

PROPOSED ACQUISITIONS BY GHL SYSTEMS BERHAD OF UP TO 31.16% EQUITY INTEREST IN MPOS GLOBAL LIMITED FOR A TOTAL CONSIDERATION OF USD3,317,226

Reference to the Company's announcement dated 7 November 2017 ("**Announcement**") and the query letter from Bursa Securities dated 9 November 2017 ("**Query**") in relation to the Proposed Acquisitions.

Unless otherwise stated, defined terms used in this reply shall carry the same meanings as defined in the Announcement.

The Company wishes to provide the following additional information pursuant to the Query:-

1. The basis for the subscription consideration of RM9.67 million for Proposed MPOS Vietnam Acquisition.

The primary use for the MPOS Subscription Price was to finance the acquisition of MPOS Vietnam.

Accordingly, the MPOS Vietnam Subscription Price was arrived at after taking into consideration, amongst others, MPOS Vietnam's niche market position in Vietnam, cost and time of setting up a company similar to MPOS Vietnam and MPOS Vietnam's existing business arrangements with 2 major banks in Vietnam. Additionally, GHL believes that MPOS Vietnam is the only nonbank that can provide merchants with the ability to accept payments through a mobile point of sale system in Vietnam.

2. The utilisation by MPOS of the balance RM3.04 million proceeds from Proposed Share Subscription.

MPOS intends to utilise the balance proceeds of RM3.04 million from the Proposed Share Subscription for working capital and business expansion purposes within 24 months.

GHL intends to use MPOS as part of its strategy to expand its footprint in other ASEAN markets. MPOS, being a special purpose vehicle set up by the parties to invest where suitable opportunities arise, may use such balance proceeds for future potential acquisitions. MPOS currently does not have any amount earmarked for specific business expansion purposes. In the event MPOS Vietnam requires funding for its working capital purposes, such funds may be channeled to MPOS Vietnam for working capital expenditure. In such event, the funding to MPOS Vietnam may be via loan and/or subscription of new shares in MPOS Vietnam.

Working capital, includes but is not limited to, MPOS and MPOS Vietnam's ("**MPOS Group**") payment to trade creditors, maintenance capital expenditure and operating/administrative expenses. Operating/administrative expenses, include but is not limited to, payroll expenses, finance costs, professional and consultancy fees as well as advertising and marketing promotion expenses.

3. Explanation on the increase in revenue and LAT of MPOS Vietnam in 2015 and 2016.

FY 2014 vs FY 2015

MPOS Vietnam commenced business in late 2014 and recorded revenue for a full year in 2015. MPOS Vietnam recorded an increase in revenue of VND5.8 billion from VND60.2 million for the financial year ended 31 December 2014 (“**FY 2014**”) to VND5.9 billion for the financial year ended 31 December 2015 (“**FY 2015**”).

MPOS Vietnam’s LAT increased by VND2.0 billion from VND80.1 million in FY 2014 to VND2.1 billion in FY2015 mainly due to the increase in staff cost and operating overheads as it recorded a full year of business operations during the year.

FY 2015 vs FY 2016

The increase in MPOS Vietnam’s revenue from by VND0.5 billion from VND5.9 billion for the FY 2015 to VND6.4 billion for the FY 31 December 2016 (“**FY 2016**”) is primarily due to higher revenue of RM4.6 billion from the following:-

- Increase in service fees of VND2.1 billion as a result of increased customer payments via credit cards; and
- Additional sales of VND2.5 billion from provision of software development services and advertising services during the FY 2016.

The aforementioned increase in revenue of VND4.6 billion is negated by VND4.1 billion lower revenue recorded from the sale of MPOS Vietnam’s card reader devices during the year.

MPOS Vietnam’s LAT increased by VND0.96 billion from VND2.1 billion in FY 2015 to VND3.1 billion in FY2016 mainly due an increase in general and administrative expenses. General and administrative expenses increased during the year due to the following:-

- Increase in legal and audit fees of VND0.3 billion as a result of an increase in business activities;
- Increase in staff costs of VND0.4 billion due to increase in number of employees and annual salary increments; and
- Increase in management fees charged for outsourcing service costs of VND0.3 billion as a result of an increase in business activities.

This announcement is dated 13 November 2017