THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional adviser immediately.

GHL SYSTEMS BERHAD
(293040-D)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED ACQUISITION BY S CAPITAL SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF GHL SYSTEMS BERHAD, OF THE ENTIRE EQUITY INTEREST IN PAYSYS (M) SDN BHD ("PROPOSED ACQUISITION")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

AmInvestment Bank Berhad
(23742-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of GHL Systems Berhad ("**GHL**") which is scheduled 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 Thursday, 31 May 2018 at 10.00 a.m., together with the Proxy Form are enclosed herein.

A member entitled to attend and vote at the EGM is entitled to appoint one (1) or more proxies to attend, participate, speak and vote at the EGM. The Proxy Form should be lodged 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 less than forty eight (48) hours before the time of the EGM. The lodgment of the Proxy Form will not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form	:	Tuesday, 29 May 2018 at 10.00 a.m.
Date and time of EGM	:	Thursday, 31 May 2018 at 10.00 a.m.

This Circular is dated 16 May 2018

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

1965 Act	:	The Companies Act, 1965
Act	:	The Companies Act, 2016
AmInvestment Bank or **Adviser**	:	AmInvestment Bank Berhad, being the Adviser for the Proposed Acquisition
BNM	:	Bank Negara Malaysia
Board	:	The Board of Directors of GHL
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
Cash Consideration	:	The cash consideration amounting to RM40,000,000
CDS Account	:	The account established by Bursa Depository for the recording of deposits of securities and for dealings in such securities by the depositor
Circular	:	This circular dated 16 May 2018 in relation to the Proposed Acquisition
CMSA	:	Capital Markets and Services Act, 2007
Completion	:	The date of which the matters under Section 2.1.3 of this Circular are completed
Completion Date	:	The date which the SSA is completed, being one (1) month after the fulfilment/waiver of the Conditions
Conditions	:	Conditions to be fulfilled in accordance with the SSA
Cut-off Date	:	The date of no later than four (4) months (inclusive of one (1) month automatic renewal) from the date of the SSA, or such other date as may mutually agree between the parties to enable the fulfilment or waiver of the Conditions
Director(s)	:	Shall have the same meaning given in Section 2(1) of the CMSA, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director or chief executive officer of the listed issuer, its subsidiary or holding company
Encumbrances	:	Any mortgage, charge (whether fixed or floating), pledge, lien, encumbrance, hypothecation, security interest, title retention or other security arrangement of any kind or any other encumbrance of any nature whatever.
E-payment	:	Electronic payment
E-wallet	:	Electronic wallet
EGM	:	Extraordinary General Meeting
EPS	:	Earnings per share

Escrow Agreement	:	The escrow agreement dated 5 April 2018 entered into between SCSB, the Sellers and the Escrow Agent pursuant to the Proposed Acquisition
FY	:	Financial year(s) ended/ending, as the case may be
GHL	:	GHL Systems Berhad
GHL Consideration Shares	:	The new GHL Shares at an issue price of RM1.1927 each, to be allotted and issued to the Sellers in accordance to the terms of the SSA
GHL Group	:	GHL and its subsidiaries
GHL Shares or **Shares**	:	The ordinary shares of GHL
LPD	:	As at 30 April 2018, being the latest practicable date prior to the date of this Circular
MTrustee or **Escrow Agent**	:	MTrustee Berhad, being the escrow agent for the Tranche 1 Shares
NA	:	Net assets
PAT	:	Profit after taxation
PAT Target(s)	:	Profit after tax targets stipulated in the SSA
PBT	:	Profit before taxation
PE	:	Price-earnings multiple
PGHSB	:	Paysys Group Holdings Sdn Bhd
PMSB	:	Paysys (M) Sdn Bhd
PMSB Group	:	PMSB and its subsidiaries
Proposed Acquisition	:	Proposed acquisition by SCSB of the entire equity interest in PMSB
Purchase Consideration	:	The purchase consideration of the Proposed Acquisition of up to RM80,000,000
RM and sen	:	Ringgit Malaysia and sen, respectively
RHMSB	:	Rica Holdings (M) Sdn Bhd
Sale Shares	:	The 1,000,000 ordinary shares in PMSB
Sellers	:	Collectively, PGHSB and RHMSB
SCSB or **Purchaser**	:	S Capital Sdn Bhd, a wholly-owned subsidiary of GHL
SSA	:	The conditional share sale agreement dated 5 April 2018 entered into between SCSB and the Sellers in relation to the Proposed Acquisition
VWAP	:	Volume weighted average market price

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and/or neuter gender, and vice versa. References to persons shall include corporations, unless otherwise specified.

Any discrepancies in the tables included in this Circular between the amount listed, actual figures and the totals thereof are due to rounding.

Any references in this Circular to any enactment or guidelines is a reference to that enactment or guidelines as for the time being amended or re-enacted or guidelines. Any reference to a time of day in this Circular shall be referred to Malaysian time, unless otherwise stated.

All references to "**you**" in this Circular are to the shareholders of GHL.

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NOTICE OF EGM	ENCLOSED
PROXY FORM	ENCLOSED

GHL SYSTEMS BERHAD
(293040-D)
(Incorporated in Malaysia)

Registered Office:
Unit 30-01, Level 30
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

16 May 2018

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)*
Ali Zaynalabidin Haeri Mazanderani *(Non-Independent Non-Executive Director)*

To: The Shareholders of GHL

Dear Sir/Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 5 April 2018, AmInvestment Bank had, on behalf of the Board, announced on Bursa Securities that SCSB had on even date, entered into the SSA with the Sellers to acquire 100% of the equity interest held by the Sellers in PMSB for a total purchase consideration of up to RM80,000,000.

On 5 April 2018, SCSB, the Sellers and the Escrow Agent entered into the Escrow Agreement pursuant to the Proposed Acquisition.

On 15 May 2018, on behalf of the Board, AmInvestment Bank announced that Bursa Securities had via its letter dated 15 May 2018, approved the listing of and quotation for up to 33,537,353 GHL Shares to be issued to the Sellers subject to, *inter alia* the conditions as set out in Section 8 below as well as the terms of the SSA.

The salient terms of the SSA and the Escrow Agreement are detailed in Sections 2.1 and 2.2 respectively.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM. THE NOTICE OF THE EGM AND PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

SHAREHOLDERS ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition by SCSB of the entire equity interest in PMSB from the Sellers for a total purchase consideration of up to RM80,000,000 to be satisfied as follows:-

(a) RM40,000,000 cash consideration payable upon completion of the Proposed Acquisition; and

(b) up to RM40,000,000 value of GHL Consideration Shares to be issued at an issue price of RM1.1927 per Share in various tranches as detailed below.

Pursuant to the terms of the SSA, subject to PMSB achieving the PAT Targets and any adjustments arising from changes in GHL's share capital, the GHL Consideration Shares will be issued in the following manner:-

FY	**PAT Targets**	**GHL Consideration Shares**		
	RM'000	*Number*	*RM'000*	
31 December 2018	6,000	13,414,941	16,000	**Tranche 1** - to be issued upon SSA completion and placed with Escrow Agent
31 December 2018	6,500	10,061,206	12,000	**Tranche 2** - to be issued post audit of FY2018 accounts
31 December 2019	8,500	10,061,206	12,000	**Tranche 3** - to be issued post audit of FY2019 accounts
		33,537,353	**40,000**	

Tranche 1 GHL Consideration Shares

On the Completion Date, GHL shall issue to the Sellers 13,414,941 GHL Shares amounting to RM16.0 million to be placed into an escrow account managed by the Escrow Agent. These Tranche 1 Shares shall be released to the Sellers in accordance with the timeline stipulated in the SSA as and when PMSB achieves not less than RM6.0 million PAT for FY2018.

In the event PMSB fails to achieve the minimum RM6.0 million PAT for FY2018, SCSB shall have the absolute right over the Tranche 1 Shares, including amongst others, to instruct the Escrow Agent to:-

(a) dispose part or all of the Tranche 1 Shares in the open market at the then prevailing market prices;

(b) transfer the Tranche 1 Shares back to SCSB or GHL, subject to the relevant laws and regulations; or

(c) deal with the Tranche 1 Shares in any manner as SCSB deems fit, subject to the relevant laws and regulations.

Tranche 2 GHL Consideration Shares

GHL shall issue to the Sellers 10,061,206 GHL Shares amounting to RM12.0 million in accordance with the timeline stipulated in the SSA as and when PMSB achieves not less than RM6.5 million PAT for FY2018.

In the event PMSB's FY2018 PAT is less than RM6.5 million, the Sellers are not entitled to any Tranche 2 Shares.

Tranche 3 GHL Consideration Shares

GHL shall issue to the Sellers 10,061,206 GHL Shares amounting to RM12.0 million in accordance with the timeline stipulated in the SSA as and when PMSB achieves not less than RM8.5 million PAT for FY2019.

In the event PMSB's FY2019 PAT is less than RM8.5 million, the Sellers are not entitled to any Tranche 3 Shares.

For clarification, all unusual or exceptional items, regardless of whether they are in or outside of the ordinary course of business of PMSB, shall be excluded for the purposes of determining the respective PAT Targets for FY2018 and FY2019.

In summary, subject to the PAT Targets being met and adjustments arising from changes in GHL's share capital as per the terms of the SSA, the Purchase Consideration will be settled as follows:-

Sellers	**GHL Consideration Shares**			**Cash Consideration**
	Tranche	**Number**	**RM**	**RM**
PGHSB	1	9,390,459	11,200,000	28,000,000
	2	7,042,844	8,400,000	
	3	7,042,844	8,400,000	
RHMSB	1	4,024,482	4,800,000	12,000,000
	2	3,018,362	3,600,000	
	3	3,018,362	3,600,000	
		33,537,353	**40,000,000**	**40,000,000**

The RM40.0 million Cash Consideration is payable upon the completion of the Proposed Acquisition.

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2.1 Other salient terms of the SSA

The Sellers have the right to sell the Sale Shares and wish to sell the Sale Shares to the Purchaser, free from all Encumbrances. The Sale Shares constitute one hundred percent (100%) of the total number of issued shares of PMSB.

2.1.1 Conditions

The obligations of the Sellers to sell and SCSB to purchase the Sale Shares on the terms of the SSA are conditional on the following being satisfied or obtained or waived (as the case may be) on or before the Cut-off Date:-

(a) the passing by the shareholders of GHL at a general meeting of an ordinary resolution:-

(i) approving the Proposed Acquisition pursuant to the terms of the SSA; and

(ii) approving the allotment and issuance of the GHL Consideration Shares;

(b) the passing of an ordinary resolution by the shareholders of SCSB, approving the Proposed Acquisition pursuant to the terms of the SSA;

(c) the approval of Bursa Securities for the listing of and quotation for the GHL Consideration Shares on the Main Market of Bursa Securities;

(d) SCSB receiving evidence in form and substance and on terms and conditions (if any) acceptable to SCSB that relevant Governmental authorities whose approvals are considered necessary or expedient by SCSB in relation to the SSA or any transactions or matters contemplated by it have given such approvals to the extent considered necessary or appropriate by SCSB;

(e) SCSB at its absolute discretion being satisfied in all material respects with the results of audits, due diligence reviews including the remedy and/or rectification of issues arising from such due diligence review and any other inquiries and investigations (whether legal, financial, accounting, tax, business/industry, technical/operational and/or otherwise whatsoever relating to PMSB and whether conducted by lawyers, accountants, SCSB or its employees or officers or other representatives or otherwise whatsoever) into the business, matters and affairs of PMSB and with the results of any reports prepared by persons conducting any such audits, due diligence, reviews, inquiries or investigations;

(f) SCSB receiving evidence in form and substance and on terms and conditions (if any) acceptable to SCSB that all of its contracts, agreements, arrangements of which the consent and/or notification are considered necessary or expedient by SCSB in relation to the SSA or any transactions or matters contemplated by it have given such consents by its contractual parties, suppliers and/or customers to the extent considered necessary or appropriate by SCSB;

(g) SCSB receiving executed copies of the letter of undertaking from the Sellers containing the terms and obligations that the Sellers shall not and shall procure that its affiliates shall not, either on its own account or in conjunction with or on behalf of any other person, firm, company or organisation, carry on, compete with or be engaged, be employed, be concerned or be otherwise interested directly or indirectly whether as shareholder, partner, or agent in any business similar to the business carried on by PMSB within the next three (3) years in the West of Malaysia beginning from the Completion Date;

(h) the execution of the Escrow Agreement or any form or manner, which is agreeable by SCSB, the Sellers and the Escrow Agent;

(i) each of the Sellers receiving a copy of the letter of undertaking from GHL containing the terms and obligations that GHL shall issue, allot and credit the GHL Consideration Shares in tranches as set out in Section 2 above;

(j) SCSB receiving the resolutions and amended constitution of PMSB in the form and substance and on terms and conditions (if any) acceptable to SCSB that the clauses containing the restriction of the transfer of PMSB shares(s) has been amended or removed in such constitution; and

(k) the passing of an ordinary resolution by the shareholders of the Sellers and the passing of a resolution by the board of directors of the Sellers (if not obtained on or within five (5) business days from the date of SSA).

2.1.2 Unconditional Date

In the event that any of the Conditions set out in Section 2.1.1 are not fulfilled/satisfied by SCSB and the Sellers, where applicable or waived by SCSB, on or before the Cut-Off Date, SCSB shall have the absolute right not to proceed to the completion of the SSA. Upon termination, neither party shall have any claim against the other party in respect of the subject matter of the SSA save for any antecedent breach and thereafter, the SSA shall be no further force and effect.

2.1.3 Completion

Subject to the satisfaction of the Conditions or the waiver of any such Conditions, Completion shall take place on the Completion Date or such earlier or later date as SCSB may specify by notice to the Sellers upon which the Sellers shall deliver to SCSB the following:

(a) a confirmation or undertaking letter from the Sellers that:

  (i) there has been no material adverse change in the prospects, operations or financial condition of PMSB from the date of the SSA up to and including the date of such undertaking;

  (ii) all warranties have been complied with in all material respects, and are true and accurate as at the Completion Date;

  (iii) the business of PMSB has been carried out in the ordinary manner and PMSB has not disposed of any material assets or assumed or incurred any material liabilities (including contingent liabilities) other than those in connection with its ordinary course of business;

  (iv) there has been no change of circumstances which makes it unlawful for SCSB or restricts SCSB to purchase the Sale Shares;

  (v) there is no significant change in the financial or business or prospects of the PMSB; and

  (vi) the sale of the Sale Shares as well as the obligation of the Purchaser to purchase the Sale Shares are not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia on or before the Completion Date;

(b) such waivers, consents, notification or other documents as may be required as part of the conditions to give good title to the Sale Shares and to enable SCSB to become the registered holder and beneficial owner of the Sale Shares;

(c) the original share certificates in respect of the Sale Shares, duly completed and signed instruments of transfer of the Sale Shares in favour of SCSB or its nominee;

(d) the board resolution of PMSB approving the transfer of the Sale Shares to SCSB or its nominee and all other necessary documents to effect the transfer of the Sale Shares in favour of SCSB or its nominee;

(e) the common seal, certificate of incorporation, original statutory books and records, original certificates of title, original agreements, documents and records of PMSB;

(f) the original tax indemnity executed by the tax indemnifiers as agreed in the SSA;

(g) the board resolution of PMSB approving the appointment of up to four (4) new directors nominated by SCSB to the board of PMSB and if required, the resignation from any existing PMSB directors;

(h) if required by SCSB, the resignation of the secretary of PMSB, with a written acknowledgement from the secretary of PMSB in such form as SCSB require that the secretary of PMSB has no claim against PMSB in respect of breach of contract, compensation for loss of office, redundancy or unfair dismissal or on any other grounds whatever;

(i) if required by SCSB, the resignation of the existing auditor of PMSB, with a written confirmation from the existing auditor of PMSB, confirming that they have no outstanding claims of any kind; and

(j) if required by SCSB, the executed copies of new employment letters by the key management, containing terms and conditions as provided by SCSB before the Completion Date.

2.1.4 Termination

SCSB or the Sellers may (but shall not be obliged to) at any time prior to Completion (as detailed in Section 2.1.3) by notice to the other party terminate the SSA if:

(a) all the Conditions (to the extent not waived) are not satisfied before or on the Cut-Off Date or any of them cease to be satisfied at any time before the Completion Date or any of the resolutions or approvals referred to Section 2.1.1 above are rejected, refused or approved on terms not acceptable to SCSB;

(b) SCSB notifies the Sellers that it does not wish to exercise a right of appeal (whether or not such a right of appeal had been previously exercised including (without limitation), in respect of the same or similar subject matter) as stipulated in the SSA and all or any of the Conditions have not been satisfied by reason of any rejection (whether at first instance or on appeal) of any application for approval or any term or condition imposed in any approval or on an appeal;

(c) SCSB or the Sellers breaches all or any of the provisions of the SSA or any of the warranties in the SSA and (if the breach is capable of being remedied) the defaulting party fails to remedy the breach within ten (10) business days, following the issuance of the notice by the non-defaulting party to the defaulting party;

(d) SCSB or the Sellers becomes insolvent;

(e) the Sellers do not complete the transfer of all or any of the Sale Shares in accordance with the SSA;

(f) SCSB does not complete the payment of the Cash Consideration and/or the issuance and allotment of the GHL Consideration Shares by SCSB and/or GHL in favour of the Sellers on the Completion Date; or

(g) if it appears that any of the warranties is or has become inaccurate or misleading, and on such notice being given, the provisions of Section 2.1.5 below shall apply.

2.1.5 Termination consequences

(a) If the SSA is terminated in accordance to Section 2.1.4 (a) or (b) above, all obligations and liabilities of the parties hereunder shall cease and determine and thereafter no party shall have any claim against the other save for any antecedent breaches contained in the SSA.

(b) If the SSA is terminated in accordance to Section 2.1.4 (c), (d), (e), (f) or (g) above or otherwise on any other lawful ground, the termination shall be without prejudice to any rights under or in relation to the SSA which may have accrued to a party against another.

2.2 Salient Terms of the Escrow Agreement

2.2.1 Duration and Termination

(a) The Escrow Agreement shall come into force on the Completion Date and shall expire either when:-

  (i) all of Tranche 1 Shares have been transferred to the Sellers' respective CDS Account;

  (ii) the transfer of the proceeds upon the disposal of all the Tranche 1 Shares in the open market at the current market price then prevailing for GHL Shares to SCSB;

  (iii) the Tranche 1 Shares is released and credited to a new escrow account opened by a new escrow agent as appointed by SCSB and the Sellers; or

  (iv) there are no Tranche 1 Shares held in the escrow account.

(b) the Escrow Agent shall have the right to terminate the Escrow Agreement by giving no less than thirty (30) days' prior written notice to SCSB and the Sellers, if:

  (i) SCSB and/or the Sellers fails to pay any fee when due under the Escrow Agreement; or

  (ii) SCSB and/or the Sellers or its respective affiliates, if any, otherwise fails to comply with the terms of the Escrow Agreement;

  Further, if there are circumstances that prevent or purport to prevent the Escrow Agent from rendering its services under the Escrow Agreement, the Escrow Agent shall have the right to forthwith resign from the appointment herein and SCSB and the Sellers shall have no further claims against the Escrow Agent.

(c) Alternatively, SCSB and the Sellers may terminate the Escrow Agreement immediately by notice in writing to the Escrow Agent if the Escrow Agent is in material breach of any term of the Escrow Agreement and such breach is not remedied within thirty (30) business days of written notice by SCSB and the Sellers to the Escrow Agent.

(d) On termination of the Escrow Agreement for whatever cause, the Escrow Agent shall, subject to any lien exercisable for amounts owing to it by SCSB, release the Tranche 1 Shares together with all interest accrued to a new escrow account opened by a new escrow agent as appointed by SCSB and the Sellers.

2.2.2 Release of Tranche 1 Shares to the Sellers

Save and provided PMSB has achieved the Tranche 1 PAT Target, the Tranche 1 Shares shall be released by the Escrow Agent to the Sellers in the manner set forth in the SSA.

2.2.3 Non-fulfilment of Tranche 1 PAT Target

Should PMSB fail to achieve the Tranche 1 PAT Target, the Tranche 1 Shares shall be dealt in the manner set forth in the SSA.

2.3 PMSB

PMSB is a private company limited by shares incorporated in Malaysia on 14 October 1999 under the 1965 Act and deemed registered under the Act.

It is principally involved in the provision of terminals and payment solutions for the credit and debit card business of banks.

PMSB has two (2) wholly-owned subsidiaries as follows:-

Name of Company	Country of Incorporation	Principal Activities
Paysys Communications Sdn Bhd	Malaysia	Developing payment solutions together with the relevant hardware required for a complete solution
Paysys Technology Sdn Bhd	Malaysia	Rental of credit card terminals

PMSB Group operates principally in Malaysia.

As at LPD, PMSB has an issued share capital of RM1,000,000 comprising 1,000,000 ordinary shares.

As at LPD, the directors of PMSB are Kim Ah Sit @ Kim Kok Hai, Indran A/L R.Candiah, and Leong Wye Tuck.

As at LPD, the shareholders of PMSB and their respective shareholdings in PMSB are as follows:-

Shareholders	Number of PMSB shares	%
RHMSB	300,000	30.0
PGHSB	700,000	70.0
	1,000,000	**100.0**

Please refer to **Appendix I** for further information on PMSB.

2.4 The Sellers

2.4.1 PGHSB

PGHSB is a private company limited by shares incorporated in Malaysia on 2 February 2016 under the Act.

It is principally involved in investment holding.

As at LPD, PGHSB has an issued share capital of RM10,000 comprising 10,000 ordinary shares.

As at LPD, the directors of PGHSB are Kim Ah Sit @ Kim Kok Hai, Indran A/L R.Candiah and Leong Wye Tuck. Their interests in PGHSB are disclosed below.

As at LPD, the shareholders of PGHSB and their respective shareholdings in PGHSB are as follows:-

Shareholders	Number of PGHSB shares	%
Chin Sam Chuan	750	7.5
Kantharao A/L Ramaiah	750	7.5
Leong Wye Tuck*	1,000	10.0
Kim Ah Sit @ Kim Kok Hai*	2,500	25.0
Indran A/L R. Candiah*	2,500	25.0
Soh Chai Hwa	2,500	25.0
	10,000	**100.0**

***Note*:-**

** Directors of PGHSB.*

2.4.2 RHMSB

RHMSB is a private company limited by shares incorporated in Malaysia on 2 January 2004 under the 1965 Act and deemed registered under the Act.

It is principally involved in investment holding.

As at LPD, RHMSB has an issued share capital of RM25,002 comprising 25,002 ordinary shares.

As at LPD, the directors of RHMSB and their respective shareholdings are as follows:-

Director	Number of RHMSB shares	%
Lee Kwee Hiang	-	-
Chew Cheng Thim	-	-
Chew Weng Kit	15,001	60.0
Lee Soy Hiang	-	-
Wan Tak Chuen	10,001	40.0
	25,002	**100.0**

As at LPD, Chew Weng Kit and Wan Tak Chuen own the entire equity interest in RMHSB.

2.5 SCSB

SCSB is a wholly-owned subsidiary of GHL. It is a private company limited by shares incorporated in Malaysia on 4 March 2010 under the 1965 Act and deemed registered under the Act.

It is an investment holding company.

As at LPD, the directors of SCSB are Loh Wee Hian and Leong Kah Chern.

As at LPD, SCSB has an issued share capital of RM100 comprising 100 ordinary shares.

2.6 Basis and justification for the Purchase Price

The Purchase Consideration was arrived at on a 'willing-buyer willing seller" basis after taking into consideration the following:-

(a) The audited PAT of PMSB for FY2016 of RM5.4 million and unaudited PAT for FY2017 of RM5.9 million; and

(b) The audited net assets of PMSB as at 31 December 2016 of RM15.9 million and unaudited net assets as at 31 December 2017 of RM21.8 million.

Based on PMSB's audited FY2016 PAT of RM5.4 million and unaudited FY2017 PAT of RM5.9 million, assuming the Purchase Consideration is RM80.0 million, it represents a PE multiple of approximately 14.8 times and 13.6 times respectively.

In the event FY2018 and FY2019 PAT Targets are not met, the purchase consideration payable to the Sellers is RM40.0 million cash. Based on PMSB's audited FY2016 PAT of RM5.4 million and unaudited FY2017 PAT of RM5.9 million, the RM40.0 million purchase consideration represents a PE multiple of approximately 7.4 times and 6.8 times respectively.

For information, we note that there are various companies listed on Bursa Securities that are involved in, amongst others, provision of payment services and solutions. However, taking into consideration that PMSB is primarily involved in the sale/rental of credit card terminals, GHL can be deemed as a comparable company as GHL's core business includes provision of direct merchant acquiring and electronic payment services.

Our selection of GHL as a comparable company is on a best effort basis and for comparison purposes only and may in fact, not be directly comparable to PMSB due to various subjective factors which include, amongst others, marketability and liquidity of the shares, size of the business, existing or other businesses, geographical spread, profit track record, financial strength, accounting and tax policies, risk profile, and future prospects.

GHL Group recorded a PAT of RM20.5 million based on its audited consolidated financial statements for FY2017 and last traded at RM1.28 as at the LPD. Accordingly, GHL had a PE multiple of 41.1 times and an adjusted PE multiple of 39.8 times as at the LPD. We had adjusted GHL Group's PAT to account for the following one-off items:-

- Bad debts written off of RM0.2 million;
- Impairment loss on trade and other receivables of RM1.4 million;
- Inventories written off of RM0.1 million;
- Inventories written back of RM0.02 million;
- Gain on disposal of property, plant and equipment of RM0.2 million;
- Loss on de-registration of a subsidiary of RM0.1 million;
- Property, plant and equipment written off of RM0.01 million; and
- Reversal of impairment loss on trade and other receivables of RM0.9 million.

The adjusted PE multiple of GHL of approximately 39.8 times is higher than:-

(a) the 14.8 times and 13.6 times PE multiple computed based on the Purchase Consideration of RM80.0 million over PMSB's audited FY2016 PAT of RM5.4 million and unaudited FY2017 PAT of RM5.9 million; and

(b) the 7.4 times and 6.8 times PE multiple computed based on the RM40.0 million cash consideration (assuming the PAT Targets are not met) over PMSB's audited FY2016 PAT of RM5.4 million and unaudited FY2017 PAT of RM5.9 million.

2.7 Basis and justification for the GHL Consideration Shares issue price

The issue price of RM1.1927 per GHL Consideration Share represents a 1-month VWAP of GHL Shares up to and including 3 April 2018, being the last practicable trading day of GHL Shares immediately preceding the date on which the terms of the SSA were agreed upon.

2.8 Reasonableness of PAT Targets

The PAT Targets were derived solely based on management budgets prepared by PMSB.

The Board is of the opinion that, barring any unforeseen circumstances, and on the basis that the underlying assumptions for the abovementioned management budgets materialise, PMSB's PAT Targets of RM6.0 million and RM6.5 million for FY2018 and RM8.5 million for FY2019 can be deemed not unreasonable/unrealistic after taking into consideration the following:-

(i) PMSB's audited PAT of RM5.4 million for FY2016 and unaudited PAT of RM5.9 million for FY2017; and

(ii) the favourable outlook of the Malaysian economy and retail sector, the increasing usage in E-payment as well as the prospects of PMSB as set out in Section 4 of this Circular.

The additional purchase consideration payable in the form of GHL Consideration Shares as detailed in Section 2 are meant to incentivise PMSB to achieve the PAT Targets. The GHL Consideration Shares will not be issued/released in the event that PMSB does not meet the abovementioned PAT Targets.

2.9 Ranking of GHL Consideration Shares

The GHL Consideration Shares shall upon allotment and issuance, rank *pari passu* in all respects with the then existing GHL Shares except that the GHL Consideration Shares so allotted and issued will not be entitled to any dividends, rights, allotments or other distributions, where the entitlement date (namely the date as at the close of business on which shareholders of the GHL must be entered in the record of depositors maintained with Bursa Depository in order to be entitled to any dividends, rights, allotments or other distributions) is before the date of allotment and issuance of the GHL Consideration Shares.

2.10 Adjustment to GHL Consideration Shares

In the event of any change in the share capital of GHL prior the issuance of the Tranche 2 and Tranche 3 Shares including amongst others, capitalisation of profit reserve, reduction of capital, subdivision or consolidation of capital, rights issues and issuance of new GHL Shares), the Tranche 2 and Tranche 3 Shares will be adjusted in accordance to the provisions of the SSA.

2.11 Liabilities to be assumed by GHL

Save for the liabilities in PMSB Group, there are no other liabilities including contingent liabilities and guarantees to be assumed by GHL Group pursuant to the Proposed Acquisition.

2.12 Estimated additional financial commitments

GHL does not expect to incur any additional financial commitments to put the business of PMSB Group on stream as it is currently in operation. PMSB Group's operations are expected to be funded via its internally generated funds and/or financing facilities.

2.13 Source of funding

SCSB intends to fund the Cash Consideration via a combination of bank borrowings and internally generated funds, the actual allocation of which have yet to be determined at this juncture.

GHL will take into consideration, amongst others, its working capital requirements and available credit facilities in making a decision.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The revenue of GHL Group is principally derived from developing and selling in-house software programmes, sale and rental of electronic data capture equipment and its related software and services whilst PMSB Group is principally involved in the provision of terminals and payment solutions for the credit and debit card business of banks which should strengthen GHL Group's positioning in Malaysia. Accordingly, the Proposed Acquisition provides an opportunity to GHL Group to solidify its presence as a payment solutions provider in Malaysia and is part of GHL Group's strategy to facilitate its growth and expansion in the industry. The Proposed Acquisition also expected to expand the Group's customer base in transaction payment acquisition locally as well as regionally via PMSB's current presence in Cambodia. PMSB currently has operations in Cambodia whereby it sells terminals to a bank in Cambodia through an appointed agent which contributed approximately to 8% of its revenue for FY2017.

Besides, PMSB Group has been profitable over the past 3 financial years and has an established presence the credit card acquiring business segment. Additionally, upon the completion of the Proposed Acquisition, GHL Group will consolidate PMSB Group's earnings and improve the overall financial performance of GHL Group.

4. INDUSTRY OVERVIEW AND PROSPECTS

PMSB Group is principally involved in the provision of terminals and payment solutions for the credit and debit card business of banks. PMSB Group's revenue is largely dependent on the demand for electronic payment terminals used in the retail sector. Accordingly, PMSB Group's business is dependent on prospects of the Malaysian economy, retail industry and electronic payment industry.

4.1 Overview and outlook of Malaysian economy

The Malaysian economy expanded strongly by 5.9% during the fourth quarter of 2017 (Q4 2016: 4.5%). Growth was supported by domestic demand, particularly private sector spending. On the supply side, all sectors registered a positive growth except mining and quarrying. For 2017, the economy grew 5.9% (2016: 4.2%), surpassing the earlier estimation of 5.2% – 5.7%.

Private sector expenditure accelerated 7.4%, contributing 4.8 percentage points to the total GDP growth (Q4 2016: 5.9%; 3.7 percentage points). Meanwhile, public sector expenditure rebounded 3.4% (Q4 2016: -2.6%). With expenditure by both sectors recording significant growth, domestic demand continued to rally further by 6.2% (Q4 2016: 3.2%). Private consumption increased 7% (Q4 2016: 6.1%) supported by steady employment and wage growth. Key segments which recorded higher consumer spending were communication (10.2%); restaurants & hotels (8.1%); and food & non-alcoholic beverages (7.4%). The strong performance was also reflected in major consumption indicators such as food sales (9.3%); disbursements of consumption credit (8%); and imports of consumption goods (4.7%). The MIER's Consumer Sentiments Index (CSI) edged up to 82.6 points during the quarter (Q4 2016: 69.8 points), supported by households' improved outlook on the domestic economy.

Public consumption turned around 6.9% (Q4 2016: -4.2%). This was attributed to higher spending on supplies and services. Nevertheless, public investment declined 1.4% (Q4 2016: -0.4%) on account of lower capital spending by the Federal Government.

The Malaysian economy is expected to sustain a steady growth momentum, ranging between 5% – 5.5% in 2018. The growth will be underpinned by strong domestic demand, particularly private sector spending coupled with the favourable external sector. On the supply side, growth is anticipated to be broad-based led by services and manufacturing sectors. Inflation is expected to be manageable while the labour market to remain stable.

(Source: Ministry of Finance – Quarterly update on the Malaysian economy – 4th Quarter 2017)

4.2 Overview and outlook of Malaysian retail industry

The services sector expanded 6.2% during the fourth quarter of 2017, accounting for 54.8% of GDP (Q4 2016: 5.5%; 54.6%). Growth was led by final services group which expanded 6.5% (Q4 2016: 6%) contributed by the wholesale and retail trade; and food & beverages and accommodation subsectors.

The wholesale and retail trade subsector expanded 6.9% (Q4 2016: 6.2%) driven by higher retail activities. The retail segment increased 8.2% (Q4 2016: 7.8%) owing to the stronger sale of cultural and recreation goods; as well as information and communication equipment. Meanwhile, the wholesale trade segment grew 7.4% (Q4 2016: 7%) partly attributed to agricultural raw material and machinery. The motor vehicles segment rebounded 0.3% (Q4 2016: -2.2%) contributed by growth in sale and services of motorcycles as well as motor vehicle parts and accessories. The food & beverages and accommodation subsector sustained growth at 7.7% (Q4 2016: 7.8%) driven by the food & beverages segment at 8.3% (Q4 2016: 8.4%) and accommodation segment at 5.6% (Q4 2016: 5.1%) amid higher consumer spending and domestic tourism activity

(Source: Ministry of Finance – Quarterly update on the Malaysian economy – 4th Quarter 2017)

The wholesale and retail trade; and food & beverages and accommodation are anticipated to increase 6.1% and 7.2% respectively (2017: 6.5%; 7.6%). Growth will be supported by steady domestic consumption and higher tourist arrivals.

(Source: Chapter 3: Economic Performance and Prospects, Economic Report 2017/18, Ministry of Finance)

4.3 Overview and outlook of Malaysian E-payment industry

Under the Bank Negara Malaysia's Financial Sector Blueprint 2011 – 2020 (FSBP), one of its key objectives is to achieve greater economic efficiency through e-payment. BNM has undertaken efforts to promote e-payment such as formulating an E-Payments Roadmap in the FSBP and creating an enabling environment to spur the adoption of e-payments. These include pricing reforms; expansion in access points; enhancements in the quality and security features; and instilling greater awareness and confidence in the use of e-payments. As of 2016, the average e-payment transactions for individuals stood at 97 compared with 49 in 2011. The launching of Digital Free Trade Zone (DFTZ) in 2017 witnessed significant development in Malaysia's e-wallet market. This include collaboration of Ant Financial Services Group, an operator for Alipay, with Touch 'n Go which is expected to transform the payment system landscape in Malaysia. The entry of global players into the Malaysian market will drive competition and encourage more player to participate in the e-wallet segment.

To embrace digital economy, Malaysia has made considerable progress in accelerating the transition from paper-based payments to electronic payments such as with the entry of global E-wallet providers are expected to transform the payment system landscape in Malaysia.

Besides, Malaysian Government also enforced PIN-based payment cards since 1 July 2017 to replace the tradition signature-based payment cards to enhance the security. Malaysia is widening the outreach of agent banking and organising Finance Carnival *(a 3-day event organised by BNM held on 13 January 2017 formed through the collaboration of various ministries, agencies and financial institutions to raise public awareness on financial services, knowledge of financial management and consumer protection)* to enhance financial inclusion.

The operation of E-wallet will heavily depend on the type of wallet, technology and user's device, specification and arrangement between provider and agent or settlement banks. The emergence of E-wallet contributes further developments of e-commerce and enhances retail payment systems by offering fast, easy and secured payment process. E-wallet also promotes the usage of E-payment which supports the global move towards cashless society.

(Source: Chapter 5: Monetary and Financial Developments, Economic Report 2017/18, Ministry of Finance & www.bnm.gov.my website - Welcoming Remarks by Governor at Karnival Kewangan 2017)

Since 2011, the number of e-payment transactions per capita has more than doubled to 111 transactions per capita in 2017, while cheque usage has declined by 41.9% to 119.0 million. Over the same period, the number of POS terminals increased by 96.2% to 407, 111 terminals or 13 POS terminals for every 1,000 inhabitants. Debit card transactions have also increased by more than six times to 162.3 million transactions or five transactions per capita.

Progress Made in Achieving the Financial Sector Blueprint Targets

Payment indicators	2011	2017	2020 Target
E-payments per capita	49	111	200
Cheques cleared (million)	205	119	100
Payment card terminals (per 1,000 inhabitants)	7	13	25
Debit card transactions per capita	1	5	30

Source: Bank Negara Malaysia

(Source: www.bnm.gov.my website - Financial Stability and Payment Systems Report 2017)

4.4 Prospects of and future plans of PMSB Group

PMSB Group is principally involved in the credit card acquiring business, provision of terminals and payment solutions and is a key player in this sector in Malaysia. As at the LPD, PMSB Group has approximately 25,722 terminals rented to its customers of which 24,996 terminals are rented to 3 major banks in Malaysia which it has established relationship over the last few years. Following the Proposed Acquisition, PMSB Group should be well-positioned to grow by leveraging on GHL Group's operational strength and other products/services for more business opportunities via cross-selling of products and services between GHL Group and PMSB Group's customers in the E-payment space that will improve PMSB Group's financial performance. Notwithstanding the above, PMSB Group will continue its existing businesses and PMSB Group does not require any additional financial commitments from GHL Group to put the business of PMSB Group on stream as it is currently in operation.

Barring any unforeseen circumstances, GHL believes that based on the abovementioned, the growing Malaysian economy and advancing E-payment sector, the Proposed Acquisition should contribute positively to GHL Group as there is an increasing in demand for the E-payment systems.

5. RISKS RELATING TO THE PROPOSED ACQUISITION

GHL Group is principally involved in investment holding, developing and selling in-house software programmes, sale and rental of electronic draft capture equipment (e.g. its AirPos terminals, contactless readers) and its related software and services, inclusive of installation, training and maintenance. As PMSB is principally involved in the same industry as GHL, the Proposed Acquisition is not expected to subject the GHL Group to additional industry risks.

GHL will be subject to, amongst others, the following risks:-

(a) Non-completion risk

The completion of the Proposed Acquisition is conditional upon the fulfilment and/or waiver of the Conditions detailed in the SSA. There is no assurance that the Proposed Acquisition can be completed with the time period stipulated in the SSA. In the event of non-fulfilment and/or waiver of the Conditions with the stipulated time period, the SSA may be terminated.

Nevertheless, the management of GHL will monitor the status and progress of the Proposed Acquisition such that the Proposed Acquisition is completed within the stipulated timeframe.

(b) Acquisition risk

Upon completion of the Proposed Acquisition, the management of GHL believes that PMSB Group will contribute positively towards the GHL Group's profitability. However, there can be no assurance that the contribution from PMSB Group will be able to offset GHL's acquisition cost in relation to the Proposed Acquisition.

The management of GHL will closely monitor the integration of PMSB Group with GHL Group via periodic management updates/reporting to mitigate this exposure.

(c) Business risk

(i) Dependency on key management personnel

PMSB is managed by experienced team of key management personnel. GHL Group will have to rely on the experience of these key management personnel to manage and contribute their expertise and specialisation in the day-to-day operations of the PMSB Group. Any unforeseen loss of services from such personnel without timely replacements may temporarily disrupt or affect PMSB's operations which may in turn have an adverse effect on GHL Group's overall operational and financial performance.

GHL Group recognises the importance of attracting and retaining its key personnel and will periodically review its human resource policies that include suitable compensation packages and career development for its key management personnel.

(ii) Dependency on key customers

PMSB Group's revenue is highly dependent on 2 key bank customers which contributed approximately 61% and 70% of PMSB Group's total revenue for FY2016 and FY2017 respectively. There can be no assurance that PMSB will be able to retain these bank customers, the loss of which will have a material adverse impact on PMSB's financial performance.

Nevertheless, GHL and PMSB will strive to sustain the relationship with these key customers.

(iii) Dependency on key supplier

The supply of PMSB Group's credit card terminals is sourced from a single supplier. There can be no assurance that PMSB Group's operations and financial performance and in turn, GHL Group's operations and financial performance will not be adversely affected should the supply contract with this supplier be terminated or not renewed without a timely replacement.

Notwithstanding that the current supplier has been able to fulfil/meet PMSB Group's demand for credit card terminals, GHL will closely manage the relationship with this supplier to mitigate the risk any disruption on the supply of these terminals. GHL further notes that there are other suppliers in the industry that is able to supply the credit card terminals required by PMSB. Where necessary, GHL will take measures to secure these suppliers to mitigate this risk.

(iv) Borrowing risks

GHL Group's indebtedness of RM34.2 million as at the 31 December 2017 may increase by up to RM40.0 million pursuant to the Proposed Acquisition. This will increase the Group's gearing which may, amongst others, affect its ability to secure new borrowings on favourable terms as well as expose GHL Group to upward interest rate fluctuations.

GHL Group's gearing should improve with the additional earnings contribution from the Proposed Acquisition and subsequent repayment of such bank borrowings moving forward via the fixed repayment schedule to be negotiated between GHL and the financial institution(s).

(v) Impairment risk

The Proposed Acquisition may give rise to an acquisition goodwill of up to RM43.2 million. The acquisition goodwill will be subject to periodic impairment testing and any downward fair value adjustments to such acquisition goodwill will affect GHL Group's financial position.

As PMSB Group will be a subsidiary of GHL upon completion of the Proposed Acquisition, the management of GHL will be able to monitor the financial and operational performance of PMSB via periodic management updates and where necessary, take steps to address and/or mitigate possible impairment on such acquisition goodwill.

Please refer to Section 6.2 below for further details on the acquisition goodwill.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The pro-forma effects of the Proposed Acquisition on GHL's issued share capital, NA, NA per Share, gearing, earnings, EPS and the substantial shareholders' shareholdings assuming the PAT Targets for FY2018 and FY2019 are met are as set out below.

6.1 Issued share capital

	Number of GHL Shares	Amount RM'000
Issued share capital as at LPD	659,444,992	208,109
Shares to be issued pursuant to the Proposed Acquisition	33,537,353	40,000
Enlarged issued share capital	**692,982,345**	**248,109**
Treasury shares as at LPD	(678,601)	(306)

6.2 NA, NA per share and gearing

Based on GHL's latest audited consolidated financial statements for FY2017, the effects of the Proposed Acquisition are as follows:-

	Audited as at 31 December 2017	After Proposed Acquisition[a]
	RM'000	*RM'000*
Share capital	208,109	248,109
Reserves	(3,919)	(3,919)
Retained earnings	70,311	69,611[b]
Treasury shares	(306)	(306)
NA attributable to owners of GHL	**274,195**	**313,495**
Non-controlling interest	129	129
Total equity	**274,324**	**313,624**
Number of GHL shares (excluding treasury shares) ('000)	658,766	692,304
NA per share (RM)	0.42	0.45
Total borrowings	34,186	74,186[c]
Gearing (times)	0.12	0.24

Notes:-

(a) Assuming the PAT Targets for FY2018 and FY2019 are met and the final purchase consideration is RM80.0 million.

(b) After defraying estimated expenses in relation to the Proposed Acquisition amounting to approximately RM0.7 million.

(c) Assuming the entire Cash Consideration of RM40.0 million is funded via bank borrowings.

Upon completion of the Proposed Acquisition, GHL will give rise to an acquisition goodwill of RM34.2 million based on the RM56.0 million purchase consideration and PMSB's unaudited NA for FY2017 of RM21.8 million. As the PAT Targets are met and additional purchase consideration is paid by GHL, the acquisition goodwill will increase. Assuming the Purchase Consideration is RM80.0 million and PMSB has NA of RM36.8 million (FY2017 NA of RM21.8 million plus FY2018 PAT Target of RM6.5 million and FY2019 PAT Target of RM8.5 million), the Proposed Acquisition may give rise to an acquisition goodwill of RM43.2 million (equivalent to a NA per Share of RM0.06). 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.

6.3 Earnings and EPS

The Proposed Acquisition is expected to be completed in the second (2nd) quarter of 2018. GHL Group will consolidate PMSB Group's earnings as the wholly-owned subsidiary upon the completion of the Proposed Acquisition.

For illustration purposes, based on the GHL Group's audited consolidated financial statements for FY 31 December 2017 and assuming that the Proposed Acquisition had been completed at the beginning of FY2017, the effects of the Proposed Acquisition on the earnings and EPS of GHL Group are as follows:-

	FY2017
	RM'000
PAT of GHL Group	20,505
Add: Unaudited PAT of PMSB Group	5,879
Less: Interest cost [(a)]	(2,800)
Pro-forma PAT before estimated expenses	23,584
Less: Estimated expenses [(b)]	(700)
Pro-forma PAT	22,884
Number of shares [(c)]	692,304
EPS (sen) – Existing	2.96
Proforma EPS (sen) – excluding estimated expenses	3.41
– including estimated expenses	3.31

***Notes*:-**

(a) Assuming the entire Cash Consideration of RM40.0 million is funded via bank borrowings at an average interest rate of 7.0% per annum.

(b) After defraying estimated expenses in relation to the Proposed Acquisition amounting to approximately RM0.7 million.

(c) Assuming 33,573,353 GHL Consideration Shares has been issued.

The illustration set out above may not represent the true position of the earnings of the GHL Group after the completion of the Proposed Acquisition. There may be difference due 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 Malaysian Accounting Standards Board, difference in the actual amount of bank borrowings obtained and movements in interest rates. The enlarged GHL Group's future earnings are also dependent on the returns to be derived from the Proposed Acquisition.

6.4 Substantial shareholders' shareholdings

As per the terms of the SSA, Tranche 1 Shares will be issued to the Sellers on the Completion Date. Assuming the FY2018 and FY2019 PAT Targets are met, a total of 20,122,412 new GHL shares will be issued. The effects on the shareholdings of the substantial shareholders of GHL as at LPD are as follows:-

	(I)				(II)				(III)			
	As at LPD				As at Completion Date				After (II) and assuming FY2018 and FY2019 PAT Targets are met			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial Shareholders	Number of GHL Shares	%*	Number of GHL Shares	%*	Number of GHL Shares	%**	Number of GHL Shares	%**	Number of GHL Shares	%^	Number of GHL Shares	%^
Actis Stark (Mauritius) Limited	291,536,049	44.3	-	-	291,536,049	43.4	-	-	291,536,049	42.1	-	-
Loh Wee Hian	85,371,184	13.0	45,776,491[(a)]	7.0	85,371,184	12.7	45,776,491[(a)]	6.8	85,371,184	12.3	45,776,491[(a)]	6.6
Kumpulan Wang Persaraan	33,096,700	5.0	4,420,000	0.7	33,096,700	4.9	4,420,000	0.7	33,096,700	4.8	4,420,000	0.6

Notes:-

* *Based on GHL's issued share capital of 659,444,992 shares as at LPD and excluding 678,601 GHL shares held as treasury as at LPD.*

** *Based on GHL's issued share capital of 672,181,332 shares after the issuance of the Tranche 1 Shares and excluding 678,601 GHL shares held as treasury as at LPD.*

^ *Based on GHL's issued share capital of 692,303,744 shares after the Proposed Acquisition and excluding 678,601 GHL shares held as treasury as at LPD.*

(a) By virtue of his deemed interest via Tobikiri Capital Limited and his child, Mr Loh Hin Yaw.

For information, the Sellers' collective shareholdings upon completion and assuming the FY2018 and FY2019 PAT Targets are met will be 13,414,941 Shares (2.0%) and 33,537,353 Shares (4.8%) respectively.

6.5 Convertible Securities

As at the LPD, save for 12,900,000 GHL Share options offered to the executives of GHL Group under the Company's executives' share scheme, GHL does not have any other convertible securities.

Pursuant to the terms of the by-laws that governing the executives' share scheme, the Proposed Acquisition will not have any effect on the outstanding GHL Share options, vested but not yet exercised.

7. HISTORICAL SHARE PRICES

The monthly highest and lower prices of GHL Shares as traded on Bursa Securities for the past twelve (12) months from May 2017 to April 2018 are as follows:-

	Highest	Lowest
	(RM)	*(RM)*
2017		
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
April	1.39	1.03

The last transacted price of GHL Shares as at 4 April 2018, being the date prior to the initial announcement of the Proposed Acquisition on 5 April 2018 was RM1.03.

The last transacted price of GHL Shares as at LPD was RM1.28.

(Source: Bloomberg)

8. APPROVALS REQUIRED

The Proposed Acquisition is conditional upon, amongst others, the approvals being obtained from the following:-

(i) shareholders of GHL at an extraordinary general meeting to be convened;

(ii) shareholders of the Sellers, if required;

(iii) Bursa Securities, for the listing of and quotation for the GHL Consideration Shares on the Main Market of Bursa Securities; and

(iv) any other relevant authorities, if required.

The listing of and quotation for the GHL Consideration Shares on the Main Market of Bursa Securities was approved by Bursa Securities on 15 May 2018.

The Proposed Acquisition is not conditional upon any proposals undertaken or to be undertaken by GHL.

9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

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 Acquisition.

10. ESTIMATED TIME FRAME FOR COMPLETION OF THE PROPOSED ACQUISITION

Barring unforeseen circumstances, the estimated timeframe for the Proposed Acquisition to be implemented is illustrated as follows:-

Date	Event
16 May 2018	Despatch of Circular
31 May 2018	EGM
End June 2018	Completion of the Proposed Acquisition

11. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Acquisition (including but not limited to the financial effects and rationale of the Proposed Acquisition), is of the opinion that the Proposed Acquisition is fair and reasonable and in the best interest of the GHL Group. Accordingly, the Board recommends you to vote in favour of the resolution in relation to the Proposed Acquisition.

12. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

On 7 November 2017, GHL had announced that it had entered into agreements for the acquisition of up to 31.16% equity interest in MPOS Global Limited by GHL for a total consideration of USD3,317,226. As at LPD, the transaction has yet to be completed. However, the Proposed Acquisition is not conditional upon this transaction.

On 14 May 2018, AmInvestment Bank had on behalf of Board announced that GHL proposes to undertake a private placement of up to ten percent (10%) of the total number of issued share capital of the Company. This corporate exercise yet to be completed prior to the date of this Circular. However, the Proposed Acquisition is not conditional upon this transaction.

Save as disclosed above, GHL does not have any other corporate exercise which has been announced to Bursa Securities but has yet to be completed prior to the printing of this Circular.

13. EGM

The EGM, the notice of which is enclosed in this Circular, 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 Thursday, 31 May 2018 at 10.00 a.m. for the purpose of considering and if thought fit, passing the resolution to give effect to the Proposed Acquisition.

If you are unable to attend and vote in person at the EGM, please complete, sign and send the enclosed Proxy Form in accordance with the instructions therein as soon as possible in any event so as to arrive at the Registered Office of GHL 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 forty-eight (48) hours before the time of the EGM. The lodgement of the Proxy Form will not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

14. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
GHL SYSTEMS BERHAD

DATUK KAMARUDDIN BIN TAIB
Independent Non-Executive Chairman

1. HISTORY AND BUSINESS OVERVIEW

PMSB is a private company limited by shares incorporated in Malaysia on 14 October 1999 under the name of Mobile-Mate Communications Sdn. Bhd. It changed its name to Paysys (M) Sdn. Bhd. on 15 November 1999. PMSB Group commenced business in 1999 and it is principally involved in the provision of terminals and payment solutions for the credit and debit card business of banks.

In early 2004, PMSB was instrumental in the migration of magnetic striped cards to EMV chip-based cards nationwide, being the first in South East Asia to activate Mastercard's chip implementation with a major local bank. In February 2005, PMSB's subsidiary, Paysys Communications Sdn Bhd was awarded a Multimedia Super Corridor status by the Multimedia Development Corporation Sdn Bhd and was awarded a software development project with Mastercard for the Taiwan Paypass and Mondex Project.

PMSB Group primarily derives its revenue from the sales and rental of terminals and its customers are mainly banks. Based on PMSB Group's unaudited financial statements for the FY2017, its revenue contribution by products and/or services and geographical segment are as follows:-

	RM'000	%
Revenue contribution by product/service:		
Sale of terminals	28,291	46.7
Rental of terminals	20,044	33.1
Sale of spare parts	420	0.7
Maintenance charges	9,774	16.1
Software development	2,102	3.4
Total revenue	**60,631**	**100.0**
Revenue contribution by geographical segment:		
Domestic	58,240	96.1
Cambodia	2,391	3.9
Total revenue	**60,631**	**100.0**

As at the LPD, PMSB Group has approximately 25,722 terminals rented to its customers of which 24,996 terminals are rented to 3 major banks in Malaysia. The terminals that are sold and/or rented to these banks are subsequently deployed to the bank's customers.

As at LPD, PMSB Group has, among others, agreements with 3 major banks for the rental of terminals. These agreements are valid for a 3 years duration and the expiry date of the 3 agreements are 28 June 2018, 31 December 2018 and 31 December 2019. These agreements set out, among others, provisions governing the parties' roles and responsibilities, intellectual property rights, rental program and unit charges as well as termination. The agreements do not contain any provision that would give PMSB Group a stipulated definite rental income and as such PMSB Group is not in position to quantify the value of these agreements.

For information, PMSB Group, where appropriate, also entered into maintenance service agreements with some of the customers who acquired terminals. These agreements have a duration ranging from 1 year to 3 years. Such maintenance service agreements for financial institution customers have similar basis as the agreements for the rental of credit card terminals with banks. The agreements do not contain any provision that would give PMSB Group a stipulated definite maintenance income and as such PMSB Group is not in position to quantify the value of these agreements.

As at LPD, PMSB Group had submitted tenders to customers/potential customers to bid for additional approximately RM2.0 million sales. As PMSB Group have not been awarded the tenders, PMSB is not in a position to disclose these tenders.

As at the LPD, PMSB's rented terminals are located in the following states:-

	Number of rented terminals	%
Selangor	5,776	22.5
Wilayah Persekutuan	4,939	19.2
Johor	2,637	10.3
Malacca	1,134	4.4
Kelantan	448	1.7
Perlis	486	1.9
Kedah	730	2.9
Penang	2,184	8.5
Terengganu	293	1.1
Pahang	1,228	4.8
Perak	1,802	7.0
Sabah	1,552	6.0
Sarawak	1,806	7.0
Negeri Sembilan	707	2.7
Total terminals	**25,722**	**100.0**

As at LPD, PMSB obtains its supply of terminals from a French company with a local presence in Malaysia. PMSB has maintenance teams (in-house technicians and sub-contractors) located at Klang Valley, Seremban, Penang, Butterworth, Perak, Langkawi, Kedah, Perlis, Johor, Melaka, Pahang, Terengganu, Kelantan, Kuching, Sibu, Miri, Labuan, Limbang, Bintulu, Kota Kinabalu and Tawau in order to facilitate the customers services across Malaysia.

2. SHARE CAPITAL

As at LPD, PMSB has an issued share capital of RM1,000,000 comprising 1,000,000 ordinary shares.

3. SHAREHOLDERS

As at LPD, the shareholders of PMSB and their respective shareholdings in PMSB are as follows:-

	← Direct interest →		← Indirect interest →	
Shareholders	**Number of PMSB shares**	**%**	**Number of PMSB shares**	**%**
RHMSB	300,000	30.0	-	-
PGHSB	700,000	70.0	-	-
Chin Sam Chuan	-	-	[(a)] 700,000	70.0
Kantharao A/L Ramaiah	-	-	[(a)] 700,000	70.0
Leong Wye Tuck	-	-	[(a)] 700,000	70.0
Kim Ah Sit @ Kim Kok Hai	-	-	[(a)] 700,000	70.0
Indran A/L R. Candiah	-	-	[(a)] 700,000	70.0
Soh Chai Hwa	-	-	[(a)] 700,000	70.0
Chew Weng Kit	-	-	[(b)] 300,000	30.0
Wan Tak Chuen	-	-	[(b)] 300,000	30.0

***Notes**:-*

(a) Held via their equity interest in PGHSB. Please refer to Section 2.4.1 of this Circular for their respective shareholdings in PGHSB.

(b) Held via their equity interest in RHMSB. Please refer to Section 2.4.2 of this Circular for their respective shareholdings in RHMSB.

Both RHMSB and PGHSB are incorporated in Malaysia.

4. DIRECTORS

As at LPD, the directors of PMSB do not have any direct interest in PMSB. Their indirect equity interest in PMSB are as follows:-

			← Indirect interest →	
Directors	**Nationality**	**Designation**	**Number of PMSB shares**	**%**
Kim Ah Sit @ Kim Kok Hai	Malaysian	Director	[(a)] 700,000	70.0
Indran A/L R.Candiah	Malaysian	Director	[(a)] 700,000	70.0
Leong Wye Tuck	Malaysian	Director	[(a)] 700,000	70.0

***Note**:-*

(a) Held via their equity interest in PGHSB. Please refer to Section 2.4.1 of this Circular for their respective shareholdings in PGHSB.

5. SUBSIDIARIES

As at LPD, PMSB has two (2) wholly-owned subsidiaries which incorporated and principally operate in Malaysia as follows:-

Subsidiary	**Country/ Date of Incorporation**	**Issued share capital**		**Principal activities**
		('000)	*(RM'000)*	
Paysys Communications Sdn Bhd	Malaysia/ 12 October 2011	* 200	200	Developing payment solutions together with the relevant hardware required for a complete solution
Paysys Technology Sdn Bhd	Malaysia/ 23 February 2001	* 1,700	1,700	Rental of credit card terminals

** Refers to the number of ordinary shares in the company.*

As at LPD, PMSB does not have any other associated company.

6. FINANCIAL INFORMATION

The table below sets out a summary of PMSB's consolidated audited financial statements for the FY 31 December 2014 to 2016 and the unaudited consolidated financial statements for the FY 31 December 2017:-

	Audited			Unaudited
FY	**2014**	**2015**	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Turnover	27,375	35,084	49,410	60,631
Profit before tax	2,888	4,986	7,221	7,641
Profit after tax	2,247	3,901	5,433	5,879
Shareholders' fund/NA	7,540	10,941	15,874	21,753
Total borrowings	1,189	978	3,505	1,990
Paid up capital	1,000	1,000	1,000	1,000
Number of ordinary shares ('000)	1,000	1,000	1,000	1,000
Current assets	11,608	17,220	21,567	25,361
Current liabilities	4,925	10,322	9,945	11,271
Gross EPS (RM)	2.89	5.00	7.22	7.64
Net EPS (RM)	2.25	3.90	5.43	5.88
NA per share (RM)	7.54	10.94	15.87	21.75
Current ratio (times)	2.36	1.67	2.17	2.25
Gearing ratio (times)	0.16	0.09	0.22	0.09

(Source: Audited consolidated financial statements FY2014, FY2015 and FY2016 and unaudited consolidated management account FY2017)

Commentaries:-

<u>FY2014</u>

PMSB's revenue increased by RM9.3 million from RM18.0 million to RM27.4 million in FY2014 mainly from an increase in terminal sales supported by increased demand from its existing customers as well as securing 3 new customers with a combined sales of RM5.64 million during the year. Accordingly, PMSB's increase of RM1.1 million in its PAT for the year to RM2.2 million was mainly a result of the increase in revenue which was partially offset by higher cost of sales as the company's increase in sales was mainly from the sales of the more expensive wireless terminals. The increase in revenue was further offset by an increase in staff cost due to salary increments and increase in bonuses paid during the year as well as a RM0.5 million gain on disposal of property, plant and equipment which was present in FY2013.

FY2015

The increase in revenue for FY2015 of RM7.7 million was contributed by an increase in demand for terminals during the year of which was primarily driven by existing customers who are 2 major banks in Malaysia.

PMSB recorded an increase in PAT of RM1.7 million as a result of the abovementioned increase in revenue which was offset an increase in depreciation of approximately of RM1.0 million and taxation of RM0.4 million during the year.

FY2016

The increase in revenue for FY2016 of RM14.3 million which was mainly due to an increase in the revenue derived from sale of goods (i.e. terminals and spare parts) of RM18.1 million from a one-off increase in the sale of terminals following the shift from signature based to pin based payments in Malaysia. However, PMSB recorded lower revenues of RM3.8 million from terminal sales rendered as compared to the previous year.

The increase in the PAT of RM1.5 million is in line with the increase in revenue during the year which was offset by a RM10.0 million increase in the cost of sales as company stocked up more terminals in anticipation of increased customer demand for pin based payment terminals, administrative expenses of RM1.9 million and tax expenses of RM0.7 million. The increase in the administrative expenses was mainly due to an increase in depreciation charges of RM1.8 million which is in line with the increase in terminals sold due to the shift from signature based to pin based payments in Malaysia.

The increase in borrowings during the year was mainly due to a drawdown of RM3.0 million hire purchase loan to acquire more terminals.

FY2017

The increase in revenue for FY2017 of RM11.2 million was mainly due to an increase in rental of terminals of RM9.5 million as some of its major customers opted to rent the terminals instead of buying the terminals.

Despite revenue increasing by RM11.2 million but the PAT only increased by RM0.4 million. This was primarily due to an increase in administrative expenses and staff cost. The increase in administrative expenses of RM4.5 million was mainly due to an increase in depreciation charges which is in line with the increase in terminals due to a change of its major customers' preference to rent instead of buying the terminals as the customers are moving to assets light strategy. The increase in staff cost of RM1.9 million is mainly due to an increase in the headcount from 115 to 147.

The decrease in borrowings in FY2017 as compared to the previous year is mainly due to repayments of hire purchase payables amounting to RM1.6 million.

7. ACCOUNTING POLICIES AND AUDIT QUALIFICATIONS

Based on the audited financial statements of PMSB for the FY2014 to FY2016, there are no accounting policies adopted by PMSB which are peculiar due to the nature of the business or industry in which PMSB is involved in.

There was no audit qualification for PMSB financial statements for the years under review.

Please refer to **Appendix II** of this Circular for the audited financial statements of PMSB for FY2016.

8. MATERIAL LITIGATION, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL CONTRACTS

8.1 Material litigation

As at LPD, PMSB Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against PMSB or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of PMSB Group.

8.2 Contingent liabilities

As at LPD, there are no material contingent liabilities incurred or known to be incurred by PMSB Group which upon being enforced may materially and adversely affect the financial position of PMSB Group.

8.3 Material commitments

Save as disclosed below, as at LPD, there are no material commitments contracted or known to be contracted by PMSB Group, which upon becoming enforceable, may have an impact on the net profits and/or NA of PMSB Group.

	RM'000
Approved and contracted:-	
- Property, plant and equipment	7,028

8.4 Material contracts

As at LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by PMSB Group within two (2) years immediately preceding the date of this Circular.

Company No.: 496263-K

PAYSYS (M) SDN. BHD.
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2016

P. G. LIM & ASSOCIATES
Chartered Accountants (AF 0912)
31B, Jalan USJ 21/11
USJ City Centre
47630 Subang Jaya
Selangor Darul Ehsan

Company No.: 496263-K

PAYSYS (M) SDN. BHD.
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

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Company No.: 496263-K

PAYSYS (M) SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2016

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the year ended 31st December 2016.

PRINCIPAL ACTIVITIES

The Company is principally involved in business as dealers in credit card transactions, terminals and solutions. The principal activities of the subsidiaries are described in Note 6(b) to the financial statements. There have been no significant changes in the nature of the activities during the year.

RESULTS

	GROUP RM	COMPANY RM
Profit for the year	5,433,176	3,622,378

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

DIVIDENDS

On 13.12.2016, the directors declared a 50% interim single tier dividend (total dividend of RM500,000/-) in respect of the current year. The dividend was paid to the shareholders on 13.12.2016. The net dividend per share was 50 sen.

The directors do not recommend that a final dividend be paid for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year.

SHARES

The Company did not issue any new shares during the year.

DIRECTORS

The directors who held office since the date of the last report are:

INDRAN A/L R.CANDIAH
KIM AH SIT @ KIM KOK HAI
LEONG WYE TUCK

DIRECTORS' BENEFITS

During and at the end of the year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Group and of the Company) 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.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the year in the ordinary shares of the Company and its related corporations during the year are as follows:

	Number of Ordinary Shares of RM1 Each			
	At 1.1.2016	**Bought**	**Sold**	**At 31.12.2016**
Direct interest in shares of the holding company				
INDRAN A/L R.CANDIAH	25,000	-	-	25,000
KIM AH SIT @ KIM KOK HAI	25,000	-	-	25,000
LEONG WYE TUCK	10,000	-	-	10,000
Indirect interest in shares of the company				
INDRAN A/L R.CANDIAH	700,000	-	-	700,000
KIM AH SIT @ KIM KOK HAI	700,000	-	-	700,000
LEONG WYE TUCK	700,000	-	-	700,000

By virtue of their interest in the shares of the Company, the abovementioned directors are deemed to have an interest in the shares of the Subsidiary Companies to the extent the Company has interest.

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and the statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

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

(b) to ensure that any current assets which were unlikely to be realised at their book values in the ordinary course of business have been written down to their estimated realisable values.

As of the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in the financial statements of the Group and of the Company; or

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

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

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

As of the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the year and secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the succeeding year.

HOLDING COMPANY

The Directors regard Paysys Group Holdings Sdn. Bhd., a company incorporated in Malaysia as the immediate and ultimate holding company.

AUDITORS

The auditors, Messrs. P. G. Lim & Associates, have expressed their willingness to continue in office.

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

INDRAN A/L R. CANDIAH
Director

KIM AH SIT @ KIM KOK HAI
Director

Kuala Lumpur

16 MAY 2017

Company No.: 496263-K

PAYSYS (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 169 (15) of the Companies Act, 1965

The directors of Paysys (M) Sdn. Bhd. state that, in their opinion, the financial statements set out on pages 11 to 37 are drawn up in accordance with Malaysian Private Entities Reporting Standard and the requirements of Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December 2016 and of the results of its business and the cash flows of the Group and of the Company for the year ended on that date.

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

INDRAN A/L R. CANDIAH	KIM AH SIT @ KIM KOK HAI
Director	**Director**

Kuala Lumpur

16 MAY 2017

STATUTORY DECLARATION
Pursuant to Section 169 (16) of the Companies Act, 1965

I, Indran A/L R. Candiah, the director primarily responsible for the financial management of Paysys (M) Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 11 to 37 are, in my opinion, 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 above-named Indran A/L R. Candiah)
at Puchong in the State of Selangor this)
16 MAY 2017

INDRAN A/L R. CANDIAH

Before me,

PESURUHJAYA SUMPAH
No. B195
Nama NG SAY JIN
MALAYSIA

No. C-2-45, IOI Boulevard
Jalan Kenari 5
Bandar Puchong Jaya
47170 Puchong, Selangor

P. G. LIM & ASSOCIATES
CHARTERED ACCOUNTANTS (AF 0912)

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Tel: 03-80232676, 03-80232696
Fax: 03-80232006

Company No.: 496263-K

INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF PAYSYS (M) SDN. BHD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Paysys (M) Sdn. Bhd., which comprise the statements of financial position as at 31st December 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 37.

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 31st December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act, 1965 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.

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 Directors' 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 Directors' Report and we do not express any form of assurance conclusion thereon.

Company No.: 496263-K

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INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF PAYSYS (M) SDN. BHD.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report 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 the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the 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 Private Entities Reporting Standard and the requirements of the Companies Act, 1965 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 Group's and the Company's ability 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.

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.

Company No.: 496263-K

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INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF PAYSYS (M) SDN. BHD.

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

- 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.

- 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 the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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 Group's or the Company's ability 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.

- 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.

Company No.: 496263-K

P. G. LIM & ASSOCIATES
CHARTERED ACCOUNTANTS (AF 0812)

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INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF PAYSYS (M) SDN. BHD.

- 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its Company have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the Company that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the accounts of the Company did not contain any qualification or any adverse comment made under section 174(3) of the act.

Other Matters

As stated in Note 3 to the financial statements, Paysys (M) Sdn. Bhd. adopted Malaysian Private Entities Reporting Standard on 1st January 2016 with a transition date of 1st January 2015. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31st December 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year ended 31st December 2015 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31st December 2016, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1st January 2016 do not contain misstatements that materially affect the financial position as at 31st December 2016 and the financial performance and cash flows for the year then ended.

Company No.: 496263-K

P. G. LIM & ASSOCIATES
CHARTERED ACCOUNTANTS (AF 0912)

31B, Jalan USJ 21/11
USJ City Centre
47630 Subang Jaya
Selangor Darul Ehsan

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INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF PAYSYS (M) SDN. BHD.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

P. G. Lim & Associates	Lim Puay Guang
AF 0912	1585/8/2017
Chartered Accountants	

Subang Jaya

16 MAY 2017

Company No.: 496263-K

PAYSYS (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2016

		GROUP		COMPANY	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	6,198,997	3,861,473	6,171,594	3,853,443
Investment in subsidiary companies	6	-	-	1,127,911	1,127,911
Other investments	7	-	1,084,370	-	1,084,370
		6,198,997	4,945,843	7,299,505	6,065,724
CURRENT ASSETS					
Inventories	8	10,907,825	7,715,640	10,907,825	7,715,640
Trade receivables	9	6,899,404	4,963,602	6,823,260	4,963,602
Other receivables, deposits and prepayments	10	718,751	250,720	578,651	107,105
Amount due from holding company	11	2,215	17,423	2,215	17,423
Fixed deposits with licensed banks	12	499,309	483,419	499,309	483,419
Repo deposits with licensed banks		-	2,912,004	-	2,912,004
Cash and bank balances		2,539,793	877,350	2,381,048	688,296
		21,567,297	17,220,158	21,192,308	16,887,489
TOTAL ASSETS		27,766,294	22,166,001	28,491,813	22,953,213
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Share capital	13	1,000,000	1,000,000	1,000,000	1,000,000
Reserve on consolidation		979,802	979,802	-	-
Retained earnings		13,894,253	8,961,077	7,990,358	4,867,980
SHAREHOLDERS' EQUITY		15,874,055	10,940,879	8,990,358	5,867,980
NON-CURRENT LIABILITIES					
Deferred tax liabilities	14	43,336	53,711	40,577	53,391
Hire purchase payables	15	1,427,329	355,197	1,427,329	355,197
Term loans	16	476,280	494,190	476,280	494,190
		1,946,945	903,098	1,944,186	902,778
CURRENT LIABILITIES					
Trade payables	17	5,593,944	6,485,369	5,593,944	6,485,369
Other payables and accruals	18	1,705,648	3,567,922	1,565,481	3,229,829
Amount due to subsidiary companies	19	-	-	7,901,820	6,198,524
Term loans	16	28,851	27,289	28,851	27,289
Hire purchase payables	15	1,573,310	101,777	1,573,310	101,777
Taxation		1,043,541	139,667	893,863	139,667
		9,945,294	10,322,024	17,557,269	16,182,455
TOTAL LIABILITIES		11,892,239	11,225,122	19,501,455	17,085,233
TOTAL EQUITY AND LIABILITIES		27,766,294	22,166,001	28,491,813	22,953,213

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

Company No.: 496263-K

PAYSYS (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2016

		GROUP		COMPANY	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Revenue	20	49,410,320	35,084,148	48,921,888	34,623,647
Cost of sales		(28,718,100)	(18,844,095)	(31,977,538)	(21,664,095)
Gross profit		20,692,220	16,240,053	16,944,350	12,959,552
Other operating income		395,384	420,827	390,784	420,827
Administration expenses		(8,865,196)	(6,930,268)	(8,251,937)	(6,409,479)
Staff costs	21	(4,841,206)	(4,656,086)	(3,736,698)	(3,531,308)
Profit from operations		7,381,202	5,074,526	5,346,499	3,439,592
Finance costs	22	(159,860)	(88,869)	(159,737)	(88,798)
Profit before tax	23	7,221,342	4,985,657	5,186,762	3,350,794
Income tax expense	24	(1,788,166)	(1,085,132)	(1,564,384)	(812,609)
Profit for the year		5,433,176	3,900,525	3,622,378	2,538,185

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

Company No.: 496263-K

PAYSYS (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2016

GROUP	Note	Share capital RM	Reserve on consolidation RM	Retained earnings RM	Total RM
As at 1 January 2015		1,000,000	979,802	5,560,552	7,540,354
Profit for the year		-	-	3,900,525	3,900,525
Dividends	25	-	-	(500,000)	(500,000)
As at 31 December 2015		1,000,000	979,802	8,961,077	10,940,879
Profit for the year		-	-	5,433,176	5,433,176
Dividends	25	-	-	(500,000)	(500,000)
As at 31 December 2016		1,000,000	979,802	13,894,253	15,874,055

COMPANY	Note	Share capital RM	Retained earnings RM	Total RM
As at 1 January 2015		1,000,000	2,829,795	3,829,795
Profit for the year		-	2,538,185	2,538,185
Dividends	25	-	(500,000)	(500,000)
As at 31 December 2015		1,000,000	4,867,980	5,867,980
Profit for the year		-	3,622,378	3,622,378
Dividends	25	-	(500,000)	(500,000)
As at 31 December 2016		1,000,000	7,990,358	8,990,358

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

Company No.: 496263-K

PAYSYS (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	7,221,342	4,985,657	5,186,762	3,350,794
Adjustments for:				
Depreciation of property, plant and equipment	3,343,982	1,480,640	3,324,230	1,471,271
Gain on investment	(230,638)	(287,690)	(230,638)	(287,690)
Interest expenses	114,066	64,096	114,066	64,096
Operating profit before working capital changes	10,448,752	6,242,703	8,394,420	4,598,471
Increase in inventories	(3,192,185)	(3,339,829)	(3,192,185)	(3,339,829)
Increase in receivables	(2,411,748)	(1,326,113)	(2,331,204)	(1,184,534)
(Decrease)/increase in payables	(2,753,699)	5,392,911	(2,555,773)	5,284,944
Decrease in group indebtedness	15,208	(789)	1,718,504	1,252,879
Cash from operations	2,106,328	6,968,883	2,033,762	6,611,931
Interest paid	(114,066)	(64,096)	(114,066)	(64,096)
Taxation paid	(1,056,752)	(976,501)	(823,002)	(684,416)
Taxation refund	170,000	-	-	-
Dividend paid	(500,000)	(500,000)	(500,000)	(500,000)
Net cash from operating activities	605,510	5,428,286	596,694	5,363,419
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(5,681,506)	(3,476,491)	(5,642,381)	(3,473,310)
Proceed from disposal of investment	1,315,008	-	1,315,008	-
Acquisition of investment	-	(796,680)	-	(796,680)
Additional placement of fixed deposits	(15,890)	(14,310)	(15,890)	(14,310)
Withdrawal of fixed deposits	-	219,928	-	219,928
Net cash used in investing activities	(4,382,388)	(4,067,553)	(3,746,569)	(4,064,372)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from hire purchase payables	3,000,000	-	3,000,000	-
Repayment to hire purchase obligation	(456,335)	(98,700)	(456,335)	(99,363)
Repayment to term loans	(16,348)	(15,401)	(16,348)	(15,401)
Net cash from/(used in) financing activities	2,527,317	(114,101)	2,527,317	(114,764)

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

Company No.: 496263-K

PAYSYS (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Net (decrease)/increase in cash and cash equivalents	(1,249,561)	1,360,733	(1,219,252)	1,184,283
Cash and cash equivalents at beginning of the year	3,789,354	2,428,621	3,600,300	2,416,017
Cash and cash equivalents at end of the year	3,039,102	4,272,773	2,880,357	3,600,300
Cash and cash equivalents comprise:				
Repo deposits with licensed banks	-	2,912,004	-	2,912,004
Cash and bank balances	2,539,793	877,350	2,381,048	688,296
	2,539,793	3,789,354	2,381,048	3,600,300

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

PAYSYS (M) SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

1 GENERAL INFORMATION

The Company is a private limited company incorporated and domiciled in Malaysia.

The registered office is located at 31A, Jalan USJ 21/11, USJ City Centre, 47630 Subang Jaya, Selangor Darul Ehsan.

The principal place of business is located at Block D-3A-02, Level 6, Menara Uncang Emas (UE3), 85, Jalan Loke Yew, 55200 Cheras, Kuala Lumpur.

The Company is principally involved in the business as dealers in credit card transactions, terminals and solutions. The principal activities of the Company are described in Note 4(b) to the financial statements. There have been no significant changes in the nature of the activities during the year.

The immediate and ultimate holding company is Paysys Group Holdings Sdn. Bhd., a company incorporated in Malaysia.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia, which is the functional currency.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Malaysian Private Entities Reporting Standard ("MPERS") and the requirements of the Companies Act, 1965.

The financial statements have been prepared on the historical cost basis, except as otherwise stated in the financial statements.

The principal accounting policies adopted are set out below:

2.1 PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. After recognition as an asset, an item of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line method so as to write off the depreciable amount of the following assets over their estimated useful lives, as follows:

	Rate
Air conditioner	10%
Office equipment	10%
Furniture and fittings	10%
Electrical installation	20%

Office renovation	20%
Motor vehicles	20%
Terminal equipment	33⅓%
Computers	33⅓%

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Leasehold building is amortised on a straight line method over the remaining lease period.

If there is an indication of a significant change in factors affecting the residual value, useful life or asset consumption pattern since the last annual reporting date, the residual values, depreciation method and useful lives of depreciable assets are reviewed, and adjusted prospectively.

The carrying amounts of items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising from the derecognition of items of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the item, is recognised in profit or loss. Neither the sale proceeds nor any gain on disposal is classified as revenue.

2.2 SUBSIDIARIES AND BASIS OF CONSOLIDATION

The Group recognises a subsidiary based on the criterion of control. A subsidiary is an entity over which the Group has the power to govern the financial and operation policy decisions of the investee so as to obtain benefits from its activities. In circumstances when the voting rights are not more than half or when voting rights are not the dominant determinant of control, the Group uses judgements to assess whether it has de facto control, control by other arrangements or by holding substantive potential voting rights.

The consolidated financial statements are prepared using uniform accounting policies for like transactions, other events and conditions in similar circumstances.

The carrying amount of investment in each subsidiary of a parent in the Group is eliminated against the parent's portion of equity in each subsidiary. The consolidated financial statements combine like items of assets, liabilities, equity, income, expenses and cash flows of the Company and all its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition (which is the date the Group assumes control of an investee) or up to effective date of disposal (which is the date the Group ceases to have control of an investee).

All intra-group balances and transactions are eliminated in full on consolidation. Unrealised profits or losses arising from intra-group transactions are also eliminated in full on consolidation, except when an unrealised loss is an impairment loss.

When the Group ceases to control a subsidiary, the difference between the proceeds from the disposal of the subsidiary and its carrying amount at the date that control is lost is recognised in profit or loss in the statement of comprehensive income as a gain or loss on disposal of the subsidiary. The cumulative amount of any exchange differences that relate to a foreign subsidiary recognised in other comprehensive income is not reclassified to profit or loss on disposal of the subsidiary. If the Group retains an equity interest in the former subsidiary, it is accounted for as a financial asset (provided it does not become an associate or a joint venture). The carrying amount of the investment retained at the date that the entity ceases to be a subsidiary is regarded as the cost on initial measurement of the financial asset.

Any decrease in equity stake in a subsidiary that does not result in a loss of control is accounted for as an equity transaction and the financial effect is adjusted directly in the consolidated statement of changes in equity.

2.3 IMPAIRMENT OF ASSETS, OTHER THAN INVENTORIES AND FINANCIAL ASSETS

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated.

When there is an indication that an asset may be impaired but it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset and a cash-generating unit is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or a cash-generating unit is less than the carrying amount, an impairment loss is recognised to reduce the carrying amount to its recoverable amount. An impairment loss for a cash-generating unit is firstly allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then, to the other non-current assets of the unit pro rata on the basis of the carrying amount of each appropriate asset in the cash-generating unit. Impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case it is treated as a revaluation decrease.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less to sell, value in use and zero.

An impairment loss recognised in prior periods for an asset or the appropriate assets of a cash-generating unit is reversed when there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

2.4 FOREIGN CURRENCY

i) Foreign Currency ~ Foreign Currency Transactions

Transactions in foreign currencies are initially recognised in the functional currency by applying to the foreign currency amount the spot exchange rates between the functional currency and the foreign currency at the date of the transactions.

At the end of each reporting period, foreign currency monetary items are translated using the closing rate. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except when a gain or loss on a non-monetary item is recognised in other comprehensive income. If so, any exchange differences relating to that gain or loss is recognised in other comprehensive income.

2.5 INVENTORIES

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories is measured by using the First-in First-out method.

At each reporting date, inventories are assessed for impairment. If an item of inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss. At each subsequent reporting date, the Company makes a new assessment of selling price less costs to complete and sell. If there is any indication that an impairment loss recognised in prior periods may no longer exist or when there is clear evidence of an increase in selling price less costs to complete and sell due to changed economic circumstances, an impairment loss is reversed to the extent that the new carrying amount is the lower of the cost and the revised selling price less costs to complete and sell.

2.6 FINANCIAL ASSETS

Financial assets are recognised in the statements of financial position when the Group and the Company become a party to the contractual provisions of the instrument.

On initial recognition, financial assets are measured at transaction price, include transaction costs for financial assets not measured at fair value through profit or loss, unless the arrangement constitutes, in effect, a financing transaction for the counterparty to the arrangement.

After initial recognition, financial assets are classified into one of three categories: financial assets measured at fair value through profit or loss, financial assets that are debt instruments measured at amortised cost, and financial assets that are equity instruments measured at cost less impairment.

i) Financial Assets At Fair Value Through Profit Or Loss

Financial assets are classified as at fair value through profit or loss when the financial assets are within the scope of Section 12 of the MPERS or if the financial assets are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort.

Changes in fair value are recognised in profit or loss.

If a reliable measure of fair value is no longer available for an equity instrument that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date that instrument was reliably measurable is treated as the cost of the instrument, and it is measured at this cost amount less impairment until a reliable measure of fair value becomes available.

ii) ***Financial Assets That Are Debt Instruments Measured At Amortised Cost***

After initial recognition, debt instruments are measured at amortised cost using the effective interest method. Debt instruments that are classified as current assets are measured at the undiscounted amount of the cash or other consideration expected to be received.

Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash receipts through the expected life of the financial assets or, when appropriate, a shorter period, to the carrying amount of the financial assets.

iii) ***Financial Assets That Are Equity Instruments Measured At Cost Less Impairment***

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort, and contracts linked to such instruments that, if exercised, will result in delivery of such instruments, are measured at cost less impairment.

iv) ***Impairment Of Financial Assets***

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that financial assets that are measured at cost or amortised cost, are impaired.

Objective evidence could include:

- significant financial difficulty of the issuer; or
- a breach of contract; or
- the lender granting to the borrower a concession that the lender would not otherwise consider; or
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial assets since the initial recognition of those assets.

For certain category of financial assets, such as trade receivables, if it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the assets are included in a group with similar credit risk characteristics and collectively assessed for impairment.

Impairment losses, in respect of financial assets measured at amortised cost, are measured as the differences between the assets' carrying amounts and the present values of their estimated cash flows discounted at the assets' original effective interest rate.

If there is objective evidence that impairment losses have been incurred on financial assets measured at cost less impairment, the amount of impairment losses are measured as the difference between the asset's carrying amount and the best estimate of the amount that the Group and the Company would receive for the asset if it were to be sold at the reporting date.

The carrying amounts of the financial assets are reduced directly, except for the carrying amounts of trade receivables which are reduced through the use of an allowance account. Any impairment loss is recognised in profit or loss immediately. If, in subsequent period, the amount of an impairment loss decreases, the previously recognised impairment losses are reversed directly, except for the amounts related to trade receivables which are reversed to write back the amount previously provided in the allowance account. The reversal is recognised in profit or loss immediately.

v) ***Derecognition Of Financial Assets***

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are settled, or the Group and the Company transfer to another party substantially all of the risks and rewards of ownership of the financial assets.

On derecognition of financial assets in their entirety, the differences between the carrying amounts and the sum of the consideration received and any cumulative gains or losses are recognised in profit or loss in the period of the transfer.

2.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances.

2.8 LIABILITIES AND EQUITY

i) ***Classification Of Liabilities And Equity***

Financial liabilities and equity instruments are classified in accordance with the substance of the contractual arrangement, not merely its legal form, and in accordance with the definitions of a financial liability and an equity instrument.

ii) ***Equity Instruments***

Ordinary shares are classified as equity.

Equity instruments are any contracts that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company, other than those issued as part of a business combination or those accounted for in paragraph 22.15A to 22.15B, are measured at the fair value of the cash or other resources received or receivable, net of transaction costs. If payment is deferred and the time value of money is material, the initial measurement shall be on a present value basis.

The Company accounts for the transaction costs of an equity as a deduction from equity. Income tax relating to the transaction costs is accounted for in accordance with Section 29 of the MPERS.

Distributions to owners are deducted from the equity. Related income tax is accounted for in accordance with Section 29 of the MPERS.

2.9 PROVISIONS

A provision is recognised when the Group and the Company have an obligation at the reporting date as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties are taken into account in reaching the best estimate of a provision. When the effect of the time value of money is material, the amount recognised in respect of the provision is the present value of the expenditure expected to be required to settle the obligation.

2.10 PROPERTY, PLANT AND EQUIPMENT ACQUIRED UNDER HIRE-PURCHASE ARRANGEMENT

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to profit or loss to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Property, plant and equipment under hire-purchase arrangements are depreciated over their expected useful lives on the same basis as owned assets.

2.11 FINANCIAL LIABILITIES

Financial liabilities are recognised in the statements of financial position when the Group and the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial liabilities are measured at transaction price, include transaction costs for financial liabilities not measured at fair value through profit or loss, unless the arrangement constitutes, in effect, a financing transaction for the Group and the Company to the arrangement.

After initial recognition, financial liabilities are classified into one of three categories: financial liabilities measured at fair value through profit or loss, financial liabilities measured at amortised cost, or loan commitments measured at cost less impairment.

i) Financial Liabilities Measured At Fair Value Through Profit Or Loss

Financial liabilities are classified as at fair value through profit or loss when the financial liabilities are within the scope of Section 12 of the MPERS or if the financial liabilities are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort.

If a reliable measure of fair value is no longer available for an equity instrument that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date that instrument was reliably measurable is treated as the cost of the instrument, and it is measured at this cost amount less impairment until a reliable measure of fair value becomes available.

ii) Financial Liabilities Measured At Amortised Cost

After initial recognition, financial liabilities other than financial liabilities at fair value through profit or loss are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities are derecognised or impaired.

Effective interest method is a method of calculating the amortised cost of financial liabilities and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments through the expected life of the financial liabilities or, when appropriate, a shorter period, to the carrying amount of the financial liabilities.

iii) ***Loan Commitments Measured At Cost Less Impairment***

Commitments to receive loan that meet the conditions of Section 11 of the MPERS are measured at cost less impairment.

iv) ***Derecognition Of Financial Liabilities***

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amounts of the financial liabilities derecognised and the consideration paid is recognised in profit or loss.

2.12 REVENUE

i) ***Sales Of Goods***

Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and taxes applicable to the revenue.

ii) ***Rendering Of Services***

Revenue from rendering of services is measured by reference to the stage of completion of the transaction at the reporting date.

iii) ***Interest Income***

Interest income is recognised using the effective interest method, and accrued on a time basis.

2.13 EMPLOYMENT BENEFITS

i) ***Short-Term Employment Benefits***

Short-term employment benefits, such as wages, salaries and other benefits, are recognised at the undiscounted amount as a liability and an expense when the employees have rendered services to the Group and the Company.

The expected cost of accumulating compensated absences are recognised when the employees render services that increase their entitlement to future compensated absences. The expected cost of non-accumulating compensated absences, such as sick and medical leaves, are recognised when the absences occur.

The expected cost of accumulating compensated absences are measured at the undiscounted additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

The expected cost of profit-sharing and bonus payments are recognised when the Group and the Company have a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the Group and the Company have no realistic alternative but to make the payments.

ii) ***Defined Contribution Plan***

Contributions payable to the defined contribution plan are recognised as a liability and an expense when the employees have rendered services to the Group and the Company.

2.14 BORROWING COSTS

All borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

2.15 INCOME TAX

Tax expense is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised in other comprehensive income.

Tax payable on taxable profit for current and past periods is recognised as a current tax liability to the extent unpaid. If the amount paid in respect of the current and past periods exceeds the amount payable for those periods, the excess is recognised as a current tax asset.

Current tax assets and liabilities are measured at the amounts expected to be paid or recovered, using the tax rates and laws that have been enacted or substantially enacted by the reporting date.

Current tax liabilities and assets are offset if, and only if the Group and the Company have a legally enforceable right to set off the amounts and plan either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is provided in full on temporary differences which are the differences between the carrying amounts in the financial statements and the corresponding tax base of an asset or liability at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all deductible temporary differences that are expected to reduce taxable profit in the future and the carryforward of unused tax losses and unused tax credits.

Deferred tax liabilities and assets are not recognised in respect of the temporary differences associated with the initial recognition of an asset or a liability in a transaction that is not a business combination and at the time of the transactions, affects neither accounting profit nor taxable profit. Deferred tax liabilities are also not recognised for temporary difference associated with the initial recognition of goodwill.

Deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group and the Company expect to recover or settle the carrying amounts of their assets and liabilities and are measured at the tax rates and laws that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the reporting date.

3 TRANSITION TO THE MPERS

3.1 BASIS OF TRANSITION TO THE MPERS

The Company's financial statements for the period from 1st January 2015 to 31st December 2015 are the first financial statements prepared in accordance with the MPERS, which is the beginning of the earliest period presented.

The Company's transition date is 1st January 2015. The Company prepared its opening MPERS statement of financial position at that date.

The Company has applied all the mandatory exceptions and certain of the optional exemptions from full retrospective application of the MPERS. Previously, the Company presents the most recent financial statements using Private Entity Reporting Standards ("PERS").

The Company has also chosen to early adopt the limited amendments issued by the MASB, which are effective for annual periods on or after 1st January 2017.

3.2 RECONCILIATION OF FINANCIAL STATEMENTS

The following reconciliations show the effect of the transition to the MPERS on the company's equity and profit.

	31.12.2015	**1.1.2015**
	RM	**RM**
Total equity under PERS	4,052,379	2,301,884
Reversal of provision for diminution in value	527,911	527,911
Fair value gain on quoted investment	287,690	-
Total equity under MPERS	4,867,980	2,829,795

	2015
	RM
Profit for the year under PERS	2,250,495
Fair value gain on quoted investment	287,690
Profit for the year under MPERS	2,538,185

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with MPERS requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the directors are also required to exercise their judgement in the process of applying the accounting policies.

Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from these estimates.

4.1 CHANGES IN ESTIMATES

Estimates are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

4.2 CRITICAL JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

There are no critical judgements made by management in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

4.3 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year, other than those disclosed in the Notes, are as follows:

i) Depreciation of property, plant and equipment

The cost of an item of property, plant and equipment is depreciated on the straight-line method or another systematic method that reflects the consumption of the economic benefits of the assets over its useful life. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and this may lead to gain or loss on an eventual disposal of an item of property, plant and equipment.

ii) Impairment of receivables

The Company makes impairment of receivables based on assessment of the recoverability of receivables. Impairment is applied to receivables where events or charges in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, 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.

iii) Measurement of Income Taxes

Significant judgement is required in determining the Company's provision for current and deferred taxes because the ultimate tax liability for the Company as a whole is uncertain. When the final outcome of the taxes payable is determined with the tax authorities, the amounts might be different from the initial estimates of the tax payable. Such differences may impact the current and deferred taxes in the period when such determination is made. The Company will adjust for the differences as over – or under-provision of current or deferred taxes in the current period in which those differences arise.

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5 PROPERTY, PLANT AND EQUIPMENT

GROUP	TERMINAL & AIR CONDITIONERS	MOTOR VEHICLE	COMPUTERS	BUILDING	OFFICE RENOVATION	FURNITURE & FITTINGS & OFFICE EQUIPMENT	TOTAL
	RM	RM	RM	RM	RM	RM	RM
Cost							
At 1 January 2016	3,972,994	1,217,260	1,343,132	1,024,548	402,376	373,429	8,333,739
Additions	5,550,132	-	72,078	-	19,548	39,748	5,681,506
At 31 December 2016	9,523,126	1,217,260	1,415,210	1,024,548	421,924	413,177	14,015,245
Accumulated Depreciation							
At 1 January 2016	1,698,928	818,093	1,217,078	97,171	402,246	238,750	4,472,266
Charges for the year	2,974,208	184,782	138,175	13,212	3,910	29,695	3,343,982
At 31 December 2016	4,673,136	1,002,875	1,355,253	110,383	406,156	268,445	7,816,248
Depreciation - 2015	1,129,266	184,781	126,092	13,211	-	27,290	1,480,640
Carrying Amounts							
At 31 December 2016	4,849,990	214,384	59,957	914,165	15,768	144,732	6,198,997
At 31 December 2015	2,274,066	399,167	126,054	927,377	130	134,679	3,861,473

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PROPERTY, PLANT AND EQUIPMENT

COMPANY	TERMINAL & AIR CONDITIONERS RM	MOTOR VEHICLE RM	COMPUTERS RM	BUILDING RM	OFFICE RENOVATION RM	FURNITURE & FITTINGS & OFFICE EQUIPMENT RM	TOTAL RM
Cost							
At 1 January 2016	3,439,094	1,217,260	1,181,918	1,024,548	398,596	369,139	7,630,555
Additions	5,550,132	-	32,953	-	19,548	39,748	5,642,381
At 31 December 2016	8,989,226	1,217,260	1,214,871	1,024,548	418,144	408,887	13,272,936
Accumulated Depreciation							
At 1 January 2016	1,165,030	818,094	1,063,368	97,171	398,467	234,982	3,777,112
Charges for the year	2,974,208	184,782	118,595	13,212	3,910	29,523	3,324,230
At 31 December 2016	4,139,238	1,002,876	1,181,963	110,383	402,377	264,505	7,101,342
Depreciation - 2015	1,128,917	184,781	117,495	13,211	-	26,867	1,471,271
Carrying Amounts							
At 31 December 2016	4,849,988	214,384	32,908	914,165	15,767	144,382	6,171,594
At 31 December 2015	2,274,064	399,166	118,550	927,377	129	134,157	3,853,443

The carrying amounts of the property, plant and equipment under hire purchase of the Company are as follows:

	GROUP/COMPANY	
	2016	2015
	RM	RM
Asset held under hire purchase obligation		
At cost;		
Motor vehicle	1,217,260	1,217,260
Terminal equipment	3,932,370	-
	5,149,630	1,217,260
Net Book Value		
Motor vehicle	214,384	399,166
Terminal equipment	2,622,891	-
	2,837,275	399,166

6 INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2016	2015
	RM	RM
a) Unquoted shares, At cost	1,127,911	1,127,911

b) Details of the company's subsidiaries are as follows:-

Name of Company	Country of Incorporation	Principal activities	Percentage of Effective Interest 2016	2015
i) Paysys Technology Sdn. Bhd.	Malaysia	Rental of credit card terminals	100%	100%
Ii) Paysys Communications Sdn. Bhd.	Malaysia	Developing payment solution together with relevant hardware require for a complete solution	100%	100%

7 OTHER INVESTMENT

	2016	2015
	RM	RM
At 1st January:		
- As previously reported	796,680	-
- Effects of adopting MPERS	287,690	-
As restated	1,084,370	-
Additions from purchases	-	796,680
Less: Disposal of investment during the year	(1,084,370)	-
Fair value gain for the year	-	287,690
As 31st December	-	1,084,370

The equity investment comprise:		
(a) Investment measured at fair value:		
Ordinary quoted shares in Malaysia	-	1,084,370
Total investments in equity investment	-	1,084,370

The fair value of quoted equity investments are measured based on the year end quoted prices in active markets.

8 INVENTORIES

	GROUP/COMPANY	
	2016	2015
	RM	RM
At cost:		
Finished goods	10,907,825	7,715,640

9 TRADE RECEIVABLES

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
Total	6,899,404	4,963,602	6,823,260	4,963,602

The normal trade credit terms granted to customers range from 60 to 90 days. Other credit terms are assessed and approved on a case by case basis.

The Group and the Company has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors

10 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
Other receivables	175,976	160,767	38,576	27,767
Deposits	45,400	50,400	42,700	47,700
Prepayments	497,375	39,553	497,375	31,638
	718,751	250,720	578,651	107,105

11 AMOUNT DUE FROM HOLDING COMPANY

The amount is unsecured, interest free and is repayable on demand. The holding company is Paysys Group Holdings Sdn. Bhd., a company incorporated in Malaysia.

12 FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits are pledged as security for bank facilities granted to the Company.

Certain fixed deposits are held in the name of two of the directors of the Company.

The fixed deposits earn interest of 3.15% to 3.3% per annum and have maturity periods ranging from one to twelve months.

13 SHARE CAPITAL

	GROUP/COMPANY			
	Number of shares			
	2016 Units	2015 Units	2016 RM	2015 RM
Authorised:				
Ordinary shares of RM1 each	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of RM1 each	1,000,000	1,000,000	1,000,000	1,000,000

14 DEFERRED TAX LIABILITIES

The following are the movements of deferred tax liabilities:-

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
As at beginning of the year	53,711	41,738	53,391	40,244
Transfer from income statement (Note 24)	(10,375)	11,973	(12,814)	13,147
As at end of the year	43,336	53,711	40,577	53,391

The components of deferred tax liabilities are as follows:-

	2016 RM	2015 RM	2016 RM	2015 RM
Timing differences of:-				
Excess of property, plant and equipment's bet book value over its tax written down value	180,567	214,844	169,071	213,564

15 HIRE PURCHASE PAYABLES

	GROUP/COMPANY 2016 RM	2015 RM
Minimum hire purchase payments		
Not later than 1 year	1,720,751	120,778
Later than 1 year and not later than 5 years	1,461,553	381,410
	3,182,304	502,188
Future finance charges on hire purchase payables	(181,665)	(45,214)
Present value of hire purchase	3,000,639	456,974
Current	1,573,310	101,777
Non-current	1,427,329	355,197
	3,000,639	456,974
Representing hire purchase payables:-		
Not later than 1 year	1,573,310	101,777
Later than 1 year and not later than 5 years	1,427,329	355,197
	3,000,639	456,974

The average effective interest rate charge on the hire purchase for the year is 4% to 6% (2015: 4% to 6%) per annum.

16 TERM LOANS

	GROUP/COMPANY 2016 RM	2015 RM
Balance outstanding	505,131	521,479
Less: Repayable within 12 months	(28,851)	(27,289)
	476,280	494,190

The bank borrowings obtained from a local financial institution bears interest at prevailing market rates and are secured as follows:-

i. Fixed deposits belonging to the Company;

ii. First party charge over the properties; and

iii. Jointly and severally guaranteed by all the directors of the Company.

17 TRADE PAYABLES

The normal trade credit terms granted to the Company ranges from 30 to 90 days.

18 OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Other payables	98,761	312,954	98,761	209,113
Deposits	355,200	1,232,580	355,200	1,232,580
Accruals	1,251,687	2,022,388	1,111,520	1,788,136
	1,705,648	3,567,922	1,565,481	3,229,829

19 AMOUNT DUE TO SUBSIDIARY COMPANIES

	COMPANY	
	2016 RM	2015 RM
Trade	8,688,002	5,590,501
Non-trade	(786,182)	608,023
	7,901,820	6,198,524

There amounts are unsecured, interest-free and repayable on demand. No provisions for uncollectible receivables are required for the amounts of outstanding balances to subsidiary companies.

20 REVENUE

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Sales of Goods	38,708,680	20,551,451	38,708,680	20,551,451
Terminal Services rendered	10,701,640	14,532,697	10,213,208	14,072,196
	49,410,320	35,084,148	48,921,888	34,623,647

21 STAFF COSTS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Bonus	45,609	386,285	45,609	386,285
E.P.F and Socso contributions	452,775	469,164	392,077	399,867
Meal allowance	17,136	11,487	17,136	11,487
Salaries, wages, and overtime	4,325,686	3,789,150	3,281,876	2,733,669
	4,841,206	4,656,086	3,736,698	3,531,308

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22 FINANCE COSTS

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Bank charges	45,794	24,773	45,671	24,702
Bank commitment fees	10,595	11,982	10,595	11,982
Hire purchase interest	17,798	23,472	17,798	23,472
Overdraft interest	11,860	116	11,860	116
Term loan interest	73,813	28,526	73,813	28,526
	159,860	88,869	159,737	88,798

23 PROFIT BEFORE TAX

23.1 DISCLOSURE ITEMS

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
This is stated after charging:				
Auditors' remuneration	22,000	20,000	18,000	18,000
Depreciation of property, plant and equipment	3,343,982	1,480,640	3,324,230	1,471,271
Directors' emoluments	1,423,238	1,222,239	987,328	843,944
Directors' fees	-	300,000	-	300,000
Loss on foreign exchange - unrealised	-	95,296	-	95,296
Rental of office	21,600	-	21,600	-
Rental of office equipment	7,632	7,222	7,632	7,222
And crediting:				
Fixed deposit interest	(15,890)	(69,254)	(15,890)	(69,254)
Gain on foreign exchange - realised	(130,747)	(27,438)	(130,747)	(27,438)
Gain on investment income	(230,638)	(287,690)	(230,638)	(287,690)
Other income	(13,509)	(36,445)	(13,509)	(36,445)

24 INCOME TAX EXPENSE

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Based on result for the year	1,990,146	1,073,161	1,577,198	799,462
Over provision in prior year	(191,605)	-	-	-
Deferred taxation	(10,375)	11,971	(12,814)	13,147
	1,788,166	1,085,132	1,564,384	812,609

The income tax expense is reconciled to the accounting profit at the applicable tax rate as follows:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Profit before tax	7,221,342	4,985,657	5,186,762	3,350,794
Income tax using Malaysian tax rate	1,733,122	1,246,415	1,244,823	837,699
Expenses not allowable for tax purpose	629,620	255,024	626,261	252,889
Utilisation of current year's capital allowances	(304,196)	(308,473)	(299,518)	(277,863)
Utilisation of unrelieved losses	(29,909)	(27,176)	-	-
Different tax rate of 5% on first RM500,000 for qualified small and medium enterprise (2015: 5%)	5,330	(52,176)	49,453	(13,263)
Income not subject to tax	(43,821)	(40,453)	(43,821)	-
Over provision in prior year	(191,605)	-	-	-
Effect on deferred taxation	(10,375)	11,971	(12,814)	13,147
Total income tax expense	1,788,166	1,085,132	1,564,384	812,609

25 DIVIDENDS

	GROUP/COMPANY	
	2016	**2015**
	RM	**RM**
i) An interim single tier dividend of 50% on 1,000,000 ordinary shares of RM1/- each amounting to RM500,000/- paid on 5.12.2015	-	500,000
ii) An interim single tier dividend of 50% on 1,000,000 ordinary shares of RM1/- each amounting to RM500,000/- paid on 13.12.2016	500,000	-
	500,000	500,000

26 PURCHASES OF PROPERTY, PLANT AND EQUIPMENT

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Purchases of property, plant and equipment	5,681,506	3,476,491	5,642,381	3,473,310
Less: Purchases made directly by finance lease	(3,932,370)	-	(3,932,370)	-
Purchases of property, plant and equipment by cash	1,749,136	3,476,491	1,710,011	3,473,310

27 RELATED PARTY DISCLOSURES

27.1 CONTROL RELATIONSHIPS

As disclosed in Note 1, the Group's immediate and ultimate holding company is Paysys Group Holdings Sdn. Bhd, a company incorporated and domiciled in Malaysia, who owns 70% of the Company's ordinary shares. The names of the subsidiaries in the Group are disclosed in Note 6.

27.2 KEY MANAGEMENT PERSONNEL COMPENSATION

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Total compensation	1,423,238	1,522,239	987,328	1,143,944

27.3 RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
WITH SUBSIDIARY COMPANIES:-				
- Software development cost paid to a subsidiary company	-	-	3,260,000	2,820,000
- Terminal services charged by a subsidiary company	-	-	381,888	286,416

The related party transactions above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

28 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements of the Company were authorised for issue by the Board of Directors on 16 MAY 2017.

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board which individually and collectively accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and, to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would, make any statement in this Circular misleading.

Information relating to PMSB had been obtained from publicly available sources and/or provided by the management of PMSB, and the sole responsibility of the Board is limited to ensuring that such information has been accurately reproduced in this Circular.

2. CONSENT AND CONFLICT OF INTEREST

2.1 Consent

(a) AmInvestment Bank

AmInvestment Bank, being the Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they so appear in this Circular.

(b) MTrustee

MTrustee, being the Escrow Agent for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they so appear in this Circular.

2.2 Conflict of interest

(a) AmInvestment Bank

AmInvestment Bank, its related and associated companies, as well as its holding company, AMMB Holdings Berhad and the subsidiaries and associated companies of its holding company ("**AmBank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The Ambank Group has engaged and/or may in the future, engage in transactions with and perform services for GHL Group, in addition to the role involved in the Proposed Acquisition. In addition, in the ordinary course of business, any member of the Ambank Group may at any time offer or provide its services to or engage in any transactions (on its account or otherwise) with GHL Group, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities. This is a result of the businesses of Ambank Group generally acting independently of each other and accordingly there may be situations where parts of Ambank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of GHL Group.

As at LPD, the AmBank Group is in negotiation with the Company to finance/ part finance the Cash Consideration. Notwithstanding the above, AmInvestment Bank is of the view that the aforementioned extension of credit facilities will not result in a conflict of interest situation in its capacity as the Adviser for the Proposed Acquisition as the extension of credit facilities arose in the ordinary course of business of the AmBank Group and the operation of AmBank Group is regulated by the Financial Services Act, 2013 and its internal Chinese Wall policy and the potential outstanding amount owed by GHL Group is not material when compared to the audited total assets of the AmBank Group for the FY 31 March 2017.

Accordingly, AmInvestment Bank confirms that, in its opinion, no conflict of interest exist or is likely to exist in relation to its capacity as the Adviser to the Company for the Proposed Acquisition.

(b) MTrustee

MTrustee has given its written confirmation that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Escrow Agent in respect of the Proposed Acquisition.

3. MATERIAL LITIGATION, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1 Material litigation

As at LPD, GHL Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against GHL Group or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of GHL Group.

3.2 Material commitments

As at LPD, save for the Proposed Acquisition and the estimated expenses incidental to the Proposed Acquisition, the Board is not aware of any material capital commitments contracted or known to be contracted by GHL Group, which upon becoming enforceable may have a material impact on the profit or NA of GHL Group.

3.3 Contingent liabilities

As at LPD, there are no material contingent liabilities incurred or known to be incurred by GHL Group which upon being enforced may materially and adversely affect the financial position of GHL Group.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of GHL 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 public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:-

(a) the Constitution of GHL and PMSB;

(b) the audited consolidated financial statements of GHL Group for the FY 2016 and FY 2017;

(c) the audited consolidated financial statements of PMSB Group for the FY2015 and FY2016 and unaudited consolidated financial statements of PMSB Group for the FY2017;

(d) the SSA;

(e) the Escrow Agreement; and

(f) the letters of consent referred to in Section 2 above.

GHL SYSTEMS BERHAD

(Company No. 293040-D)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary 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 Thursday, 31 May 2018 at 10.00 a.m. for the purpose of considering and if thought fit, passing with or without modifications, the following resolution:

ORDINARY RESOLUTION

PROPOSED ACQUISITION BY S CAPITAL SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF GHL, OF THE ENTIRE EQUITY INTEREST IN PAYSYS (M) SDN BHD ("PMSB") ("PROPOSED ACQUISITION")

"**THAT** subject to and conditional upon the approvals of all relevant authorities or parties being obtained, authority be and is hereby given to the Company, for its wholly-owned subsidiary, S Capital Sdn Bhd ("**SCSB**") to acquire the entire equity interest in PMSB from Paysys Group Holdings Sdn Bhd ("**PGHSB**") and Rica Holdings (M) Sdn Bhd ("**RHMSB**") (collectively, the "**Sellers**") for a total purchase consideration of up to RM80,000,000, consisting of a cash consideration of RM40,000,000 and up to 33,537,353 new ordinary shares in GHL ("**GHL Share**") ("**GHL Consideration Shares**") at an issue price of RM1.1927 per GHL Share, subject to adjustments to the number and issue price of the GHL Consideration Shares and subject to and upon such terms and conditions as set out in the conditional share sale agreement dated 5 April 2018 ("**SSA**") entered into between SCSB and the Sellers ("**Proposed Acquisition**");

AND THAT the Board of Directors of GHL ("**Board**") be and is hereby authorised to issue the GHL Consideration Shares including any additional GHL Consideration Shares arising from any adjustments to be issued in accordance with the terms of the SSA to the Sellers as part settlement for the Proposed Acquisition AND THAT the GHL Consideration Shares, shall upon allotment and issuance, rank *pari passu* in all respects with the then existing GHL Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions of which the entitlement date is prior to the date of allotment of such GHL Consideration Shares;

AND THAT the Board be and is hereby authorised to do all such acts and things and enter into any arrangements, guarantees and/or documents as the Board deems necessary and expedient in order to implement, finalise and/or give full effect to and complete the Proposed Acquisition; and where applicable with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant regulatory authorities or as the Board may deem necessary or expedient to implement, finalise and/or give full effect to and complete the Proposed Acquisition."

By Order of the Board
WONG WAI FOONG (MAICSA 7001358)
LIM POH YEN (MAICSA 7009745)
KUAN HUI FANG (MIA 16876)
Company Secretaries
Kuala Lumpur
16 May 2018

Notes:-

1. *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.

2. *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.*

3. *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.

4. *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.*

5. *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.*

6. *The Proxy From 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.*

7. *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.*

GHL SYSTEMS BERHAD

(Company No. 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* ____________________________________

NRIC No.____________________________ of ____

______________________________ or failing him ____________________________________ NRIC No.____________________

of ____

or THE CHAIRMAN OF THE MEETING as *my/our proxy/proxies to attend and vote for *my/us on *my/our behalf, at the Extraordinary 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 Thursday, 31 May 2018 at 10.00 a.m., to vote as indicated below:-

Ordinary Resolution	***FOR***	***AGAINST***
Proposed Acquisition		

(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	....	%
Total		**100%**

Dated this _________ *day of* ____________________ *2018*

____

Signature of Member(s) or/ Common Seal

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Fold this flap for sealing

Then fold here

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

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