banks	899,936	359,800	124,944	76,950

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
CONT'D

7. EMPLOYEE BENEFITS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Salaries and bonuses	42,364,011	41,162,283	6,655,197	5,599,540
Contributions to defined contribution plan	4,321,094	2,282,982	730,433	635,026
Social security contributions	363,706	350,671	35,105	27,443
Share options granted under ESS	18,962	400,408	18,962	93,217
Other benefits	2,463,257	3,143,840	583,673	641,382
	49,531,170	47,340,184	8,023,370	6,996,608

Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration of RM1,310,713 (2016: RM1,408,803).

8. TAX EXPENSE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Current tax expense based on profit/(loss) for the financial year:				
Malaysia income tax	3,346,775	3,641,272	685,799	281,110
Foreign income tax	1,097,077	735,888	-	8,214
Under/(Over) provision in prior years	200,831	846,061	(144,701)	10,708
	4,644,683	5,223,221	541,098	300,032
Deferred tax: (Note 17)				
Relating to origination and reversal of temporary differences	181,901	1,381,701	57,447	-
Under provision in prior years	78,573	-	78,573	-
	260,474	1,381,701	136,020	-
Tax expense for the financial year	4,905,157	6,604,922	677,118	300,032

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profits for the fiscal year.

(b) Taxation for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
CONT'D

8. TAX EXPENSE (cont'd)

(c) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit before tax	25,409,775	24,762,562	497,558	4,127,739
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	6,098,346	5,943,015	119,414	990,657
Tax effects in respect of:				
Non-allowable expenses	4,103,203	2,222,967	2,392,892	1,587,868
Non-taxable income	(5,442,672)	(1,615,596)	(1,769,060)	(2,131,738)
Deferred tax assets not recognised	1,591,156	770,237	-	-
Different tax rate in foreign jurisdictions	-	54,758	-	-
Utilisation of previously unrecognised deferred tax assets	(1,724,280)	(1,616,520)	-	(157,463)
	4,625,753	5,758,861	743,246	289,324
Under/(Over) provision of income tax expense in prior years	200,831	846,061	(144,701)	10,708
Under provision of deferred tax in prior years	78,573	-	78,573	-
Tax expense for the financial year	4,905,157	6,604,922	677,118	300,032

(d) Tax savings of the Group and of the Company are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Arising from utilisation of previously unrecognised deferred tax assets	1,724,280	1,616,520	-	157,463

(e) Tax on each component of other comprehensive (loss)/income is as follows:

	Group					
	2017			2016		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	RM	RM	RM	RM	RM	RM
Foreign currency translations	(3,478,849)	-	(3,478,849)	1,678,276	-	1,678,276

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9. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the financial year.

	Group	
	2017	2016
Profit for the financial year attributable to equity holders of the parent (RM)	20,451,147	18,123,661
Weighted average number of ordinary shares in issue	656,463,075	650,141,395
Basic earnings per ordinary share (sen)	3.12	2.79

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Group	
	2017	2016
Profit for the financial year attributable to equity holders of the parent (RM)	20,451,147	18,123,661
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share	656,463,075	650,141,395
Effect of dilution:		
- ESS	-	1,113,057
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	656,463,075	651,254,452
Diluted earnings per ordinary share (sen)	3.12	2.78

10. DIVIDENDS

	Company			
	2017		2016	
	Dividend per share	Amount of dividend	Dividend per share	Amount of dividend
	sen	RM	sen	RM
In respect of financial year ended 31 December 2016:				
Interim dividend paid on 20 February 2017	0.005	3,266,537	-	-

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11. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2017	Additions	Transferred from inventories (Note 18)	Written off	Disposals	Depreciation charges for the financial year	Reclassification (Note 12)	Exchange differences	Balance as at 31.12.2017
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Carrying amount									
Long term leasehold land	1,444,443	-	-	-	-	(16,414)	-	-	1,428,029
Buildings	7,156,496	-	-	-	-	(156,602)	-	(448,542)	6,551,352
Computer equipment	2,745,153	2,017,028	-	(15)	(18,981)	(1,826,810)	178,100	202,467	3,296,942
EDC equipment	43,107,556	25,825,016	549,980	-	(2,092,677)	(16,823,295)	-	(1,475,786)	49,090,794
Computer software	1,644,442	385,873	-	-	-	(450,558)	-	(40,650)	1,539,107
Motor vehicles	891,495	394,266	-	-	(282,969)	(330,880)	-	(4,361)	667,551
Furniture, fittings and office equipment	1,431,271	406,570	-	(9,267)	(317)	(382,522)	-	6,880	1,452,615
Renovation	1,147,010	123,513	-	(2,863)	-	(395,259)	-	(88,496)	783,905
	59,567,866	29,152,266	549,980	(12,145)	(2,394,944)	(20,382,340)	178,100	(1,848,488)	64,810,295

	At 31.12.2017			
Group	**Cost**	**Accumulated depreciation**	**Accumulated impairment losses**	**Carrying amount**
	RM	RM	RM	RM
Long term leasehold land	1,625,000	(196,971)	-	1,428,029
Buildings	7,378,953	(827,601)	-	6,551,352
Computer equipment	22,860,683	(19,563,741)	-	3,296,942
EDC equipment	125,870,528	(66,235,624)	(10,544,110)	49,090,794
Computer software	5,633,326	(3,752,293)	(341,926)	1,539,107
Motor vehicles	1,781,216	(1,113,665)	-	667,551
Furniture, fittings and office equipment	6,255,686	(4,803,071)	-	1,452,615
Renovation	2,861,923	(2,078,018)	-	783,905
Total	174,267,315	(98,570,984)	(10,886,036)	64,810,295

NOTES TO THE FINANCIAL STATEMENTS

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11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Balance as at 1.1.2016 RM	Additions RM	Transferred from inventories (Note 18) RM	Written back/(off) RM	Disposals RM	Depreciation charges for the financial year RM	Reclassification RM	Exchange differences RM	Balance as at 31.12.2016 RM
Carrying amount									
Long term leasehold land	1,460,857	-	-	-	-	(16,414)	-	-	1,444,443
Buildings	7,322,160	50,633	-	-	-	(158,428)	-	(57,869)	7,156,496
Computer equipment	2,725,342	1,665,818	-	775	(29)	(1,637,140)	-	(9,613)	2,745,153
EDC equipment	40,376,339	169,879	19,527,793	(583,912)	(534,019)	(15,129,257)	(143,709)	(575,558)	43,107,556
Computer software	1,454,645	653,123	-	-	-	(461,925)	-	(1,401)	1,644,442
Motor vehicles	841,799	529,184	-	-	(82,136)	(394,678)	-	(2,674)	891,495
Furniture, fittings and office equipment	1,284,396	491,421	-	(90)	-	(343,279)	-	(1,177)	1,431,271
Renovation	1,331,108	85,150	-	(888)	-	(377,351)	143,709	(34,718)	1,147,010
	56,796,646	3,645,208	19,527,793	(584,115)	(616,184)	(18,518,472)	-	(683,010)	59,567,866

Group	At 31.12.2016 Cost RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Long term leasehold land	1,625,000	(180,557)	-	1,444,443
Buildings	7,849,965	(693,469)	-	7,156,496
Computer equipment	21,505,639	(18,760,486)	-	2,745,153
EDC equipment	108,568,893	(54,562,727)	(10,898,610)	43,107,556
Computer software	5,415,508	(3,426,163)	(344,903)	1,644,442
Motor vehicles	2,321,606	(1,236,223)	(193,888)	891,495
Furniture, fittings and office equipment	5,959,405	(4,528,134)	-	1,431,271
Renovation	2,908,547	(1,761,537)	-	1,147,010
Total	156,154,563	(85,149,296)	(11,437,401)	59,567,866

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11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Balance as at 1.1.2017 RM	Additions RM	Written off RM	Disposals RM	Depreciation charges for the financial year RM	Balance as at 31.12.2017 RM
Carrying amount						
Long term leasehold land	1,444,444	-	-	-	(16,415)	1,428,029
Buildings	2,739,253	-	-	-	(70,237)	2,669,016
Computer equipment	367,020	534,604	-	(7,333)	(285,995)	608,296
Computer software	581,615	3,655	-	-	(81,912)	503,358
Motor vehicles	59,265	394,266	-	(47,788)	(77,187)	328,556
Furniture, fittings and office equipment	388,766	31,156	(1,714)	-	(71,034)	347,174
Renovation	1,951	-	-	-	(1,885)	66
	5,582,314	963,681	(1,714)	(55,121)	(604,665)	5,884,495

	At 31.12.2017			
	Cost RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Long term leasehold land	1,625,000	(196,971)	-	1,428,029
Buildings	3,250,000	(580,984)	-	2,669,016
Computer equipment	4,867,159	(4,258,863)	-	608,296
Computer software	1,787,655	(1,284,297)	-	503,358
Motor vehicles	394,266	(65,710)	-	328,556
Furniture, fittings and office equipment	2,189,665	(1,842,491)	-	347,174
Renovation	693,407	(693,341)	-	66
Total	14,807,152	(8,922,657)	-	5,884,495

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31 December 2017
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11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Balance as at 1.1.2016 RM	Additions RM	Written off RM	Disposals RM	Depreciation charges for the financial year RM	Balance as at 31.12.2016 RM
Carrying amount						
Long term leasehold land	1,460,858	-	-	-	(16,414)	1,444,444
Buildings	2,809,491	-	-	-	(70,238)	2,739,253
Computer equipment	423,070	161,652	-	(2)	(217,700)	367,020
Computer software	346,474	351,298	-	-	(116,157)	581,615
Motor vehicles	167,155	-	-	(7,138)	(100,752)	59,265
Furniture, fittings and office equipment	389,816	73,943	(2)	-	(74,991)	388,766
Renovation	9,016	-	-	-	(7,065)	1,951
	5,605,880	586,893	(2)	(7,140)	(603,317)	5,582,314

	At 31.12.2016			
	Cost RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Long term leasehold land	1,625,000	(180,556)	-	1,444,444
Buildings	3,250,000	(510,747)	-	2,739,253
Computer equipment	4,342,051	(3,975,031)	-	367,020
Computer software	1,783,998	(1,202,383)	-	581,615
Motor vehicles	638,168	(385,015)	(193,888)	59,265
Furniture, fittings and office equipment	2,196,308	(1,807,542)	-	388,766
Renovation	693,408	(691,457)	-	1,951
Total	14,528,933	(8,752,731)	(193,888)	5,582,314

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
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11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the industry. The principal depreciation periods are as follows:

Long term leasehold land	99 years
Buildings	50 years
Computer equipment	3 years
EDC equipment	5 years
Computer software	3 to 10 years
Motor vehicles	5 years
Furniture, fittings and office equipment	5 to 10 years
Renovation	2 to 5 years

(b) The carrying amounts of the property, plant and equipment of the Group and of the Company under hire purchase arrangements as at the end of the reporting period are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Motor vehicles	667,549	742,374	328,556	59,265
EDC equipment	4,248,417	1,476,251	-	-
	4,915,966	2,218,625	328,556	59,265

Details of the hire purchase arrangements are disclosed in Note 24 to the financial statements.

(c) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Purchases of property, plant and equipment	29,152,266	3,645,208	963,681	586,893
Financed by hire purchase arrangements	(350,000)	(446,500)	(350,000)	-
Cash payments on purchases of property, plant and equipment	28,802,266	3,198,708	613,681	586,893

(d) As at the end of the reporting period, long term leasehold land and buildings with the carrying amount of RM6,613,700 (2016: RM7,035,561) have been charged to a bank for credit facilities to the Group as disclosed in Note 23 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
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12. INTANGIBLE ASSETS

Group	Balance as at 1.1.2017	Additions	Amortisation charge for the financial year	Reclassification (Note 11)	Balance as at 31.12.2017
	RM	RM	RM	RM	RM
Carrying amount					
Completed development costs	2,339,933	-	(325,657)	(178,100)	1,836,176
Development-in-progress	64,996	27,991	-	-	92,987
	2,404,929	27,991	(325,657)	(178,100)	1,929,163

	As at 31.12.2017		
Group	Cost	Accumulated amortisation	Carrying amount
	RM	RM	RM
Completed development costs	15,431,643	(13,595,467)	1,836,176
Development-in-progress	92,987	-	92,987
	15,524,630	(13,595,467)	1,929,163

Group	Balance as at 1.1.2016	Additions	Written off	Amortisation charge for the financial year	Balance as at 31.12.2016
	RM	RM	RM	RM	RM
Carrying amount					
Completed development costs	3,351,224	-	(314,249)	(697,042)	2,339,933
Development-in-progress	-	64,996	-	-	64,996
	3,351,224	64,996	(314,249)	(697,042)	2,404,929

	As at 31.12.2016		
Group	Cost	Accumulated amortisation	Carrying amount
	RM	RM	RM
Completed development costs	15,609,743	(13,269,810)	2,339,933
Development-in-progress	64,996	-	64,996
	15,674,739	(13,269,810)	2,404,929

NOTES TO THE FINANCIAL STATEMENTS
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12. INTANGIBLE ASSETS (CONTINUED) (cont'd)

Company	Balance as at 1.1.2017	Additions	Amortisation charge for the financial year	Balance as at 31.12.2017
	RM	RM	RM	RM
Carrying amount				
Completed development costs	175,694	-	(87,233)	88,461
Development-in-progress	64,996	27,991	-	92,987
	240,690	27,991	(87,233)	181,448

Company	As at 31.12.2017		
	Cost	Accumulated amortisation	Carrying amount
	RM	RM	RM
Completed development costs	13,047,410	(12,958,949)	88,461
Development-in-progress	92,987	-	92,987
	13,140,397	(12,958,949)	181,448

Company	Balance as at 1.1.2016	Additions	Written off	Amortisation charge for the financial year	Balance as at 31.12.2016
	RM	RM	RM	RM	RM
Carrying amount					
Completed development costs	850,405	-	(222,228)	(452,483)	175,694
Development-in-progress	-	64,996	-	-	64,996
	850,405	64,996	(222,228)	(452,483)	240,690

Company	As at 31.12.2016		
	Cost	Accumulated amortisation	Carrying amount
	RM	RM	RM
Completed development costs	13,047,410	(12,871,716)	175,694
Development-in-progress	64,996	-	64,996
	13,112,406	(12,871,716)	240,690

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31 December 2017
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12. INTANGIBLE ASSETS (CONTINUED) (cont'd)

(a) Intangible assets are initially measured at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are assessed for any indication that the asset may be impaired and are amortised on a straight line basis over their estimated economic useful lives, not exceeding ten (10) years. Intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the intangible asset might be impaired.

(b) Included in the additions of intangible assets of the Group and of the Company are employee benefits capitalised amounting to RM27,991 (2016: RM64,996) and RM27,991 (2016: RM64,996) respectively.

13. GOODWILL

	Group	
	2017	2016
	RM	RM
Cost		
At beginning/end of financial year	108,597,816	108,597,816
Accumulated impairment losses		
At beginning/end of financial year	(2,968,029)	(2,968,029)
Net carrying amount	105,629,787	105,629,787

(a) Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the subsidiaries to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) Allocation of goodwill

The carrying amount of goodwill allocated to the cash-generating units ("CGU") of the Group is as follows:

	Group	
	2017	2016
	RM	RM
e-pay group of companies	105,629,787	105,629,787

e-pay group of companies represents all subsidiaries of e-pay (M) Sdn Bhd.

For the purpose of impairment testing, goodwill is allocated to the operating divisions of the Group which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

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13. GOODWILL (cont'd)

(c) Key assumptions used in value-in-use calculations

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

(i) Growth rate

The anticipated annual revenue growth rates used in the cash flows are 3.0% (2016: 3.0%) for the financial budget period.

(ii) Pre-tax discount rate

Discount rates reflect the current market assessment of the risks specific to the Group. Discount rate of 11.8% (2016: 10.5%) used for cash flows discounting purpose is the Group's weighted average cost of capital. This is the benchmark used by management to assess the operating performance of the Group and to evaluate future investment proposals.

(iii) Terminal value

Terminal growth rate of 3.0% (2016: 3.0%).

Based on the annual impairment testing undertaken by the Group, no impairment loss is required for the carrying amount of the remaining goodwill assessed as at 31 December 2017 as its recoverable amount is in excess of its carrying amount.

Sensitivity to changes in assumptions

Management is not aware of any reasonably possible changes in the assumptions above that could cause any impairment loss on goodwill.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	**2016**
	RM	**RM**
Unquoted shares, at cost	35,316,124	156,018,627
Equity contributions in subsidiaries in respect of ESS	1,818,965	1,818,965
	37,135,089	157,837,592
Less: Accumulated impairment losses	(14,663,571)	(135,366,080)
	22,471,518	22,471,512

(a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any.

(b) All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

The Group does not have any subsidiary that has non-controlling interests, which is individually material to the Group for both financial years ended 31 December 2016 and 31 December 2017.

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14. INVESTMENTS IN SUBSIDIARIES (cont'd)

(c) The Group reviews the investments in subsidiaries for impairment when there is an indication of impairment. The recoverable amounts of the investments in subsidiaries are assessed by reference to the fair value less cost to sell of the underlying assets or the value-in-use of the respective subsidiaries. The value-in-use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate pre-tax discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to support their income and cash flows. Significant judgements and estimates had also been used to determine the key assumptions applied to the cash flow projections, which includes the projected earnings before interest and tax margins, growth rates, and the appropriate pre-tax discount rates used for each of the subsidiary. Impairment losses are made when the carrying amount of the investment in subsidiaries exceed its recoverable amount.

(d) The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity 2017 %	2016 %	Principal activities
GHL Transact Sdn. Bhd. #	Malaysia	100.00	100.00	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance.
GHL Payments Sdn. Bhd. #	Malaysia	100.00	100.00	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance.
GHL EFTPOS Sdn. Bhd. #	Malaysia	100.00	100.00	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance.
GHL CardPay Sdn. Bhd. #	Malaysia	100.00	100.00	Issue and/or acquire all credit card, debit card, prepaid card, loyalty card and electronic cash transactions carried out by the card holders at acquired merchants on behalf of the card issuer and for that purpose to provide the necessary facilities and infrastructure that facilitates the transactions electronically and sale and rental of hardware and its related services, inclusive of installations, training and maintenance.
GHL International Sdn. Bhd. #	Malaysia	100.00	100.00	Dormant.
GHL Asia Pacific Limited #	Labuan, Malaysia	100.00	100.00	Investment holding.
GHL Global Sdn. Bhd. #	Malaysia	100.00	100.00	Develop and sale of Net.Point software solution; software programmes and other related products and services.

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14. INVESTMENTS IN SUBSIDIARIES (cont'd)

(d) The details of the subsidiaries are as follows: (cont'd)

Name of company	Country of incorporation	Effective interest in equity 2017 %	2016 %	Principal activities
GHL Loyalty Sdn. Bhd. #	Malaysia	100.00	100.00	Dormant.
GHL BPO1 Sdn. Bhd. #	Malaysia	100.00	100.00	Provides card-related outsourcing services for all business processes, sub-processes, transactions, activities and all other card related works performed by business in various industries.
GHL ePayments Sdn. Bhd. #	Malaysia	100.00	100.00	Provides electronic payment services and online and mobile merchant acquisition as well as other related activities.
GHL Payment Services Sdn. Bhd. #	Malaysia	100.00	100.00	Dormant.
PT. Spotpay Indonesia ^	Indonesia	1.00	1.00	Dormant.
EPY Capital Holdings Limited	British Virgin Islands	100.00	100.00	Investment holding.
e-pay (M) Sdn. Bhd. #	Malaysia	100.00	100.00	Sales and solution provision of vouchers bearing prepaid airtime personal identification numbers (PINS) and on-line top-ups for various prepaid services in Malaysia and investment holding.
Mobiepay Sdn. Bhd. #	Malaysia	100.00	100.00	Engaged in the business of developing and selling software.
Sentripay Sdn. Bhd. #	Malaysia	100.00	100.00	Developing and selling software.
S Capital Sdn. Bhd. #	Malaysia	100.00	100.00	Investment holding.
e-pay Asia Pty. Ltd.	Australia	-	100.00	Dormant.
Subsidiaries of GHL Asia Pacific Limited				
GHL Systems Philippines, Inc.	Philippines	99.99	99.99	Provision of end-to-end payment services and solutions through the deployment of payment infrastructure, technology and services.
GHL Systems Australia Pty. Ltd.	Australia	100.00	100.00	Sales of hardware, software and professional services.

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14. INVESTMENTS IN SUBSIDIARIES (cont'd)

(d) The details of the subsidiaries are as follows: (cont'd)

Name of company	Country of incorporation	Effective interest in equity 2017 %	Effective interest in equity 2016 %	Principal activities
GHL (Thailand) Co., Ltd.	Thailand	97.74	95.45	Sales, maintenance, installation and rental of card and non-card based payment processing systems and services, and relevant infrastructure including hardware and software for all kinds of payment solution systems.
Subsidiaries of GHL Asia Pacific Limited (cont'd)				
PT. Spotpay Indonesia ^	Indonesia	99.00	99.00	Dormant.
Subsidiaries of GHL ePayments Sdn. Bhd.				
GHL ePayments Co. Ltd.	Thailand	99.99	99.99	Sales, maintenance, installation, and rental of card and non-card based payment processing systems including hardware and software for all kinds of payment solution systems.
GHL ePayments Philippines, Inc.	Philippines	99.99	99.99	Dormant.
GHL ePayments Pte. Ltd. Ω	Singapore	100.00	-	Dormant.
Subsidiaries of EPY Capital Holdings Limited				
PT e-pay Indonesia *	Indonesia	21.20	21.20	Dormant.
Subsidiaries of e-pay (M) Sdn. Bhd.				
PT e-pay Indonesia *	Indonesia	78.80	78.80	Dormant.
e-pay Thailand Co. Limited @	Thailand	49.50	49.50	Dormant.
Subsidiaries of Mobiepay Sdn. Bhd.				
Pay Here Sdn. Bhd. #	Malaysia	100.00	100.00	Engaged in the business of developing and selling software.
PT Pembayaran Elektronik Indonesia	Indonesia	100.00	100.00	Engaged in the business of developing and selling software.

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14. INVESTMENTS IN SUBSIDIARIES (cont'd)

(d) The details of the subsidiaries are as follows: (cont'd)

Name of company	Country of incorporation	Effective interest in equity 2017 %	2016 %	Principal activities
Subsidiary of GHL Systems Philippines, Inc.				
Pinoytek Solusyen, Inc. @	Philippines	40.00	40.00	Dormant.
Subsidiary of GHL (Thailand) Co., Ltd.				
Conscious Object Development Co. Ltd.	Thailand	97.74	95.45	Dormant.

\# *Subsidiaries audited by BDO in Malaysia.*

^ *Effective interest of the Group in PT. Spotpay Indonesia ("Spotpay") is 100% taking into account 99% interest in equity of Spotpay held by a wholly-owned subsidiary of the Company, GHL Asia Pacific Limited.*

@ *The Group controls Pinoytek Solusyen, Inc. ("Pinoytek") and e-pay Thailand Co. Limited ("e-pay Thailand") even though it owns less than fifty percent (50%) of the voting rights. This is due to the key management personnel of Pinoytek and e-pay Thailand, who have the ability to direct the relevant activities, are employees of the Group. Furthermore, a significant portion of Pinoytek's and e-pay Thailand's activities are conducted on behalf of the Group.*

* *Effective interest of the Group in PT e-pay Indonesia ("e-pay Indo") is 100% taking into account 21.20% interest in equity of e-pay Indo held by a wholly-owned subsidiary of the Company, EPY Capital Holdings Limited and 78.80% interest in equity of e-pay Indo held by an indirect subsidiary of the Company, e-pay (M) Sdn. Bhd..*

Ω *Subsidiary incorporated during the financial year.*

(e) De-registration of subsidiary

On 24 March 2017, a wholly-owned subsidiary of the Company, e-pay Asia Pty. Ltd., had been de-registered from the Australian Securities and Investments Commission.

(i) Effects of the de-registration of e-pay Asia Pty. Ltd. are as follows:

	2017 RM
Carrying amount of shares at the date of disposal	42,862,857
Less: Realisation of post-acquisition reserves	
- Accumulated losses	(39,586,726)
- Exchange translation reserve reclassified to profit or loss	(3,165,518)
Loss on de-registration of a subsidiary	110,613

(f) Acquisition of a subsidiary

On 10 July 2017, the Group had undertaken an internal restructuring exercise involving the acquisition by the Company of the entire equity interests in e-pay (M) Sdn. Bhd. ("EPM") from EPY Capital Holdings Limited, a wholly-owned subsidiary of the Company for a total consideration of RM6. Subsequent to the acquisition, EPM became a direct wholly-owned subsidiary of the Company.

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14. INVESTMENTS IN SUBSIDIARIES (cont'd)

(g) During the financial year, the Group recognised share options granted under shares options scheme of RM18,962 (2016: RM400,408) in profit or loss, out of which an amount of RM307,191 in the previous financial year was in respect of employees of subsidiaries. At Company level, the amount of RM307,191 in the previous financial year was recorded as an increase in investments in subsidiaries with a corresponding credit to equity as disclosed in Note 21 to the financial statements.

(h) During the financial year, the Company subscribed for additional 2,400,000 ordinary shares in GHL Payments Sdn. Bhd. ("GHLP") for a consideration of RM2,400,000.

(i) During the financial year, impairment loss on investments in subsidiaries amounting to RM2,400,000 relating to a subsidiary, GHLP, was recognised due to its poor financial performance and financial position.

(j) During the financial year, GHL Asia Pacific Ltd ("GHLAP"), a wholly owned subsidiary, had subscribed for additional 600,000 preference shares in GHL (Thailand) Co Ltd ("GHLT") for a consideration of RM7,601,360. Pursuant to that, GHLAP's equity interest in GHLT increased from 95.45% to 97.74%.

(k) In the previous financial year, reversal of impairment losses on investments in subsidiaries amounting to RM3,576,426 in respect of certain subsidiaries have been recognised due to their improving financial performance and financial position.

15. INVESTMENTS IN JOINT VENTURES

	Group	
	2017	2016
	RM	RM
Unquoted equity shares, at cost	2,213,542	2,164,542
Share of post-acquisition reserves	(1,198,827)	(1,217,080)
Foreign exchange reserve	(46,900)	(46,900)
Accumulated impairment losses	(786,594)	(786,594)
	181,221	113,968

Investments in joint ventures are stated in the separate financial statements at cost.

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15. INVESTMENTS IN JOINT VENTURES (cont'd)

(a) The details of the joint ventures are as follows:

Name of company	Country of incorporation	Effective interest in equity 2017 %	2016 %	Principal activities
MRuncit Commerce Sdn. Bhd. #	Malaysia	49	49	Engaged in the business of developing and selling software and e-commerce.
e-pay Pakistan (Private) Limited ^	Pakistan	50	50	Dormant.
Electronic Payment Network (Thailand) Co. Limited ^	Thailand	16	16	Dormant.

\# *Joint venture audited by BDO in Malaysia.*

^ *The unaudited financial statements were used in the consolidation of the results of the joint ventures.*

All the above joint ventures are accounted for using the equity method in the consolidated financial statements.

(b) During the financial year, the Group acquired an additional of 49,000 (2016: 147,000) ordinary shares in MRuncit Commerce Sdn. Bhd. for total cash consideration of RM49,000 (2016: RM147,000). However, there was no change in the Group's equity interest in MRuncit Commerce Sdn. Bhd..

(c) The Group does not have any joint venture, which is individually material to the Group for both financial years ended 31 December 2016 and 31 December 2017.

16. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2017 RM	2016 RM
Available-for-sale financial assets	8,000,000	8,000,000

The fair value of the available-for-sale investments are determined by reference to the exchange quoted market bid price at the close of the business at the end of the reporting period.

The fair values of available-for-sale investments are categorised into Level 2 of the fair value hierarchy. There were no transfers between Level 1 and Level 2 fair value measurement during the financial year.

Available-for-sale investments of the Group of RM8,000,000 are pledged to licensed banks as security for banking facilities to the Group as disclosed in Note 23 to the financial statements.

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17. DEFERRED TAX

(a) The deferred tax assets and liabilities are made up of the following:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Balance as at 1 January	928,178	(348,808)	-	-
Recognised in profit or loss (Note 8)	260,474	1,381,701	136,020	-
Exchange differences	(417,384)	(104,715)	-	-
Balance as at 31 December	771,268	928,178	136,020	-
Presented after appropriate offsetting:				
Deferred tax assets, net	(1,499,727)	(1,206,797)	-	-
Deferred tax liabilities, net	2,270,995	2,134,975	136,020	-
	771,268	928,178	136,020	-

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment	Intangible assets	Others	Total
	RM	RM	RM	RM
Balance as at 1 January 2017	6,992,654	169,012	111,818	7,273,484
Recognised in profit or loss	48,581	(6,244)	(57,435)	(15,098)
Balance as at 31 December 2017 (before offsetting)	7,041,235	162,768	54,383	7,258,386
Offsetting	(4,770,240)	(162,768)	(54,383)	(4,987,391)
Balance as at 31 December 2017 (after offsetting)	2,270,995	-	-	2,270,995
Balance as at 1 January 2016	5,512,121	169,012	183,646	5,864,779
Recognised in profit or loss	1,480,533	-	(71,828)	1,408,705
Balance as at 31 December 2016 (before offsetting)	6,992,654	169,012	111,818	7,273,484
Offsetting	(4,857,679)	(169,012)	(111,818)	(5,138,509)
Balance as at 31 December 2016 (after offsetting)	2,134,975	-	-	2,134,975

NOTES TO THE FINANCIAL STATEMENTS
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17. DEFERRED TAX (cont'd)

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows (continued):

Deferred tax assets of the Group

	Unabsorbed capital allowances RM	Unused tax losses RM	Others RM	Total RM
Balance as at 1 January 2017	(3,714,716)	(922,527)	(1,708,063)	(6,345,306)
Recognised in profit or loss	77,166	(76,799)	275,205	275,572
Exchange differences	-	-	(417,384)	(417,384)
Balance as at 31 December 2017 (before offsetting)	(3,637,550)	(999,326)	(1,850,242)	(6,487,118)
Offsetting	3,607,792	205,572	1,174,027	4,987,391
Balance as at 31 December 2017 (after offsetting)	(29,758)	(793,754)	(676,215)	(1,499,727)
Balance as at 1 January 2016	(4,203,844)	(958,363)	(1,051,380)	(6,213,587)
Recognised in profit or loss	489,128	35,836	(551,968)	(27,004)
Exchange differences	-	-	(104,715)	(104,715)
Balance as at 31 December 2016 (before offsetting)	(3,714,716)	(922,527)	(1,708,063)	(6,345,306)
Offsetting	3,673,502	140,229	1,324,778	5,138,509
Balance as at 31 December 2016 (after offsetting)	(41,214)	(782,298)	(383,285)	(1,206,797)

Deferred tax liabilities of the Company

	Property, plant and equipment RM	Intangible assets RM	Others RM	Total RM
Balance as at 1 January 2017	146,586	8,117	-	154,703
Recognised in profit or loss	39,050	11,544	-	50,594
Balance as at 31 December 2017 (before offsetting)	185,636	19,661	-	205,297
Offsetting	(49,616)	(19,661)	-	(69,277)
Balance as at 31 December 2017 (after offsetting)	136,020	-	-	136,020
Balance as at 1 January 2016	145,681	118,438	4,531	268,650
Recognised in profit or loss	905	(110,321)	(4,531)	(113,947)
Balance as at 31 December 2016 (before offsetting)	146,586	8,117	-	154,703
Offsetting	(146,586)	(8,117)	-	(154,703)
Balance as at 31 December 2016 (after offsetting)	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
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17. DEFERRED TAX (cont'd)

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows (continued):

Deferred tax assets of the Company

	Unabsorbed capital allowances RM	Unused tax losses RM	Others RM	Total RM
Balance as at 1 January 2017	-	-	(154,703)	(154,703)
Recognised in profit or loss	-	-	85,426	85,426
Balance as at 31 December 2017 (before offsetting)	-	-	(69,277)	(69,277)
Offsetting	-	-	69,277	69,277
Balance as at 31 December 2017 (after offsetting)	-	-	-	-
Balance as at 1 January 2016	(22,211)	(61,604)	(184,835)	(268,650)
Recognised in profit or loss	22,211	61,604	30,132	113,947
Balance as at 31 December 2016 (before offsetting)	-	-	(154,703)	(154,703)
Offsetting	-	-	154,703	154,703
Balance as at 31 December 2016 (after offsetting)	-	-	-	-

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unused tax losses	11,118,904	7,065,981	-	-
Unabsorbed capital allowances	5,948,750	10,759,368	-	-
Other deductible temporary differences	379,798	176,787	-	-
	17,447,452	18,002,136	-	-

Deferred tax assets of certain subsidiaries and of the Company have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries and of the Company would be available against which the deductible temporary differences could be utilised.

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18. INVENTORIES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
At cost				
EDC equipment	970,867	7,642,972	-	-
Prepaid airtime PINS	61,361,576	72,861,768	-	-
Others	1,192,035	2,989,286	617,519	874,320
	63,524,478	83,494,026	617,519	874,320

(a) Cost of inventories is determined using the first-in, first-out formula.

(b) During the financial year, inventories of the Group and of the Company other than prepaid airtime PINS recognised as cost of sales amounted to RM11,331,488 and RM3,722,760 (2016: RM12,017,866 and RM412,196) respectively.

(c) In addition, the amounts recognised in the other operating expenses include the following:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Inventories written off	122,759	473,428	-	364,890

(d) During the financial year, inventories of the Group and of the Company amounting to RM19,357 (2016: RM Nil) and RM19,357 (2016: RM Nil) were written back due to the sales of inventories previously written off.

(e) During the financial year, inventories of the Group amounting to RM549,980 (2016: RM19,527,793) have been capitalised as property, plant and equipment as disclosed in Note 11 to the financial statements as the inventories are no longer held for sale.

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19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Trade receivables				
Third parties	56,069,089	40,294,237	3,414,351	3,842,435
Subsidiaries	-	-	11,503,876	11,907,569
	56,069,089	40,294,237	14,918,227	15,750,004
Accumulated impairment losses				
- third parties	(7,955,623)	(8,686,814)	(1,254,871)	(1,254,871)
- subsidiaries	-	-	(3,239,485)	(5,017,963)
	(7,955,623)	(8,686,814)	(4,494,356)	(6,272,834)
	48,113,466	31,607,423	10,423,871	9,477,170
Other receivables				
Other receivables	17,518,775	16,245,739	906,661	349,470
Amounts owing by subsidiaries	-	-	61,335,869	69,951,265
Deposits	1,090,817	2,149,957	114,809	84,409
	18,609,592	18,395,696	62,357,339	70,385,144
Accumulated impairment losses				
- other receivables	(230,436)	(230,436)	(158,866)	(158,866)
- amounts owing by subsidiaries	-	-	(26,932,345)	(26,722,613)
	(230,436)	(230,436)	(27,091,211)	(26,881,479)
	18,379,156	18,165,260	35,266,128	43,503,665
Loans and receivables	66,492,622	49,772,683	45,689,999	52,980,835
Prepayments	2,449,991	1,844,182	698,585	654,198
	68,942,613	51,616,865	46,388,584	53,635,033

(a) Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method.

(b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group and the Company ranges from 30 to 180 days (2016: 30 to 180 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(c) Amounts owing by subsidiaries are unsecured, payable upon demand in cash and cash equivalents and interest-free.

NOTES TO THE FINANCIAL STATEMENTS
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19. TRADE AND OTHER RECEIVABLES (cont'd)

(d) The ageing analysis of trade receivables of the Group and of the Company are as follow:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Neither past due nor impaired	30,330,444	13,048,339	1,181,922	1,840,348
Past due not impaired:				
Less than 30 days	5,514,616	6,596,592	608,971	1,342,990
31 to 60 days	1,951,964	544,741	406,056	95,226
61 to 90 days	1,099,010	1,524,683	93,672	997,081
More than 90 days	5,703,399	5,925,884	5,147,721	387,184
	14,268,989	14,591,900	6,256,420	2,822,481
	44,599,433	27,640,239	7,438,342	4,662,829
Past due and impaired	11,469,656	12,653,998	7,479,885	11,087,175
	56,069,089	40,294,237	14,918,227	15,750,004

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. None of the trade receivables of the Group and the Company that are neither past due not impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired relate to a number of third party customers with no recent history of default.

Receivables that are past due and impaired

Trade receivables of the Group and of the Company that are past due and impaired at the end of each reporting period are as follows:

	Collectively impaired		Individually impaired	
	2017 RM	2016 RM	2017 RM	2016 RM
Group				
Trade receivables, gross	7,642,141	4,797,565	3,827,515	7,856,433
Less: Accumulated impairment losses	(4,128,108)	(830,381)	(3,827,515)	(7,856,433)
	3,514,033	3,967,184	-	-
Company				
Trade receivables, gross	4,994,236	8,408,886	2,485,649	2,678,289
Less: Accumulated impairment losses	(2,008,707)	(3,594,545)	(2,485,649)	(2,678,289)
	2,985,529	4,814,341	-	-

NOTES TO THE FINANCIAL STATEMENTS

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19. TRADE AND OTHER RECEIVABLES (cont'd)

(e) The reconciliation of movement in the impairment losses are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Trade receivables				
At 1 January	8,686,814	7,113,435	6,272,834	4,486,038
Charge for the financial year	1,410,478	1,740,822	621,522	1,835,105
Reversal of impairment losses	(869,279)	(187,459)	(2,400,000)	(48,309)
Written off	(1,142,624)	-	-	-
Exchange differences	(129,766)	20,016	-	-
At 31 December	7,955,623	8,686,814	4,494,356	6,272,834
Other receivables				
At 1 January	230,436	159,766	26,881,479	47,711,927
Charge for the financial year	-	70,670	209,732	3,235,604
Reversal of impairment losses	-	-	-	(71,348)
Written off	-	-	-	(23,994,704)
At 31 December	230,436	230,436	27,091,211	26,881,479
	8,186,059	8,917,250	31,585,567	33,154,313

Trade and other receivables that are collectively determined to be impaired at the end of each reporting period relate to those debtors that are not individually assessed for impairment and share similar credit risk characteristics. These receivables are not secured by any collateral or credit enhancements.

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

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19. TRADE AND OTHER RECEIVABLES (cont'd)

(f) The Group determines concentration of credit risk by monitoring the country profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of each reporting period are as follows:

	2017		2016	
	RM	% of total	RM	% of total
By country				
Malaysia	34,531,315	71	17,970,036	57
Philippines	9,506,782	20	11,096,848	35
Thailand	3,614,968	8	2,467,766	7
Australia	460,401	1	72,773	1
	48,113,466	100	31,607,423	100

At the end of each reporting period, approximately twenty-six percent (26%) (2016: 43%) of the trade receivables of the Group were due from five (5) (2016: 5) customers.

At the end of each reporting period, the Company does not have significant concentration of credit risk other than amounts owing by subsidiaries of RM42,667,915 (2016: RM50,118,258), which contributes 92% (2016: 93%) of total receivables of the Company.

(g) The currency exposure profiles of loans and receivables are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Ringgit Malaysia	46,424,970	32,963,549	23,733,121	38,373,492
Philippines Peso ("PHP")	13,125,776	13,183,462	-	-
Thai Baht ("THB")	6,481,021	3,551,436	5,380,250	291,250
Australian Dollar ("AUD")	460,855	73,005	265,365	302,133
United States Dollar ("USD")	-	1,231	16,311,263	14,013,960
	66,492,622	49,772,683	45,689,999	52,980,835

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19. TRADE AND OTHER RECEIVABLES (cont'd)

(h) The following table demonstrates the sensitivity analysis of the Group and of the Company to a reasonably possible change in the PHP, THB, AUD and USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit after tax				
PHP/RM - strengthen by 10% (2016: 10%)	997,559	1,001,943	-	-
PHP/RM - weaken by 10% (2016: 10%)	(997,559)	(1,001,943)	-	-
THB/RM - strengthen by 10% (2016: 10%)	492,558	269,909	408,899	22,135
THB/RM - weaken by 10% (2016: 10%)	(492,558)	(269,909)	(408,899)	(22,135)
AUD/RM - strengthen by 10% (2016: 10%)	35,025	5,548	20,168	22,962
AUD/RM - weaken by 10% (2016: 10%)	(35,025)	(5,548)	(20,168)	(22,962)
USD/RM - strengthen by 10% (2016: 10%)	-	94	1,239,656	1,065,061
USD/RM - weaken by 10% (2016: 10%)	-	(94)	(1,239,656)	(1,065,061)

20. CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash and bank balances	95,945,382	70,859,895	16,085,617	8,910,398
Deposits with licensed banks	11,554,563	13,003,959	-	-
	107,499,945	83,863,854	16,085,617	8,910,398

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20. CASH AND BANK BALANCES (cont'd)

(a) At the end of the reporting period, cash and bank balances denominated in foreign currencies which are held for working capital purposes is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	80,063,213	69,009,683	2,658,880	8,026,326
Philippines Peso ("PHP")	5,590,720	5,763,268	-	-
United States Dollar ("USD")	13,454,970	3,941,858	12,620,549	58,167
Thai Baht ("THB")	6,492,708	3,413,893	-	-
Australian Dollar ("AUD")	1,413,371	1,359,576	806,188	825,905
Singapore Dollar ("SGD")	374,396	372,617	-	-
Indonesian Rupiah ("IDR")	110,567	2,959	-	-
	107,499,945	83,863,854	16,085,617	8,910,398

(b) The following table demonstrates the sensitivity analysis of the Group and of the Company to a reasonably possible change in the PHP, USD, THB, AUD, SGD and IDR exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit after tax				
PHP/RM - strengthen by 10% (2016: 10%)	424,895	438,009	-	-
PHP/RM - weaken by 10% (2016: 10%)	(424,895)	(438,009)	-	-
USD/RM - strengthen by 10% (2016: 10%)	1,022,578	299,581	959,162	4,421
USD/RM - weaken by 10% (2016: 10%)	(1,022,578)	(299,581)	(959,162)	(4,421)
THB/RM - strengthen by 10% (2016: 10%)	493,446	259,456	-	-
THB/RM - weaken by 10% (2016: 10%)	(493,446)	(259,456)	-	-
AUD/RM - strengthen by 10% (2016: 10%)	107,416	103,228	61,270	62,769
AUD/RM - weaken by 10% (2016: 10%)	(107,416)	(103,228)	(61,270)	(62,769)
SGD/RM - strengthen by 10% (2016: 10%)	28,454	28,319	-	-
SGD/RM - weaken by 10% (2016: 10%)	(28,454)	(28,319)	-	-
IDR/RM - strengthen by 10% (2016: 10%)	8,403	225	-	-
IDR/RM - weaken by 10% (2016: 10%)	(8,403)	(225)	-	-

(c) The weighted average effective interest rate of deposits with licensed banks of the Group is 3.10% (2016: 2.49%) per annum. The average maturity days are 123 days (2016: 104 days) per annum.

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20. CASH AND BANK BALANCES (cont'd)

(d) For the purpose of statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash and bank balances	95,945,382	70,859,895	16,085,617	8,910,398
Deposits with licensed banks				
- not more than three (3) months	4,000,000	6,027,207	-	-
- more than three (3) months	7,554,563	6,976,752	-	-
	107,499,945	83,863,854	16,085,617	8,910,398
Less: Deposits pledged to licensed banks	(7,554,563)	(6,976,752)	-	-
	99,945,382	76,887,102	16,085,617	8,910,398

(e) Included in the deposits of the Group is an amount of RM7,236,675 (2016: RM6,976,752) pledged to licensed banks as securities for credit facilities granted to one (1) subsidiary as disclosed in Note 23 to the financial statements.

(f) At the end of the reporting period, the interest rate profile of the deposits with licensed banks was:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Fixed rate	11,554,563	13,003,959	-	-

Sensitivity analysis for fixed rate deposits with licensed banks at the end of the reporting period is not presented as fixed rate instrument is not affected by change in interest rates.

21. SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
Balance as at 1 January	654,724,992	130,944,998	649,847,192	129,969,438
Issuance of ordinary shares pursuant to ESS	4,720,000	3,405,278	4,877,800	975,560
Resale of treasury shares	-	934,522	-	-
Transfer pursuant to Companies Act, 2016	-	72,824,729	-	-
Balance as at 31 December	659,444,992	208,109,527	654,724,992	130,944,998

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21. SHARE CAPITAL (cont'd)

(a) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased by way of issuance of 4,720,000 (2016: 4,877,800) new ordinary shares for cash pursuant to the exercise of Executives' Share Scheme ("ESS").

(b) Repurchased shares were held as treasury shares in accordance with the requirement of Section 127 of the Companies Act, 2016 in Malaysia.

(c) Of the total 659,444,992 (2016: 654,724,992) issued and fully paid ordinary shares as at 31 December 2017, 678,601 (2016: 1,415,901) ordinary shares amounting to RM305,847 (2016: RM638,221) are held as treasury shares by the Company.

During the financial year, the Company had completed the resale of treasury shares of 737,300 units with a price ranging from RM1.70 to RM1.73.

The number of outstanding ordinary shares in issue after deducting the treasury shares is 658,766,391 (2016: 653,309,091) ordinary shares as at 31 December 2017.

(d) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

(e) With the introduction of the Companies Act, 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, balance within the share premium account of RM72,824,729 has been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act, 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act, 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

(f) The ESS of the Company came into effect on 30 August 2013. The ESS shall be in force for a period of five (5) years until 29 August 2018 ("the scheme period"). The main features of the ESS are as follows:

(i) Eligible Executive Directors and executives are those who meet the following criteria:

- if he has attained the age eighteen (18) years of age and is not an undischarged bankrupt;
- if he is employed on a full time basis and is on the payroll of any corporation in the Group and has not served a notice to resign or received a notice of termination;
- if his employment has been confirmed in writing;
- if he is an Executive Director of the Company, the specific allocation of Scheme Shares and Options granted by the Company to him in his capacity as an Executive Director of the Company under the Scheme has been approved by the shareholders of the Company at a general meeting;
- if he is serving in a specific designation under an employment contract for a fixed duration but not if he is merely employed for a specific project; and
- if he fulfils any other criteria and/or falls within such category as may be set by ESS Committee from time to time.

(ii) The maximum number of options to be offered under the ESS based on the issued and paid-up ordinary share capital as at 31 December 2017, excluding treasury shares held, is 98,814,959 (2016: 97,996,364);

(iii) The options granted may be exercised any time upon the satisfaction of vesting conditions of each tranche;

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
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21. SHARE CAPITAL (cont'd)

(f) The ESS of the Company came into effect on 30 August 2013. The ESS shall be in force for a period of five (5) years until 29 August 2018 ("the scheme period"). The main features of the ESS are as follows: (cont'd)

(iv) The option price of a new ordinary share under the ESS shall be at a discount of not more than ten percent (10%) of the five (5)-days weighted average market price of the shares as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad immediately preceding the date of offer, or at the par value of the ordinary shares, whichever is higher;

(v) Upon exercise of the options, the shares issued rank pari passu in all respects with the then existing ordinary shares of the Company;

(vi) The employees and Directors to whom the options have been granted have no right to participate, by virtue of these options, in any ordinary share issue of any other company; and

(vii) The option price and the number of ordinary shares comprised in the ESS options are subject to adjustment in the event of any alteration in the capital structure of the Company during the scheme period in accordance with the provisions in the ESS By-Laws ("By-Laws"), subject to the determination by ESS Committee.

The details of the options over ordinary shares of the Company are as follows:

	Number of options over ordinary shares					
		Movements during the financial year				
	Outstanding as at 1.1.2017	Granted	Exercised	Forfeited	Outstanding as at 31.12.2017	Exercisable as at 31.12.2017
2017						
20 June 2014						
- second tranche	1,420,001	-	(1,420,001)	-	-	-
- third tranche	1,499,999	-	(1,499,999)	-	-	-
	2,920,000	-	(2,920,000)	-	-	-
Weighted average exercise prices (RM)	0.57	-	0.57	-	-	-
Weighted average remaining contractual life (months)	6					-
8 September 2015						
- first tranche	600,000	-	(600,000)	-	-	-
- second tranche	600,000	-	(600,000)	-	-	-
- third tranche	600,000	-	(600,000)	-	-	-
	1,800,000	-	(1,800,000)	-	-	-
Weighted average exercise prices (RM)	0.86	-	0.86	-	-	-
Weighted average remaining contractual life (months)	20					-

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21. SHARE CAPITAL (cont'd)

The details of the options over ordinary shares of the Company are as follows: (cont'd)

	Number of options over ordinary shares					
		Movements during the financial year				
	Outstanding as at 1.1.2016	Granted	Exercised	Forfeited	Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
2016						
3 September 2013						
- first tranche	-	-	-	-	-	-
- second tranche	500,097	-	(500,097)	-	-	-
- third tranche	1,947,803	-	(1,797,703)	(150,100)	-	-
	2,447,900	-	(2,297,800)	(150,100)	-	-
Weighted average exercise prices (RM)	0.23	-	0.23	0.23	-	-
Weighted average remaining contractual life (months)	8					-
20 June 2014						
- first tranche	1,500,000	-	(1,500,000)	-	-	-
- second tranche	2,000,001	-	(580,000)	-	1,420,001	1,420,001
- third tranche	1,999,999	-	(500,000)	-	1,499,999	-
	5,500,000	-	(2,580,000)	-	2,920,000	1,420,001
Weighted average exercise prices (RM)	0.57	-	0.57	-	0.57	0.57
Weighted average remaining contractual life (months)	18					6
8 September 2015						
- first tranche	600,000	-	-	-	600,000	600,000
- second tranche	600,000	-	-	-	600,000	600,000
- third tranche	600,000	-	-	-	600,000	-
	1,800,000	-	-	-	1,800,000	1,200,000
Weighted average exercise prices (RM)	0.86	-	-	-	0.86	0.86
Weighted average remaining contractual life (months)	32					20

During the financial year, the Group recognised share options granted under shares options scheme of RM18,962 (2016: RM400,408) in profit or loss, out of which an amount of RM Nil (2016: RM307,191) was in respect of employees of subsidiaries. At Company level, the amount of RM Nil (2016: RM307,191) was recorded as an increase in investments in subsidiaries (Note 14) with a corresponding credit to equity.

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21. SHARE CAPITAL (cont'd)

The details of share options outstanding at the end of the reporting period are as follows:

	Weighted average exercise price		Exercise period
	2017	2016	
	RM	RM	
Offer date			
3 September 2013			
- first tranche	-	0.23	3.9.2013 - 2.9.2016
- second tranche	-	0.23	3.9.2014 - 2.9.2016
- third tranche	-	0.23	3.9.2015 - 2.9.2016
20 June 2014			
- first tranche	0.57	0.57	20.6.2014 - 19.6.2017
- second tranche	0.57	0.57	2.1.2016 - 19.6.2017
- third tranche	0.57	0.57	2.1.2017 - 19.6.2017
8 September 2015			
- first tranche	0.86	0.86	8.9.2015 - 2.9.2018
- second tranche	0.86	0.86	8.9.2016 - 2.9.2018
- third tranche	0.86	0.86	6.8.2017 - 2.9.2018

Share options exercised during the financial year resulted in the issuance of 4,720,000 (2016: 4,877,800) ordinary shares at an average price of RM0.683 (2016: RM0.411) each. The related weighted average ordinary share price at the date of exercise was RM1.00 (2016: RM1.00).

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21. SHARE CAPITAL (cont'd)

The fair values of share options granted were estimated by using the Trinomial option pricing model, taking into account the terms and conditions upon which the options were granted. The risk-free rate is based on Malaysian Government Securities ("MGSs"). The fair values of share options measured at grant date and the assumptions are as follows:

	ESS Grant date		
	8.9.2015	20.6.2014	3.9.2013
Fair value of share options at the following grant dates (RM):			
3 September 2013			
- first tranche	-	-	0.10
- second tranche	-	-	0.08
- third tranche	-	-	0.06
20 June 2014			
- first tranche	-	0.26	-
- second tranche	-	0.19	-
- third tranche	-	0.13	-
8 September 2015			
- first tranche	0.21	-	-
- second tranche	0.16	-	-
- third tranche	0.09	-	-
Weighted average share price (RM)	0.95	0.95	0.38
Weighted adjusted average exercise price (RM)	0.86	0.57	0.23
Expected volatility (%)	25	25	25
Expected life (years)	3	3	3
Risk free rate (%)	3.29	3.88	3.29
Expected dividend yield (%)	Nil	Nil	Nil

22. RESERVES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-distributable				
Share premium	-	72,824,729	-	72,824,729
Exchange translation reserve	(3,919,382)	2,724,985	-	-
Share options reserve	-	162,236	-	162,236
	(3,919,382)	75,711,950	-	72,986,965

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22. RESERVES (cont'd)

The nature of each category of reserves is as follows:

(a) Share premium

With the introduction of the Companies Act, 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, balance within the share premium account of RM72,824,729 has been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act, 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act, 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

(b) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment of the Group in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(c) Share options reserve

The share options reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on the grant date of share options.

23. BORROWINGS

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Non-current liabilities					
Term loans		13,012,852	12,214,210	-	-
Hire purchase creditors	24	1,719,530	966,005	229,981	3,717
Bankers' acceptance		-	-	-	-
Islamic facility		2,500,000	4,500,000	-	-
		17,232,382	17,680,215	229,981	3,717
Current liabilities					
Term loans		2,025,832	4,998,563	-	-
Hire purchase creditors	24	928,025	3,444,946	66,658	98,652
Bankers' acceptance		12,000,000	-	-	-
Islamic facility		2,000,000	12,000,000	-	-
		16,953,857	20,443,509	66,658	98,652

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23. BORROWINGS (cont'd)

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Total borrowings					
Term loans		15,038,684	17,212,773	-	-
Hire purchase creditors	24	2,647,555	4,410,951	296,639	102,369
Bankers' acceptance		12,000,000	-	-	-
Islamic facility		4,500,000	16,500,000	-	-
		34,186,239	38,123,724	296,639	102,369

(a) Borrowings are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

(b) Term loans of the Group are:

(i) secured by legal charge and negative pledge on the long term leasehold land and buildings of the Group as disclosed in Note 11 to the financial statements; and

(ii) guaranteed by way of corporate guarantee by the Group.

(c) Bankers' acceptance and Islamic facility of the Group are:

(i) secured by first party charge over structured investment and deposits with licensed banks as disclosed in Notes 16 and 20 to the financial statements; and

(ii) guaranteed by way of corporate guarantee by the Group.

(d) The fair value of term loans, hire purchase creditors, bankers' acceptance and Islamic facility are estimated by discounting expected future cash flows at current market interest rates available for similar financial instruments and of the same remaining maturities. The carrying values of these financial instruments approximate their fair values.

The fair values of borrowings are categorised into Level 2 of the fair value hierarchy. There were no transfers between Level 1 and Level 2 fair value measurement during the financial year.

(e) The weighted average effective interest rates of borrowings as at the end of each reporting period are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Term loans	5.43%	6.31%	-	-
Hire purchase creditors	5.73%	5.63%	4.29%	4.45%
Bankers' acceptance	4.55%	-	-	-
Islamic facility	5.80%	5.80%	-	-

NOTES TO THE FINANCIAL STATEMENTS
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23. BORROWINGS (cont'd)

(f) At the end of the reporting period, the interest rate profile of the borrowings are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed rates	25,186,239	37,520,764	296,639	102,369
Floating rates	9,000,000	602,960	-	-

The exposure to interest rate risk of the Group and of the Company is not significant and therefore, sensitivity analysis is not presented.

(g) The currency exposure profile of borrowings are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	30,544,209	31,639,890	296,639	102,369
Philippines Peso ("PHP")	3,642,030	6,483,834	-	-
	34,186,239	38,123,724	296,639	102,369

(h) The following table demonstrates the sensitivity analysis of the Group and of the Company to a reasonably possible change in the PHP and USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit after tax				
PHP/RM - strengthen by 10% (2016: 10%)	(276,794)	(492,771)	-	-
PHP/RM - weaken by 10% (2016: 10%)	276,794	492,771	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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23. BORROWINGS (cont'd)

(i) The maturity of the term loans is as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Not later than 1 year	2,025,832	4,998,563	-	-
Later than 1 year and not later than 2 years	4,909,817	2,656,779	-	-
Later than 2 years and not later than 3 years	3,778,953	4,307,431	-	-
Later than 3 years and not later than 4 years	3,074,121	3,000,000	-	-
Later than 4 years and not later than 5 years	871,909	2,250,000	-	-
More than 5 years	378,052	-	-	-
	15,038,684	17,212,773	-	-

(j) The maturity of the bankers' acceptance is as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Not later than 1 year	12,000,000	-	-	-
	12,000,000	-	-	-

(k) The maturity of the Islamic facility is as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Not later than 1 year	2,000,000	12,000,000	-	-
Later than 1 year and not later than 2 years	2,000,000	4,500,000	-	-
Later than 2 years and not later than 3 years	500,000	-	-	-
	4,500,000	16,500,000	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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23. BORROWINGS (cont'd)

(l) The maturity of profile of borrowings at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
As at 31 December 2017				
Borrowings/Total undiscounted financial liabilities	17,101,453	16,971,239	378,053	34,450,745
As at 31 December 2016				
Borrowings/Total undiscounted financial liabilities	20,665,615	17,753,194	7,150	38,425,959
Company				
As at 31 December 2017				
Borrowings/Total undiscounted financial liabilities	77,280	244,720	-	322,000
As at 31 December 2016				
Borrowings/Total undiscounted financial liabilities	100,774	3,730	-	104,504

(m) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group and Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statements of cash flows of the Group and of the Company as cash flows from financing activities.

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 January 2017	38,123,724	46,512,803	102,369	214,901
Cash flows	(3,722,759)	(8,491,954)	(155,730)	(112,532)
Non-cash flows:				
Effect of foreign exchange	(564,726)	(343,625)	-	-
Other changes:				
Purchase of property, plant and equipment	350,000	446,500	350,000	-
At 31 December 2017	34,186,239	38,123,724	296,639	102,369

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24. HIRE PURCHASE CREDITORS

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Minimum hire purchase payments				
- not later than one (1) year	1,075,621	3,667,052	77,280	100,774
- later than one (1) year but not later than five (5) years	1,836,440	1,038,984	244,720	3,730
- later than five (5) years	-	7,150	-	-
Total minimum hire purchase payments	2,912,061	4,713,186	322,000	104,504
Less: Future interest charges	(264,506)	(302,235)	(25,361)	(2,135)
Present value of hire purchase payments	2,647,555	4,410,951	296,639	102,369
Repayable as follows:				
Current liabilities:				
- not later than one (1) year	928,025	3,444,946	66,658	98,652
Non-current liabilities				
- later than one (1) year but not later than five (5) years	1,719,530	958,946	229,981	3,717
- later than five (5) years	-	7,059	-	-
	2,647,555	4,410,951	296,639	102,369

The hire purchase of the Group attract interest at rates ranging from 4.29% to 6.80% (2016: 4.76% to 6.76%) per annum.

25. DEFERRED INCOME

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Non-current portion	-	-	-	-
Current portion	833,005	619,469	833,005	239,680
	833,005	619,469	833,005	239,680

(a) Deferred income represents advance receipts from NetAccess maintenance arrangements. These arrangements ranged from one (1) month to two (2) years (2016: 1 month to 2 years) for the Group and the Company. Deferred income is recognised in profit or loss upon the commencement of the arrangement and is amortised on a straight line basis over the arrangement period.

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25. DEFERRED INCOME (cont'd)

(b) Movements of deferred income during the financial year are as follows:

	Group RM	Company RM
At 1 January 2016	439,559	67,780
Advance receipts during the financial year	1,327,264	859,699
Recognised in profit or loss	(1,147,354)	(687,799)
At 31 December 2016	619,469	239,680
Advance receipts during the financial year	2,068,818	1,511,817
Recognised in profit or loss	(1,855,282)	(918,492)
At 31 December 2017	833,005	833,005

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables				
Third parties	23,473,330	16,641,125	153,891	144,129
Other payables				
Other payables	60,148,164	61,614,267	253,440	1,201,602
Amounts owing to subsidiaries	-	-	11,738,219	12,719,026
Deposits	12,910,243	10,504,732	601,879	601,879
Accruals	16,511,748	7,078,587	794,978	985,320
	89,570,155	79,197,586	13,388,516	15,507,827
	113,043,485	95,838,711	13,542,407	15,651,956

(a) Trade and other payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 1 to 90 days and 30 to 60 days (2016: 1 to 90 days and 30 to 60 days) respectively.

(c) Other payables of the Group consist prepayments received from retailers, merchants payables and general administrative expenses payable which are non-interest bearing.

(d) Amounts owing to subsidiaries represent payments on behalf are unsecured, interest free and payable upon demand in cash and cash equivalents.

(e) The maturity profile of trade and other payables of the Group and of the Company at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.

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26. TRADE AND OTHER PAYABLES (cont'd)

(f) The currency exposure profiles of trade and other payables are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	94,830,736	79,654,800	13,542,407	15,651,956
Philippines Peso ("PHP")	6,605,350	5,501,058	-	-
Thai Baht ("THB")	10,691,020	6,198,259	-	-
Australian Dollar ("AUD")	916,379	419,916	-	-
Indonesian Rupiah ("IDR")	-	245,963	-	-
United States Dollar ("USD")	-	3,818,715	-	-
	113,043,485	95,838,711	13,542,407	15,651,956

(g) The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the PHP, THB, AUD, IDR and USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

	Group	
	2017	**2016**
	RM	**RM**
Profit after tax		
PHP/RM - strengthen by 10% (2016: 10%)	(502,007)	(418,080)
PHP/RM - weaken by 10% (2016: 10%)	502,007	418,080
THB/RM - strengthen by 10% (2016: 10%)	(812,518)	(471,068)
THB/RM - weaken by 10% (2016: 10%)	812,518	471,068
AUD/RM - strengthen by 10% (2016: 10%)	(69,645)	(31,914)
AUD/RM - weaken by 10% (2016: 10%)	69,645	31,914
IDR/RM - strengthen by 10% (2016: 10%)	-	(18,693)
IDR/RM - weaken by 10% (2016: 10%)	-	18,693
USD/RM - strengthen by 10% (2016: 10%)	-	(290,223)
USD/RM - weaken by 10% (2016: 10%)	-	290,223

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27. CONTINGENT LIABILITIES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Unsecured				
Corporate guarantee given to banks for credit facilities granted to subsidiaries	-	-	88,950,000	88,950,000
Guarantees given to a third party in respect of trade and contract	27,041,167	23,140,959	3,246,950	3,246,950
	27,041,167	23,140,959	92,196,950	92,196,950

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

At the end of the reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

28. COMMITMENTS

(a) Operating lease commitments

(i) The Group as a lessee

The Group had entered into lease agreements for premises.

	Group	
	2017	2016
	RM	RM
Not later than one (1) year	1,089,151	1,016,526
Later than one (1) year and not later than five (5) years	2,102,735	2,318,495
More than five (5) years	1,400	90,000
	3,193,286	3,425,021

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
CONT'D

28. COMMITMENTS (cont'd)

(a) Operating lease commitments (cont'd)

(ii) The Group as a lessor

The Group has entered into lease arrangements on EDC equipment.

The Group has aggregate future minimum lease receivables as at the end of each reporting period as follows:

	Group	
	2017	2016
	RM	RM
Not later than one (1) year	12,584,760	13,048,002
Later than one (1) year and not later than five (5) years	8,934,500	17,723,895
	21,519,260	30,771,897

(b) Capital commitments

	Group	
	2017	2016
	RM	RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided	1,502,000	-
	1,502,000	-

29. RELATED PARTIES DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

Related parties of the Group include:

(i) Direct and indirect subsidiaries as disclosed in Note 14 to the financial statements;

(ii) Direct and indirect joint ventures as disclosed in Note 15 to the financial statements;

(iii) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Company, and certain members of senior management of the Group; and

(iv) Microtree Sdn. Bhd. ("Microtree") whereby a substantial shareholder of the Company, Goh Kuan Ho, is also the General Manager of Microtree.

(v) Telemas Corporation Sdn Bhd. ("Telemas") whereby a Director of the Company, Loh Wee Hian is also the Director of Telemas.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

CONT'D

29. RELATED PARTIES DISCLOSURES (cont'd)

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Subsidiaries:				
Sales of other hardware	-	-	1,779,608	1,635,379
Rental and license fees	-	-	4,288,935	2,494,493
Hosting services	-	-	594,000	402,000
Purchase of goods and services	-	-	3,570,000	1,210,113
Management fees	-	-	6,149,256	4,952,068
Share options granted under ESS	-	-	-	17,429
Related parties:				
Rental expenses	550,736	494,736	-	-

The related party transactions were carried out on terms and conditions agreed between parties.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group and Company	
	2017	2016
	RM	RM
Short term employee benefits	3,687,046	2,148,750
Contributions to defined contribution plans	504,194	260,731
Share options granted under ESS	239,247	101,153
	4,430,487	2,510,634

Executive Directors of the Group and of the Company and other key management personnel have been granted the following number of options under the Executives' Share Scheme ("ESS") during the financial year:

	Group and Company	
	2017	2016
As at 1 January	3,800,000	5,900,000
Exercised	(3,800,000)	(2,100,000)
As at 31 December	-	3,800,000

The terms and conditions of the share options are detailed in Note 21 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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30. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the capital management of the Group is to maintain a strong capital base and safeguard the ability of the Group to continue as a going concern whilst maintaining an optimal capital structure, so as to maximise shareholders value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital. No changes were made in the objectives, policies or procedures during the financial years ended 31 December 2017 and 31 December 2016.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital managed at Group level, which comprises shareholders' funds, cash and cash equivalents and bank borrowings.

The gearing ratios are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Total borrowings	34,186,239	38,123,724	296,639	102,369
Less: Cash and cash equivalents	(99,945,382)	(76,887,102)	(16,085,617)	(8,910,398)
Net cash	(65,759,143)	(38,763,378)	(15,788,978)	(8,808,029)
Total equity	274,195,392	259,145,211	76,624,819	75,560,978
Gearing ratio	-	-	-	-

(b) Financial risk management

The financial risk management policy of the Group and of the Company is to ensure that adequate financial resources are available for the development of the operations of the Group and of the Company whilst managing its financial risks, including credit risk, liquidity and cash flow risks, interest rate risk and foreign currency risk. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

(i) Credit risk

Cash deposits and trade and other receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are creditworthy counterparties. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. Overdue balances are reviewed regularly by senior management.

The credit risk concentration profile has been disclosed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
CONT'D

30. CAPITAL AND FINANCIAL RISK MANAGEMENT (cont'd)

(b) Financial risk management (cont'd)

(ii) Liquidity and cash flow risks

The funding requirements of the Group and of the Company and their liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group and the Company monitor their cash flows and ensure that sufficient funding is in place to meet the obligations as and when they fall due.

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Notes 23 and 26 to the financial statements respectively.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates. The exposure of the Group and of the Company to interest rate risk arises primarily from their borrowings.

The interest profile and sensitivity analysis of interest rate risk have been disclosed in Note 23 to the financial statements.

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates. Subsidiaries operating in Australia, Philippines and Thailand have assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures. The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

The sensitivity analysis for foreign currency risk has been disclosed in Notes 19, 20, 23 and 26 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
CONT'D

31. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Proposed acquisitions of equity interests in MPOS Global Limited

(a) On 7 November 2017, the Group had entered into the following agreements for the proposed acquisition of up to 31.16% equity interest in MPOS Global Limited ("MPOS Global") for a total consideration of USD3,317,226 (equivalent to approximately RM14.05 million) ("Consideration"):

(i) a share subscription agreement ("SSA") between the Group with Nguyen Huu Tuat ("Tuat"), Nguyen Hoa Binh ("Binh") and MPOS Global to subscribe for 1,962,025 shares in MPOS Global ("MPOS Global Shares") representing approximately 28.18% of the total issued share capital of MPOS Global for a total cash consideration of USD3,000,000 (equivalent to approximately RM12.71 million) ("Subscription Price") ("Proposed Share Subscription");

(ii) a share purchase agreement ("SPA") between the Group and Tuat for the acquisition of additional 207,468 MPOS Global Shares representing approximately 2.98% of the total issued share capital of MPOS for a total cash consideration of USD317,266 (equivalent to approximately RM1.34 million) ("Shares Purchase Price") ("Proposed Share Purchase"); and

(iii) a shareholders' agreement ("Shareholders Agreement") between the Group with Tuat, Binh, Nexttech Group Of Techropreneurs Limited ("NextTech"), Inspirasia Accelerators Pte. Ltd ("Life.Sreda") and MPOS Global regulating the management of the Company and their relationship with each other as shareholders of MPOS Global.

(b) On 7 November 2017, MPOS Global had entered into a share subscription agreement ("MPOS Vietnam SSA") with Vietnam MPOS Technology Joint Stock Company ("MPOS Vietnam") for the subscription of 5,200,000 ordinary shares in MPOS Vietnam ("MPOS Vietnam Shares") for an aggregate subscription price of VND52,000,000,000 (equivalent to approximately RM9.67 million) accounting for approximately 95.69% of MPOS Vietnam ("Proposed MPOS Vietnam Acquisition").

Upon completion of the Proposed Share Subscription, Proposed Share Purchase and Proposed MPOS Vietnam Acquisition, the Group will directly own 31.16% of the equity interest in MPOS Global and an effective equity interest of 29.8% in MPOS Vietnam.

As at 31 December 2017, the condition precedents of SSA, SPA, Shareholders Agreement and MPOS Vietnam SSA have yet to be fulfilled.

32. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) Deemed disposal of Mruncit Commerce Sdn. Bhd. ("MRC")

On 4 January 2018, a joint venture, MRC has increased its issued and paid-up share capital from RM1,290,000 to RM4,090,000 by way of allotment and issuance of 700,000 new ordinary shares for a cash consideration of RM2,800,000 for working capital purposes. As a result of the allotment, the equity interest of the Group in MRC had been diluted from 49.0% to 31.76%. Consequently, MRC became an associate of the Group.

(b) Acquisition of Digital Salute Sdn. Bhd. ("DSSB")

On 2 February 2018, the Group acquired 100% equity interest in DSSB comprising one (1) ordinary share for a total consideration of RM1, rendering DSSB to be a wholly owned subsidiary of the Group.

On 2 February 2018, the issued and paid-up share capital of DSSB was increased from RM1 to RM10,000 by way of allotment and issuance of 9,999 new ordinary shares. As a result, the shareholding of the Group in DSSB decreased from 100% to 85%.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
CONT'D

32. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (cont'd)

(c) Proposed acquisitions of equity interests in MPOS Global Limited

(i) On 12 February 2018, the Group had entered into a revised SSA to amend and restate certain terms of the SSA ("Revised SSA").

(ii) On 12 February 2018, MPOS Global had entered into a share purchase agreement ("MPOS Vietnam SPA") with MPOS Vietnam and the shareholders of MPOS Vietnam, namely Tuat and Binh ("Sellers") to purchase a total of 5,200,000 MPOS Vietnam Shares ("Transferred Shares") from the Sellers representing approximately 95.69% of MPOS Vietnam for an aggregate purchase price of VND52,000,000,000 (equivalent to approximately RM9.67 million) ("MPOS Vietnam Purchase Price") ("Proposed MPOS Vietnam Acquisition"). Accordingly, MPOS Global and MPOS Vietnam had, via a Liquidation Agreement dated 12 February 2018, mutually agreed to terminate the MPOS Vietnam SSA.

There will be no change to the Group's cost of investment and equity interest in MPOS Global and MPOS Vietnam upon completion of the Proposed Share Subscription pursuant to the Revised SSA, the Proposed Share Purchase and the Proposed MPOS Vietnam Acquisition as per the MPOS Vietnam SPA.

33. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

(a) New MFRSs adopted during the financial year

The Group and Company adopted the following Amendments of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year.

Title	Effective Date
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2017

Adoption of the above Amendments did not have any material effect on the financial performance or position of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
CONT'D

33. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (cont'd)

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The Standards, Amendments and Interpretations that are issued but not yet effective up to the date of issuance of financial statements of the Group and of the Company are disclosed below. The Group and the Company intend to adopt these Standards, Amendments and Interpretations, if applicable, when they become effective.

Title	Effective Date
Amendments to MFRS 1 Annual Improvements to *MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48
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
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards, Amendments and Interpretations since the effects would only be observable for the future financial years.

LIST OF PROPERTIES

Title/Location	Description/ Existing Use	Registered Owner	Age of Building (Years)	Land Area	Tenure	Carrying Amount as at 31.12.2017 (RM)	Date of Acquisition
4 1/2-storey shop office at Unit L 7, 8 & 9, C-G-13, C-G-15 & C-G-17, Block C, Jalan Dataran SD1, Dataran SD PJU 9, Bandar Sri Damansara, 52200 Kuala Lumpur	Office space	GHL Systems Berhad	12	570 square meters	Leasehold Expires on 27 August 2102	4,097,045	1.7.2005
One (1) Floor Office Space (6 Condominium units) at 6th Floor One Corporate Plaza, 845 Arnaiz Avenue, Legaspi Village, Makati City, Philippines	Office Space	GHL Systems Philippines, Inc.	26	979 square meters	Freehold	3,882,336	25.11.2014

SHAREHOLDINGS STATISTICS
As at 21 March 2018

Total Number of Issued Shares	658,766,391
Class of Shares	Ordinary shares
Voting Rights	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	Number of Holders	%	Number of Shares Held	%
Less than 100	1,637	24.94	59,915	0.01
100 - 1,000 shares	1,132	17.24	565,306	0.09
1001 - 10,000 shares	2,693	41.03	12,471,877	1.89
10,001 - 100,000 shares	938	14.29	28,583,309	4.34
100,001 to less than 5% of issued shares	160	2.44	211,915,810	32.17
5% and above of issued shares	4	0.06	405,170,174	61.50
Total	**6,564**	**100**	**658,766,391**	**100**

*Note: * Excluding 678,601 shares bought back and retained by the Company as treasury shares.*

SUBSTANTIAL SHAREHOLDERS

	Number of Shares Held			
Substantial Shareholders	Direct Interest	%	Indirect Interest	%
CIMSEC NOMINEES (ASING) SDN BHD	291,536,049	44.25	-	-
CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LOH WEE HIAN (PBCL-0G0040)*	45,000,000	6.83	-	-
CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR LOH WEE HIAN (PB)*	40,371,184	6.13	6,110,250	0.93
HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CREDIT (SG BR-TST-ASING)*	39,666,241	6.02	-	-

DIRECTORS' SHAREHOLDINGS

		Number of Shares Held			
Name of Directors	Note	Direct Interest	%	Indirect Interest	%
Loh Wee Hian	1	85,371,184	12.96	45,776,491	6.95
Fong Seow Kee		1,861,950	0.28	635,175	0.10

Notes:

1) *85,371,184 held under CIMSEC Nominees (Tempatan) Sdn. Bhd.*

SHAREHOLDINGS STATISTICS

As at 21 March 2018

CONT'D

CHIEF EXECUTIVES' SHAREHOLDINGS

		Number of Shares Held			
Name of Executives	Note	Direct Interest	%	Indirect Interest	%
Leong Kah Chern	1	2,085,000	0.32	-	-
Yap Chih Ming		3,570,049	0.54	-	-

Notes:

1) *85,000 held under CIMB Group Nominees (Tempatan) Sdn Bhd exempt An for Fortress Capital Asset Management (M) Sdn Bhd*

THIRTY LARGEST REGISTERED SHAREHOLDERS

No	Name of Shareholders	Number of shares Held	%
1	CIMSEC NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ACTIS STARK (MAURITIUS) LIMITED*	291,536,049	44.25
2	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR LOH WEE HIAN (PB)*	40,371,184	6.13
3	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)*	39,666,241	6.02
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	33,596,700	5.10
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LOH WEE HIAN (PBCL-0G0040)*	30,000,000	4.55
6	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CREDIT SUISSE SECURITIES (EUROPE) LIMITED*	18,815,700	2.86
7	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC OPPORTUNITIES FUND*	15,065,100	2.29
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LOH WEE HIAN (PBCL-0G0315)*	15,000,000	2.28
9	GOH HENG LOO	12,989,370	1.97
10	CITIGROUP NOMINEES (ASING) SDN BHD *UBS AG*	10,571,100	1.60
11	CARTABAN NOMINEES (TEMPATAN) SDN BHD *RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND*	8,745,900	1.33
12	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC SELECT TREASURES FUND*	6,614,400	1.00
13	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)*	6,558,800	1.00
14	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR LOH HIN YAW (PB)*	6,110,250	0.93
15	GOH KUAN HO	5,477,150	0.83
16	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR AFFIN HWANG AIIMAN GROWTH FUND (4207)*	5,250,000	0.80

SHAREHOLDINGS STATISTICS

As at 21 March 2018
CONT'D

THIRTY LARGEST REGISTERED SHAREHOLDERS (cont'd)

No	Name of Shareholders	Number of shares Held	%
17	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC TREASURES GROWTH FUND*	4,174,200	0.63
18	YAP CHIH MING	3,570,049	0.54
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN HWNG SM CF)*	3,420,000	0.52
20	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR SINGULAR VALUE FUND*	2,347,500	0.36
21	CARTABAN NOMINEES (TEMPATAN) SDN BHD *RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT-HW SHARIAH FLEXI FUND*	2,170,000	0.33
22	LEONG KAH CHERN	2,000,000	0.30
23	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC EMERGING OPPORTUNITIES FUND*	1,957,400	0.30
24	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR FONG SEOW KEE*	1,861,950	0.28
25	KANAGARAJ LORENZ	1,444,000	0.22
26	UOB KAY HIAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	1,363,595	0.21
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD *ETIQA LIFE INSURANCE BERHAD (DANA EKT PRIMA)*	1,300,000	0.20
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR GOH HENG LOO (PB)*	1,293,500	0.20
29	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD *CIMB ISLAMIC TRUSTEE BHD FOR BIMB I DIVIDEND FUND*	1,265,000	0.19
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD *WOO KOK MUN*	1,236,137	0.19

NOTICE OF
TWENTY-FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting of GHL Systems Berhad ("GHL" or "the Company") will be held at Function Room 1 and 2, 1st Floor, TPC Kuala Lumpur, 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on **Wednesday**, **30 May 2018** at **10.00 a.m.** for the following purposes:-

AGENDA

A. Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. **[Please see Note 2]**

2. To re-elect Datuk Kamaruddin bin Taib who is retiring in accordance with Article 127 of the Constitution of the Company. (Ordinary Resolution 1)

3. To re-elect the following Directors in accordance with Article 132 of the Constitution of the Company:-

   i. Mr Hossameldin Abdelhamid Mohamed Aboumoussa (Ordinary Resolution 2)

   ii. Mr Ali Zaynalabidin Haeri Mazanderani (Ordinary Resolution 3)

4. To approve the payment of Directors' fees of RM228,000.00 for the financial year ending 31 December 2018. (Ordinary Resolution 4)

5. To approve the payment of Special Director's fee of RM30,000.00 for the financial year ending 31 December 2018. (Ordinary Resolution 5) **[Please see Note 3]**

6. To approve the payment of Directors' benefits as follows:-

   i. RM45,013.00 for the financial year ended 31 December 2017 (Ordinary Resolution 6)

   ii. up to RM66,030.00 for the period from 1 January 2018 until the Twenty-fifth Annual General Meeting of the Company. (Ordinary Resolution 7)

7. To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Directors to fix their remuneration for the ensuing year. (Ordinary Resolution 8)

B. Special Business

To consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:-

8. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** (Ordinary Resolution 9) **[Please see Note 4(i)]**

   "THAT, pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act") and the Constitution of the Company and subject to the approvals from Bursa Malaysia Securities Berhad and other relevant government/regulatory authorities, where such approval is necessary, the Directors of the Company be and are hereby empowered pursuant to Sections 75 and 76 of the Act to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued during the preceding 12 months does not exceed 10% of the total number of the issued shares (excluding treasury shares) of the Company for the time being AND THAT the Board of Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad."

NOTICE OF TWENTY-FOURTH ANNUAL GENERAL MEETING
CONT'D

9. **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY ("Proposed Renewal of Share Buy-Back Authority")** (Ordinary Resolution 10) **[Please see Note 4(ii)]**

"THAT, subject always to the Companies Act 2016 ("the Act"), the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

(a) the aggregate number of shares purchased does not exceed ten percent (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;

(b) the maximum funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained earnings of the Company at the time of the purchase(s); and

(c) the Directors of the Company may decide to:-

    i. retain the shares purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; and/or

    ii. cancel the shares so purchased; and/or

    iii. retain part of the shares so purchased as treasury shares and cancel the remainder in the manner as allowed by the Act.

THAT such authority shall commence upon passing of this resolution and shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting at which such resolution was passed at which time it will lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next Annual General Meeting of the Company after the date is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders in general meeting;

whichever occurs first.

NOTICE OF TWENTY-FOURTH ANNUAL GENERAL MEETING
CONT'D

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares) in accordance with the Act, the provisions of the Constitution of the Company and the Main Market Listing Requirements of Bursa Securities and/or guidelines of Bursa Securities and all other relevant governmental and/or regulatory authorities."

C. Other Business

10. To transact any other business of which due notice shall have been given in accordance with the Constitution of the Company and the Companies Act 2016.

By Order of the Board

WONG WAI FOONG (MAICSA 7001358)
LIM POH YEN (MAICSA 7009745)
KUAN HUI FANG (MIA 16876)
Company Secretaries

Kuala Lumpur
26 April 2018

NOTES:-

1. Notes on Appointment of Proxy

i. A member entitled to attend and vote at the general meeting is entitled to appoint one (1) or more proxies to attend and vote in his place. There shall be no restriction as to the qualification of the proxy.

   A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

   Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

ii. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

iii. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

NOTICE OF TWENTY-FOURTH ANNUAL GENERAL MEETING
CONT'D

iv. The Proxy Form must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its attorney duly authorised in writing.

v. If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.

vi. The Proxy Form or other instruments of appointment must be deposited at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

vii. In respect of deposited securities, only members whose names appeared in the Record of Depositors as at 21 May 2018 shall be eligible to attend, speak and vote at the Meeting.

2. Audited Financial Statements for the financial year ended 31 December 2017

The Audited Financial Statements is meant for discussion only as an approval from shareholders is not required pursuant to the provision of 340(1)(a) of the Companies Act 2016. Hence, this item on the Agenda is not put forward for voting by shareholders of the Company.

3. Explanatory Notes on Ordinary Business:

Ordinary Resolution 5 – Approval of the payment of Special Director's Fee to an Independent Director of the Company for the Financial Year Ending 31 December 2018

The Board of Directors proposes an one-off special Director's Fee of RM30,000.00 to be paid to Datuk Kamaruddin bin Taib, the Independent Director of the Company for the financial year ending 31 December 2018.

4. Explanatory Notes on Special Business

i. Ordinary Resolution 9 - Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 9 is a renewal of the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 ("General Mandate") obtained from the shareholders of the Company at the previous Annual General Meeting and, if passed, will empower the Directors of the Company to issue new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being.

The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Twenty-Third Annual General Meeting held on 26 May 2017 and which will lapse at the conclusion of the Twenty-Fourth Annual General Meeting.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding current and/or future investment project(s), working capital, acquisition and/or for issuance of shares as settlement of purchase consideration.

ii. Ordinary Resolution 10 – Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 10, if passed, will provide a mandate for the Company to purchase its own shares up to 10% of the total number of issued shares of the Company and shall lapse at the conclusion of the next Annual General Meeting unless authority for the approval is obtained from the shareholders of the Company at a general meeting. Please refer to the Statement to Shareholders in relation to the Proposed Renewal of Share Buy-Back Authority attached in the Annual Report 2017 of the Company for further details.

STATEMENT TO SHAREHOLDERS
In relation to the Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

PROPOSED SHARES BUY-BACK PURSUANT TO PARAGRAPH 12.06(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Disclaimer Statement

This Statement is important and If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") takes no responsibility for the contents of this Share Buy-Back Statement ("Statement"), makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of the document.

2. Introduction

2.1 Renewal of Authority for GHL to Purchase its Own Shares (Proposed Shares Buy-Back)

At the last Annual General Meeting of the Company held on 26 May 2017, the Company had obtained the shareholders' approval to purchase its own shares as may be determined by the Board of Directors of the Company from time to time through Bursa Securities, upon such terms and conditions as the Board of Directors may deem fit and expedient in the interest of the Company, provided that the aggregate number of ordinary shares purchased and/or held does not exceed 10% of the total issued and paid-up share capital of the Company at any point in time and an amount not exceeding the total retained profits. Based on the Audited Financial Statements of the Company for the financial year ended 31 December 2017, the Company's accumulated losses were RM131,178,861.

The authority obtained by the Board of Directors for purchasing the Company's own shares in accordance with the Main Market Listing Requirements of Bursa Securities governing shares buy-back by listed companies, will lapse at the conclusion of the forthcoming 24th Annual General Meeting to be held on 30 May 2018, unless renewed by an ordinary resolution.

On 27 March 2018, the Company announced its intention to seek shareholders' approval at the forthcoming 24th Annual General Meeting, for the proposed renewal of the authority for the Company to purchase its own shares.

2.2 Purpose of Statement

The purpose of this Statement is to provide relevant information on the Proposed Shares Buy-Back and to seek your approval for the ordinary resolution to renew the authority for the Company to purchase its own shares, to be tabled at the forthcoming 24th Annual General Meeting. The notice of Annual General Meeting together with the Proxy Form is set out in this Annual Report.

3. Details of the Proposed Shares Buy-Back

3.1 Details of the Proposed Share Buy-Back

The Board proposes to seek the approval from the shareholders of GHL for the Company to purchase up to ten percent (10%) of its prevailing issued and paid-up ordinary share capital at any time through its appointed stockbroker.

The Proposed Share Buy-Back, once approved by the shareholders of the Company, shall be effective from the date of the passing of the ordinary resolution pertaining to the Proposed Share Buy-Back at the forthcoming 24th Annual General Meeting and shall remain in force until:-

(a) the conclusion of the next Annual General Meeting of GHL following the forthcoming 24th Annual General Meeting at which the ordinary resolution for the Proposed Share Buy-Back is passed, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
(b) the expiration of the period within which the next Annual General Meeting after that date is required by law to be held; or
(c) the authority is revoked or varied by ordinary resolution passed by the shareholders of GHL in a general meeting,

whichever occurs first.

STATEMENT TO SHAREHOLDERS

In relation to the Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

CONT'D

3. Details of the Proposed Shares Buy-Back (cont'd)

3.1 Details of the Proposed Share Buy-Back (cont'd)

The actual number of GHL Shares to be purchased will depend on market conditions and sentiments of Bursa Securities as well as the retained profits and financial resources available to the Company at the time of the purchase(s).

GHL will ensure that the purchase of its own Shares will not result in the Company's public shareholding spread falling below the minimum public shareholding spread of twenty-five percent (25%) of its total listed Shares (excluding treasury shares).

If the Board decides to cancel the purchased GHL Shares, the Company's issued and paid-up share capital shall be diminished by the cancellation of the purchased GHL Shares.

4. Rationale for the Proposed Share Buy-Back

The Proposed Shares Buy-Back will enable GHL to utilise its surplus financial resources to buy-back GHL shares. The increase in Earnings Per Share, if any, arising from the Proposed Shares Buy-Back is expected to benefit the shareholders of the Company.

The purchased GHL shares can be held as treasury shares and resold on Bursa Securities to realise potential gain without affecting the total issued and paid-up capital of the Company. The distribution of the treasury shares as share dividends may also serve to reward the shareholders of the Company.

5. Source of Fund

The Proposed Share Buy-Back, if implemented, will be funded through internally generated funds and/or bank borrowings, the proportion of which will depend on the quantum of the purchase consideration and availability of internal funds of GHL. In the event bank borrowings are required for the purchase of GHL Shares, the Board will ensure that the Company has the capability to repay the bank borrowings and the repayment will not have any material impact on the Company's cash flow.

6. Potential Advantages and Disadvantages of the Proposed Renewal

The potential advantages of the Proposed Shares Buy-Back are as follows:

(i) the Proposed Share Buy-Back is expected to stabilise the supply and demand as well as the prices of the GHL Shares traded on Bursa Securities and thereby support its fundamental value and to maintain investors' confidence in GHL;
(ii) if the Shares are bought back as treasury shares, it will provide the Directors of GHL an option to sell the purchased GHL Shares at a higher price and generate capital gain for the Company.
(iii) the purchased GHL Shares can be distributed as share dividends to reward its shareholders.

The potential disadvantages of the Proposed Shares Buy-Back are as follows:

(i) The Proposed Renewal can only be made out of retained profits of the Company resulting in a reduction of the amount available for distribution as dividends and bonus issues to shareholders;
(ii) The Proposed Renewal will reduce the financial resources of the Company which may result in the Company foregoing better investment opportunities that may emerge in the future;
(iii) The cash flow of the Company may be affected if the Company decides to utilise bank borrowings to finance a Share Buy-Back.

STATEMENT TO SHAREHOLDERS
In relation to the Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares
CONT'D

7. Direct and Indirect Interests of the Directors and Substantial Shareholders

The effects of the Proposed Shares Buy-Back on the Substantial shareholders' and Directors' shareholdings based on the Register of Substantial Shareholders and the Register of Directors' Shareholdings respectively as at 21 March 2018 are as follows:

Substantial Shareholders	Before the Proposed Share Buy-Back*(a)				After the Proposed Share Buy-Back*(b)			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Loh Wee Hian	85,371,184	12.95	45,776,491	6.94	85,371,184	14.38	45,776,491	7.71
Actis Stark (Mauritius) Limited	291,536,049	44.21	-	-	291,536,049	49.12	-	-

Notes:
*(a) *Adjusted for the number of treasury shares held as at 21 March 2018*
*(b) *Assuming that 10% of the issued and paid up capital is purchased and retained as treasury shares.*

Directors	Before the Proposed Share Buy-Back*(a)				After the Proposed Share Buy-Back*(b)			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Loh Wee Hian	85,371,184	12.95	45,776,491	6.94	85,371,184	14.38	45,776,491	7.71
Fong Seow Kee	1,861,950	0.28	635,175	0.10	1,861,950	0.31	635,175	0.11

Notes:
*(a) *Adjusted for the number of treasury shares held as at 21 March 2018*
*(b) *Assuming that 10% of the issued and paid up capital is purchased and retained as treasury shares.*

8. Effects of Proposed Shares Buy-Back

Assuming that the Company buys back up to 65,944,499 GHL Shares representing 10% of its issued and paid-up share capital as at 21 March 2018 and such shares purchased are cancelled or alternatively be retained as treasury shares or both, the financial effects of the Proposed Share Buy-Back on the share capital of the Company, Net Assets, working capital, earnings and dividends of GHL are as follows:

8.1 Share Capital

In the event that all GHL shares purchased are cancelled, the Proposed Share Buy-Back will result in the issued and paid up share capital of GHL as at 21 March 2018 to be reduced from RM208,109,527 comprising 659,444,992 GHL Shares to RM187,023,312 comprising 593,500,493 GHL Shares. It is not expected to have any effect on the issued and paid up capital if all GHL Shares purchased are to be retained as treasury shares.

The effect of the Proposed Shares Buy-Back on the issued and paid up share capital of GHL are illustrated below:

	No of Shares	RM
Issued and paid up share capital as at 31 December 2017, inclusive of 678,601 shares held as Treasury Shares	659,444,992	208,109,527
Issued and paid up share capital as at 21 March 2018	659,444,992	208,109,527
After share purchase and cancellation	593,500,493	#187,298,574

Notes:
Assuming up to 10% of the issued and paid up capital of GHL or 65,944,499 GHL Shares are purchased and cancelled.

STATEMENT TO SHAREHOLDERS
In relation to the Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares
CONT'D

8. **Effects of Proposed Shares Buy-Back** (cont'd)

8.2 Net Assets

The Proposed Share Buy-Back, if implemented may increase or decrease the net assets and net assets per Share depending on the purchase prices of GHL Shares pursuant to the Proposed Share Buy-Back. The consolidated net assets per Share will increase if the purchase price is less than the audited consolidated net assets per share and conversely, the consolidated net assets per share will decrease if the purchase price exceeds the consolidated net assets per Share at the time when the GHL Shares are purchased.

In the event the purchased GHL Shares which are retained as treasury shares are resold, the consolidated Net Assets per Share of GHL will increase or decrease depending on whether a gain or a loss is realised upon the resale. The quantum of the increase or decrease in net assets will depend on the actual selling price and the number of the treasury shares resold to the market.

8.3 Working Capital

The Proposed Share Buy-Back, as and when implemented, will reduce the working capital of the GHL Group, the quantum of which will depend on the actual purchase price and number of purchased GHL Shares as well as any associated costs incurred in relation to the share buy-back pursuant to the Proposed Share Buy-Back. However, it is not expected to have a material adverse effect on the working capital of the Company.

The working capital and the cash flow of the Company will also increase accordingly when the Proposed Share Buy-Back which are retained as treasury shares are resold. The quantum of the increase in working capital and cash flow will depend on the actual selling price and the number of the treasury shares resold to the market.

8.4 Earnings

The effect of the Proposed Share Buy-Back on the EPS of GHL will depend on, inter-alia, the actual number of purchased GHL Shares and the effective cost of funding to the GHL Group, or any loss in interest income to GHL or opportunity cost in relation to other investment opportunity. However, the Proposed Share Buy-Back, if exercised, is not expected to have any material effect on the EPS of GHL for the financial year ending 31 December 2017.

8.5 Dividends

The above Proposed Share Buy-Back is not expected to have any impact on the dividend payment as the Board will take into considerations the Company's profit, cash flow and the capital commitments before proposing any dividend payment.

9. **Malaysian Code on Take-Overs and Mergers 2016 (CODE)**

The Proposed Shares Buy-Back, if carried out in full (whether shares are cancelled or treated as treasury shares) may result in a substantial shareholder and/or parties acting in concert with it incurring a mandatory general offer obligation. In this respect, the Board is mindful of the provisions under Rule 4 of the Rules on Take-Overs, Mergers and Compulsory Acquisitions.

In the event that GHL decides to purchase its own Shares which will result in Loh Wee Hian and Actis Stark (Mauritius) Limited's shareholdings in GHL increasing by more than 2% in any period of six (6) months. Loh Wee Hian and Actis Stark (Mauritius) Limited will seek a waiver from the Securities Commission Malaysia under Rule 4 of the Rules on Take-Overs, Mergers and Compulsory Acquisitions before the Company purchases its own Shares.

STATEMENT TO SHAREHOLDERS
In relation to the Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares
CONT'D

10. Purchases Made in the preceding twelve (12) months

The Company did not undertake any Share Buy-Back during the financial year ended 31 December 2017.

During the financial year, the Company had completed the resale of treasury shares of 737,300 units with a price ranging from RM1.70 to RM1.73. The details of the resale of treasury shares in the preceding twelve (12) months were as follows:

Transaction date	Number of shares (units)	Unit price Lowest RM	Unit price Highest RM	Unit price Average RM	Consideration received* RM
4 October 2017	440,500	1.68	1.74	1.721	755,678.84
5 October 2017	296,800	1.69	1.74	1.723	506,386.71

* *Including brokerage, clearing house fees and stamp duty.*

There is no cancellation of shares made in the preceding 12 months.

11. Proposed Intention of the Directors to Deal with the Shares so Purchased

The Proposed Renewal of Share Buy-Back Mandate, if exercised, the shares shall be dealt with in the following manner:-

- to cancel the shares so purchased; or
- to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
- retain part of the shares so purchased as treasury shares and cancel the remainder.

12. Historical Shares Prices

The monthly highest and lowest market prices of GHL Shares traded on Bursa Securities for the preceding twelve (12) months are as follows:

	Highest RM	Lowest RM
2017		
April	1.87	1.03
May	1.59	1.36
June	1.55	1.35
July	1.62	1.48
August	1.80	1.53
September	1.75	1.59
October	1.74	1.41
November	1.68	1.44
December	1.52	1.28
2018		
January	1.62	1.41
February	1.53	1.34
March	1.47	1.03

The last transacted market price as at 13 April 2018 (being the latest practical date prior to the printing of this Statement) was RM1.30.

(Source: Bloomberg)

STATEMENT TO SHAREHOLDERS

In relation to the Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

CONT'D

13. Public Shareholding Spread

The Proposed Share Buy-Back will be carried out in accordance with the prevailing law at the time of the purchase including compliance with 25% public shareholding spread in the hands of public shareholders as required under Paragraph 12.14 of the Listing Requirements.

As at 21 March 2018, the public shareholding spread of the Company was 34.63%. In implementing the Proposed Share Buy-Back, the Company will ensure that the minimum public shareholding spread of 25% is complied with.

14. Director Statement and Recommendation

After having considered all aspects of the Proposed Shares Buy-Back, your Board of Directors is of the opinion that the Proposed Shares Buy-Back is in the best interest of the Company. Accordingly, they recommend that you vote in favour of the ordinary resolution for the Proposed Shares Buy-Back to be tabled at the forthcoming 24th Annual General Meeting.

15. Responsibility Statement

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

16. Documents Available For Inspection

Copies of the following documents will be available for inspection at the registered office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur during normal office hours from Monday to Friday (except for public holidays) from the date of this Statement up to and including the date of the forthcoming AGM:

(i) Memorandum and Articles of Association of GHL; and
(ii) The audited consolidated financial statements of GHL for the past two (2) financial years ended 31 December 2016 and 2017 respectively.

17. Further Information

There is no other information concerning the Proposed Renewal of Share Buy-Back Mandate as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Renewal of Share Buy-Back Mandate and the extent of the risks involved in doing so.

GHL

GHL SYSTEMS BERHAD (293040-D)
(Incorporated in Malaysia)

PROXY FORM

No. of ordinary shares held	CDS Account No.

Telephone no. (During office hours) ____________________

I/We ______________________________ NRIC No ____________________
(PLEASE USE BLOCK CAPITAL)

of ____
(FULL ADDRESS)

being a member(s) of **GHL SYSTEMS BERHAD (293040-D)** hereby appoint* ____________________
(FULL NAME)

NRIC No ____________________ of ____________________
(FULL ADDRESS)

____________________ or failing him ____________________ NRIC No ____________________
(FULL NAME)

of ____
(FULL ADDRESS)

or THE CHAIRMAN OF THE MEETING as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf, at the Twenty-Fourth Annual General Meeting of the Company to be held at Function Room 1 and 2, 1st Floor, TPC Kuala Lumpur, 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on **Wednesday**, **30 May 2018** at **10.00 a.m.** and at any adjournment thereof, to vote as indicated below:-

ORDINARY BUSINESS		FOR	AGAINST
Ordinary Resolution 1	Re-election of Datuk Kamaruddin bin Taib as Director pursuant to Article 127 of the Constitution of the Company		
Ordinary Resolution 2	Re-election of Mr Hossameldin Abdelhamid Mohamed Aboumoussa as Director pursuant to Article 132 of the Constitution of the Company		
Ordinary Resolution 3	Re-election of Mr Ali Zaynalabidin Haeri Mazanderani as Director pursuant to Article 132 of the Constitution of the Company		
Ordinary Resolution 4	Approval of Directors' fees for the financial year ending 31 December 2018		
Ordinary Resolution 5	Approval of Special Director's fee to an Independent Director for the financial year ending 31 December 2018		
Ordinary Resolution 6	Approval of Directors' benefits of RM45,013.00 for the financial year ended 31 December 2017		
Ordinary Resolution 7	Approval of Directors' benefits of up to RM66,030.00 for the period from 1 January 2018 until the Twenty-fifth Annual General Meeting of the Company		
Ordinary Resolution 8	Re-appointment of Messrs BDO as Auditors of the Company and to authorise the Directors to fix their remuneration		
SPECIAL BUSINESS			
Ordinary Resolution 9	Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Ordinary Resolution 10	Proposed Renewal of Share Buy-Back Authority		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the Proxy will vote or abstain from voting at his/her discretion.)

The proportions of my/our shareholding to be represented by my/our proxy(ies) are as follows:

First named Proxy ____________ %
Second named Proxy ____________ %
100%

Dated this ____________ day of ____________ 2018.

____
Signature of Member(s) or/Common Seal

Notes:-

i. A member entitled to attend and vote at the general meeting is entitled to appoint one (1) or more proxies to attend and vote in his place. There shall be no restriction as to the qualification of the proxy.

A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

ii. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

iii. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

iv. The Proxy Form must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its attorney duly authorised in writing.

v. If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.

vi. The Proxy Form or other instruments of appointment must be deposited at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

vii. In respect of deposited securities, only members whose names appeared in the Record of Depositors as at 21 May 2018 shall be eligible to attend, speak and vote at the Meeting.

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AFFIX
STAMP

The Company Secretary

GHL Systems Berhad (Company No. 293040-D)
Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No 8, Jalan Kerinchi
59200 Kuala Lumpur

1st Fold Here

GHL SYSTEMS BERHAD (293040-D)

C-G-15, Block C, Jalan Dataran SD1
Dataran SD PJU 9, Bandar Sri Damansara
52200 Kuala Lumpur
Malaysia

Tel : 603-6286 3388
Fax : 603-6280 2999