

GHL SYSTEMS BERHAD (“GHL” OR THE “COMPANY”)

PROPOSED ACQUISITION OF UP TO 51.0% OF THE EQUITY INTEREST IN SPEED PAY PLC (“SPEED PAY”) BY GHL ASIA PACIFIC LIMITED, A WHOLLY-OWNED SUBSIDIARY OF GHL FOR A TOTAL CONSIDERATION OF USD2,040,000 (“PROPOSED SPEED PAY ACQUISITION”)

This announcement is dated 29 November 2018 (“**Announcement**”).

For the purpose of this Announcement, all amounts in United States Dollar (“**USD**”) are converted based on USD1.00 : RM4.19, representing Bank Negara Malaysia’s USD:RM selling exchange rate as at 19 November 2018, being the latest practicable date (“**LPD**”) prior to the execution of the SPSA and Shareholders’ Agreement (as defined herein), have been used throughout this Announcement.

1. INTRODUCTION

The Board of Directors of GHL (“**Board**”) wishes to announce that GHL Asia Pacific Limited (“**GAPL**” or the “**Purchaser**”), a wholly-owned subsidiary of GHL had on 29 November 2018, entered into the following agreements for the proposed acquisition of 51.0% of the equity interest in Speed Pay Plc (“**Speed Pay**”) for a total consideration of USD2,040,000 (approximately to RM8.55 million) (“**Consideration**”):-

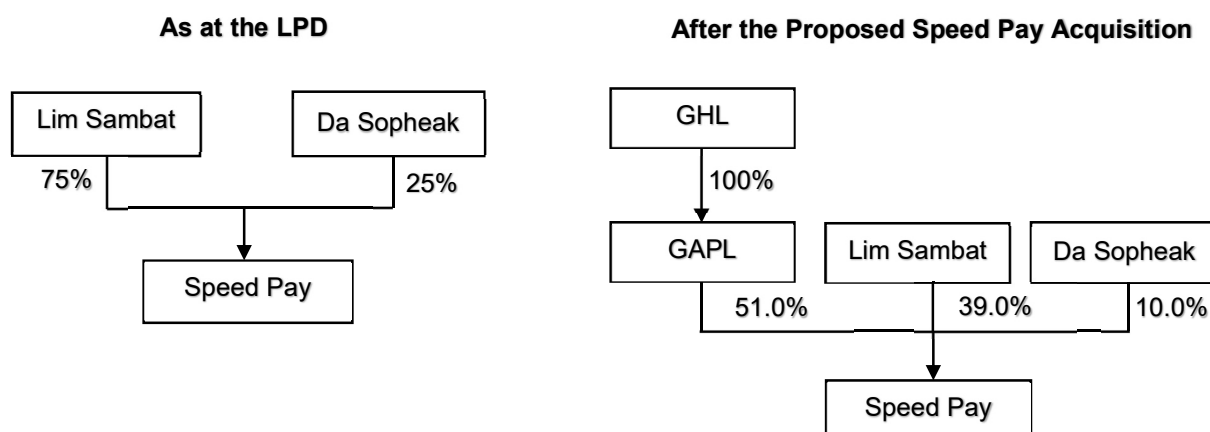
- (i) a conditional share purchase and subscription agreement (“**SPSA**”) between GAPL, Lim Sambat, Da Sopheak and Speed Pay for the following:-
 - a) subscription of 664,124 new Speed Pay Shares representing approximately 18.13% of the enlarged share capital of Speed Pay for a total cash consideration of USD448,284 (approximately RM1.88 million) (“**Subscription Price**”) (“**Proposed Share Subscription**”); and
 - b) acquisition of 1,204,578 ordinary shares in Speed Pay (“**Speed Pay Shares**”) representing 32.87% of the enlarged share capital of Speed Pay for a total cash consideration of USD1,591,716 (equivalent to approximately RM6.67 million) (“**Shares Purchase Price**”) (“**Proposed Share Purchase**”) from Lim Sambat and Da Sopheak (collectively, the “**Sellers**”), being the shareholders of Speed Pay; and
- (iii) a shareholders’ agreement (“**Shareholders’ Agreement**”) between GAPL, the Sellers and Speed Pay regulating the management of the Company and their relationship with each other as shareholders of Speed Pay

(the SPSA and Shareholders’ Agreement are collectively, referred to herein as the “**Agreements**”).

2. PROPOSED SPEED PAY ACQUISITION

The Proposed Speed Pay Acquisition entails the acquisition of up to 51.0% of the equity interest in Speed Pay via the SPSA for the Consideration of USD2.04 million (approximately RM8.55 million).

The shareholders of Speed Pay before and after the Proposed Speed Pay Acquisition are as follows:-



The Proposed Speed Pay Acquisition is subject to the terms and conditions set out in the Agreements, the salient terms and conditions of which are set out in Section 2.3 of this Announcement.

2.1 Speed Pay

Speed Pay was incorporated in the Kingdom of Cambodia in February 2017.

Speed Pay is principally involved in provision of electronic payment services through electronic device or online service that allows a person to make electronic transactions.

As at LPD, the shareholders and directors of Speed Pay and their respective shareholdings (direct and indirect) in Speed Pay are as follows:-

Shareholders	Shareholdings	
	Number of Speed Pay Shares	%
Lim Sambat	2,250,000	75.0
Da Sopheak	750,000	25.0
Total	3,000,000	100.0

The net loss and net assets of Speed Pay based on its latest audited financial statements for the financial year ended ("FP") 31 December 2017 are USD0.35 million (approximately RM1.47 million) and USD0.65 million (approximately RM2.72 million) respectively. The net loss and net assets of Speed Pay based on its latest unaudited financial statements for the FP 31 October 2018 are USD0.68 million (approximately RM2.85 million) and USD1.00 million (approximately RM4.19 million) respectively.

2.2 The Sellers

(i) Lim Sambat

Lim Sambat, age 44, a Cambodian, is a director and 75% shareholder of Speed Pay as at LPD.

Lim Sambat started his career in the Cambodian military force in 1989. Thereafter, he joined CMYK Co., Ltd, a company dealing in carton packaging as a marketing manager in 2004. From 2006 to 2009, he was involved in the Life-Peace Centre as an English teacher. From 2010 to present, Lim Sambat was appointed as the Chief Executive Officer of Sky Media Cambodia Co., Ltd., a company involved in the provision of promotion and advertising services. From 2014 to present, Lim Sambat was also appointed as Chairman of the board of directors of Sambat Finance Plc, a financial institution focused on micro, small and medium financing in Cambodia.

(ii) Da Sopheak

Da Sopheak, age 30, a Cambodian, is a director and 25% shareholder of Speed Pay as at LPD.

Da Sopheak graduated with Bachelor Degree of Business of Management from Cardiff Metropolitan University, UK in 2013. She subsequently worked as a product executive in a bank in Singapore where she was involved in amongst others, processing education loans and account openings.

2.3 Salient terms of the Agreements

2.3.1 SPSA

The salient terms of the SPSA are as follows:-

(i) Exclusivity

The Sellers and the GAPL undertake, and will ensure that the GAPL's directors, officers, employees, agents and representatives do not, directly or indirectly, take any action to seek, initiate, encourage or assist in connection with the submission of any proposal or offer from other parties regarding a transaction similar to the Proposed Speed Pay Acquisition for the period of 6 months from the date of the SPSA.

(ii) Conditions Precedent

The Sellers having made and obtained, as the case may be, all required notifications and approvals (in such form and substance which is satisfactory to GAPL), including any third-party consent and all governmental approvals, in respect of the Proposed Speed Pay Acquisition, and to provide evidence to GAPL. The salient conditions precedent, amongst others, are as follows:-

- (a) The Sellers having rectified all issues identified during the GAPL's due diligence of Speed Pay to the satisfaction of GAPL and at GAPL's sole discretion;
- (b) The Sellers provide evidence that all the licences and permits that are required for the business are exclusively held by Speed Pay, are in good standing and no fees are outstanding in relation thereto;

- (c) The Sellers deliver to GAPL the Speed Pay's approved management accounts for the financial period ended 31 October 2018 in form and substance acceptable to GAPL and there has been no change as of the date of such management accounts and as of the closing, i.e. within 10 business days from the fulfillment of Conditions Precedent ("**Closing**"), that in GAPL's reasonable opinion affects or is likely to affect the financial standing of Speed Pay, its business or the Share Purchase Price;
- (d) the appointment of any new directors of Speed Pay nominated by GAPL (as new shareholder of Speed Pay) and by the Sellers, as the case may be; and
- (e) there is no order by a governmental entity of competent jurisdiction applicable to the Sellers or Speed Pay restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by the SPSA or the performance of the business of Speed Pay;

(iii) Closing undertakings

- (a) GAPL agrees and undertakes with Lim Sambat that it will procure Speed Pay to repay the amount owing of USD36,399 (approximately RM0.15 million) to Sky Media within two (2) weeks from the Closing;
- (b) Lim Sambat agrees and undertakes with GAPL that he will procure Sky Media to waive USD167,200 (approximately RM0.70 million), being the amount owing by Speed Pay to Sky Media on the Closing; and
- (c) Lim Sambat agrees and undertakes with GAPL that he will waive USD35,048.10 (approximately RM0.15 million), being the amount owing by Speed Pay to him on the Closing.

(iv) Termination

Any party may terminate the SPSA (other than the surviving provisions) by notice to the other party at any time before Closing if any of the following circumstances arises or occurs at any time before Closing, namely:

- (a) Occurrence of material adverse condition where such event has resulted, or is reasonably likely to result, in a loss (including loss of reasonably foreseeable profit) by Speed Pay in the amount of US\$50,000.00 or more;
- (b) a material breach of any representation and warranty as given on the date of the SPSA, which has not been remedied within 20 business days following written notice of such breach given by GAPL;
- (c) any event occurs which would constitute a material breach of any of the representations and warranties as if they were repeated at any time before Closing by reference to the facts and circumstances then existing (on the basis that references in the representations and warranties to the date of the SPSA were references to the relevant date);
- (d) any material breach by the Sellers of their respective obligations under the SPSA, which has not been remedied within 10 business days following written notice of such breach given by GAPL;
- (e) any rights, obligations, liabilities or benefits under or in connection with the SPSA otherwise become prohibited or impossible; or

- (f) if Closing has not taken place by 31 December 2018 unless otherwise agreed upon by the parties to the SPSA.

(v) Payment

- (a) Part of the Share Purchase Price amounting to USD1.20 million (approximately RM5.03 million) shall be paid by GAPL into each of the Sellers' bank account on the Closing;
- (b) The remaining Share Purchase Price amounting to USD391,716 (approximately RM1.64 million), being the amount owing by the Sellers to Speed Pay, shall be paid by GAPL into Speed Pay's bank account on the Closing; and
- (c) GAPL shall pay the Subscription Price amounting to USD448,284 (approximately RM1.88 million) into Speed Pay's bank account on the Closing.

2.3.2 Shareholders' Agreement

The salient terms of the Shareholders' Agreement are as follows:-

(i) Shareholdings

The Sellers and GAPL agree that the shareholding of Speed Pay shall be maintained at all times in the proportion set out in Section 2 (After Proposed Speed Pay Acquisition) or such other shareholding proportion as agreed by the Sellers and GAPL in accordance the SPSA.

(ii) Board composition

- (a) The Speed Pay's board of directors ("**Speed Pay Board**") shall comprise minimum five (5) directors and maximum nine (9), of whom one (1) may be an independent director. The number of directors composing the Speed Pay Board shall always be odd.
- (b) The Speed Pay Board shall appoint the Chairman, who shall be a director, by way of simple majority vote, provided that Lim Sambat (who is the current Chairman as at the date of the SHA) shall be the Chairman for so long as he is a director.
- (c) Each Shareholder is entitled to nominate directors in proportion of their shareholding provided that at all times GHL shall always be entitled to nominate at least three (3) directors and each of Lim Sambat and Da Sopheak should be entitled to nominate one (1) director.
- (d) The parties to the Shareholders' Agreement shall pass the relevant resolutions of the shareholders to effect that the directors nominated are validly appointed as directors of Speed Pay in accordance with the applicable laws.
- (e) GAPL shall be entitled to:
 - (i) propose who among the appointed directors should have delegated powers and to which extent;
 - (ii) propose the nomination of all independent directors to the Speed Pay Board; and

- (iii) propose who among the directors should serve as Chairman of Speed Pay subject always to 2.3.2(ii)(b) above.

(iii) Funding

- (a) GAPL shall initiate additional financing of maximum USD2,000,000 (approximately RM8.38 million) by way of (i) securing financing from a licensed financial institution for Speed Pay; or (ii) giving of guarantee in respect of financing procured by Speed Pay; or (iii) Shareholder's loan at prevailing interest rate; or (iv) combination of any (i) to (iii).
- (b) The shareholders of Speed Pay may agree to provide additional funding by way of shareholder's loan or additional equity in proportion of their shareholding in the Company or combination of both for financing requirements above USD2,000,000 (approximately RM8.38 million).

2.4 Basis of and justification for arriving at the Share Purchase Price and Subscription Price

The Share Purchase Price and Subscription Price were arrived at on a "willing-buyer willing-seller" basis after considering, amongst others, cost and time of setting up a company with the required payment service provider license and operation in Cambodia.

2.5 Source of funding

The Company intends to finance the Subscription Price and Share Purchase Price using internally generated funds.

2.6 Liabilities to be assumed by GHL

Other than the liabilities in Speed Pay, there are no other liabilities, including contingent liabilities and guarantees to be assumed by GHL pursuant to the Proposed Speed Pay Acquisition.

2.7 Estimated additional financial commitment

In addition to the Subscription Price payable by GAPL, GHL and its subsidiaries ("**GHL Group**") may guarantee an additional financing of up to USD2.0 million to be raised by Speed Pay to fund the business expansion of Speed Pay.

3. RATIONALE

The Proposed Speed Pay Acquisition is part of GHL's continuous strategy to expand its footprint in other ASEAN markets.

With the growing Cambodian economy and Cambodian Government's continuing efforts to become an upper-middle income country, there is increasing awareness to improve the standard of living and develop a strong banking sector and financial inclusion in Cambodia. Based on this, GHL believes that there are strong growth opportunities available in Cambodia for the mobile and internet payment space. GHL acknowledges the importance of being an early mover to this market and believes that the Proposed Speed Pay Acquisition will provide GHL Group with an immediate access to the expanding Cambodian market.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and outlook of the Cambodian economy

Favorable global economic condition has contributed, on one hand, to the development of major sectors in Cambodia, currently undergoing deep reforms; and on the other hand, to a more effective implementation of economic and financial policies. In this context, Cambodia's economy in 2017 is expected to remain a strong growth of 6.9% supported by robust garment, construction and tourism sectors. The garment sector grew at a healthy pace and contributed to a significant share to the overall economic growth. The expansion of this sector and that of Cambodia's export has been sustained by increased demand from the U.S and Europe, as well as from Japan and Canada – two of Cambodia's new export markets. It is worth noting that exports of other manufacturing products (such as electronics, car spare parts, and equipment) rose remarkably this year and also helped lifted Cambodia's exports. With the rise in both investment inflows and domestic demand, the construction sector has exhibited strong growth – although slower than the previous years – owing to peace and political stability, rising housing household income, and access to mortgage financing from the banking sector. For the tourism sector, growth was high. With the number of tourists, especially from China, increasing strongly since beginning of 2017. On the other hand, the agriculture sector has contributed only marginally to the overall economic growth despite its pace of growth being higher than last year, thanks to the rise in production resulting from favorable weather condition and additional public and private investments in this sector. Increased rice production has also significantly raised Cambodia's rice exports. Moreover, the continuous achievement of high and robust economic growth has earned Cambodia the 6th spot as the fastest growing economy in the world according to the World Bank report issued in October 2017.

More specifically, these targeted policies led to a drastic drop in the poverty rate in Cambodia, it fell from 53.5% in 2004 to 13.5% in 2014, according to the World Bank, and is expected to fall further by 1% every year. The rapid decline in poverty has made Cambodia the 4th country in the world to successfully reduce poverty and achieve one of the main Millennium Development Goals (MDGs) set by the United Nations. In addition, the fact that Cambodia has been granted the lower middle-income country status in just a short-period of time is another testimony that the Royal Government of Cambodia is moving in the right path in terms of development policies.

Based on the fruitful results that have been achieved so far and that are expected to continue in the future, not to mention the current favorable external environment, Cambodia's economic growth is expected to grow at 6.9% in 2018.

(Source:- Cambodia National Bank – Annual Report 2017)

4.2 Overview and outlook of the Cambodian E-payment industry

In order to bolster the contribution of financial sector to economic growth and financial stability, the National Bank of Cambodia (NBC) has continued to develop financial infrastructures, study on deposit protection scheme, and strengthen macroeconomic and financial stability monitoring capability over the time. Along with the reinforcement of the Fast Payment system, in 2017, the NBC launched the Digital Currency for the interbank transactions. Meanwhile, the strategy for the payment system development in Cambodia has been created, and retail settlement systems are being developed with the support from Korea International Cooperation Agency (KOICA) to make payment transactions more effective, cheaper, faster, and integrated with the region and the world. The use of this Financial Technology has supported further the integration of Cambodia's financial sector into the region and has also contributed to the reduction of costs and also strengthens the efficiency of financial services.

Currently, there are 11 institutions that provide payment service including, specialised bank Wing, institutions providing payment service True Money, E-money, LyHour PayPro, Smart Axiata, PayGo SEA, ASIA Cash Express, PIPAY, SEATEL, Speed Pay, and Fullerton. These institutions are under regular supervision of the NBC regarding the compliance to prudential regulations and other authorised regulations.

Table 6: Mobile Banking Operators in 2017								
Mobile Banking Operators	Number of Customers		Payment Window				Transactions	Amount
	Registered	Walkin	Agent	ATM	POS	Kiosk	(Times)	(Million Riel)
Wing	659,751	9,062,784	4,636	2	6,286	N/A	55,053,881	39,925,857
True Money	28,798	6,773,815	5,164	N/A	N/A	N/A	15,381,319	6,335,157
E-Money	36,666	153,287	5,232	N/A	N/A	N/A	7,890,822	8,380,493
Lyhour Pay-Pro	10,953	394,621	2,841	N/A		N/A	1,056,812	722,957
Smart Axiata	235,481	9,585	1,290	N/A	N/A	N/A	322,782	32,617
PayGo SEA	19,917	0		N/A	N/A	155	4,965,490	1,381,147
ASIA Cash Express	0	11,846	1,449	N/A	N/A	N/A	365,904	345,867
PIPAY	0	141,598	1,384	N/A	N/A	N/A	1,404,325	59,773
SEATEL	0	755	23	N/A	N/A	N/A	179,481	1,922
Speed Pay	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fullerton	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	991,566	16,548,291	22,019	2	6,286	155	86,619,816	57,185,790

(Source:- Cambodia National Bank – Annual Report 2017)

4.3 Prospects of Speed Pay

Cambodia has a population of 20 million people and is expecting to see an increase in tourist numbers in coming years. Cambodia has been experiencing an e-commerce boom in over the last 5 years which has been bolstered by rapid development of technology and ongoing government initiatives to become a digital economy by 2023. Further, with the increasing number of Cambodians having access to the internet and up to 90% of the population expected to have access to the internet by 2020, the local e-commerce industry will likely see growth.

Premised on the abovementioned prospects of the Cambodian economy and increasing support by the NBC towards payment service providers to boost Cambodia's e-Commerce sector, Speed Pay, is poised to undertake the increasing growth opportunities at hand.

(Source: Management of GHL)

5. RISKS RELATING TO THE PROPOSED SPEED PAY ACQUISITION

GHL Group is principally involved in investment holding, developing and selling in-house software programmes, sale and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance.

As Speed Pay is principally involved in provision of electronic payment services which is similar to certain services provided by GHL, the Proposed Speed Pay Acquisition is not expected to subject GHL Group to additional industry risks. However, upon completion of the Proposed Speed Pay Acquisition, it will subject GHL Group to new business risks and operating risks. GHL will be subject to, amongst others the following risks:-

(a) Acquisition risk

Although the management of GHL believes that the Proposed Speed Pay Acquisition will contribute positively towards GHL Group's profitability, there can be no assurance that the anticipated synergies and other benefits of the Proposed Speed Pay Acquisition will materialise. There can be also be no assurance that GHL Group will be able to generate sufficient revenues from the Proposed Speed Pay Acquisition to offset its acquisition cost. Nevertheless, upon the completion of the Proposed Speed Pay Acquisition, the management of GHL will take effort to work closely with Speed Pay to assist in streamlining its operations and investment goals with that of Speed Pay.

(b) Dependence on key management

After the Proposed Speed Pay Acquisition, GHL will depend to a certain extent, on the skills, abilities, experience of the respective key management of Speed Pay. There can be no assurance that any loss of such key management of Speed Pay without suitable and timely replacement would not affect the business operations and financial performance of Speed Pay, which in turn, adversely affect the performance of GHL Group. Nevertheless, management of GHL will seek to mitigate this risk by continuously undertaking appropriate measures to attract talent and retain such key personnel including providing attractive remuneration packages as well as providing training and career advancement opportunities for them.

(c) Political, economic, market and regulatory considerations

Pursuant to the Proposed Speed Pay Acquisition, GHL Group will be subject to the political, economic, market and regulatory landscape in Cambodia. These uncertainties include, among others, risks of war, terrorism, riot, expropriation, changes in political leadership, nationalisation, termination or nullification of existing contracts, changes in interest rates and methods of taxation, and exchange control policy or rules. There can be no assurance that any adverse changes in Cambodia's political, economic, market and regulatory conditions may adversely affect the operations and performance of Speed Pay, which will in turn, affect the earnings and profitability of GHL Group.

(d) Competition risk

Pursuant to the Proposed Speed Pay Acquisition, GHL Group will be subject to competition from existing players and new entrants in Cambodia. There can be no assurance that such competition will not adversely affect the performance of Speed Pay, which will in turn, adversely affect the earnings and profitability of GHL Group.

(e) Non-completion risk

The completion of the Proposed Speed Pay Acquisition is conditional upon the fulfilment of the conditions stated in the Agreements. Accordingly, there can be no assurance that the Proposed Speed Pay Acquisition can be completed. In the event such conditions are not obtained/fulfilled and/or waived (as the case may be) in accordance with the terms of the SPSA will have to be terminated. Nevertheless, the Company endures to take the necessary steps to ensure the expedient completion of the Agreements.

6. FINANCIAL EFFECTS OF THE PROPOSED SPEED PAY ACQUISITION

6.1 Share Capital and Substantial Shareholders' Shareholdings

The Proposed Speed Pay Acquisition will not have any effect on the share capital and substantial shareholders' shareholdings of the Company as the Proposed Speed Pay Acquisition does not involve the issuance of new shares in GHL.

6.2 Earnings and Earnings Per Share ("EPS")

The Proposed Speed Pay Acquisition is expected to be completed by 31 December 2018.

Speed Pay commenced operations in February 2017. The net loss of Speed Pay based on its latest audited financial statements for FP 31 December 2017 and unaudited financial statements for the FP 31 October 2018 are USD0.35 (approximately RM1.47 million) and USD0.68 (approximately RM2.85 million) respectively.

Notwithstanding that Speed Pay is making losses, GHL believes that the Proposed Speed Pay Acquisition is in-line with GHL Group's expansion strategy and such expansion is expected to contribute positively to the earnings and EPS of GHL Group moving forward.

6.3 Net assets ("NA") and gearing

The Proposed Speed Pay Acquisition will have no effect on the gearing of GHL Group as it is expected to be funded via internally generated funds. The Proposed Speed Pay Acquisition is not expected to have a material impact to the NA of GHL Group.

Upon completion of the Proposed Speed Pay Acquisition, an acquisition goodwill of RM5.02 million may arise based on the USD2.04 million (approximately RM8.55 million) purchase consideration for 51.0% equity interest in Speed Pay and Speed Pay's unaudited NA for FP 31 October 2018 of USD1.65 (approximately RM6.91 million), after accounting for the issuance of new shares and waiver of debts pursuant to the SPSA. The final acquisition goodwill is subject to amongst others, accounting adjustments which may be undertaken upon completion of the Proposed Acquisition in accordance with the Malaysian Financial Reporting Standards issued by the Malaysia Accounting Standards Board.

7. APPROVALS REQUIRED

The Proposed Speed Pay Acquisition is not subject to the approval of shareholders of GHL and/or any other authorities.

The Proposed Speed Pay Acquisition is not conditional upon other corporate proposals undertaken or to be undertaken by GHL.

8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and major shareholders of GHL Group and/or persons connected to them have any interest, direct or indirect, in the Proposed Speed Pay Acquisition.

9. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED SPEED PAY ACQUISITION

Barring any unforeseen circumstances, the Proposed Speed Pay Acquisition is expected to be completed by 31 December 2018.

10. DIRECTORS' STATEMENT

The Board of GHL, having considered all aspects of the Proposed Speed Pay Acquisition, is of the opinion that the Proposed Speed Pay Acquisition is in the best interest of GHL Group.

11. PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Speed Pay Acquisition pursuant to Paragraph 10.02(g)(iii) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 3.1% based on GHL Group's latest audited financial statements for the FY 31 December 2017.

12. DOCUMENTS FOR INSPECTION

The Agreements are 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 business hours from Mondays to Fridays (except for public holidays) for a period of three (3) months from the date of this Announcement.