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GHL SYSTEMS BERHAD

Incorporated in Malaysia

Tomorrow's Technology for Today's Banks

ANNUAL REPORT 2003

www.ghl.com

MSC - Status Company

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1.00 - CORPORATE INFORMATION

Board of Directors

- **Tunku Dato' Abdul Malek Bin Tunku Kassim,** Independent Non-Executive Chairman
- **Tay Beng Lock,** Group Managing Director
- **Yeng Fook Hoo,** Deputy Group Managing Director
- **Chin Fook Kheong,** Group Finance Director
- **Goh Kuan Ho,** Non-Executive Director
- **Mohamad Isa Bin Abdullah,** Non-Executive Director
- **Chong Teck Foh,** Independent Non-Executive Director
- **Yen Siw Kuin,** Independent Non-Executive Director

Company Secretaries

- **Chin Fook Kheong** (MIA 12596)
- **Chee Wai Yen** (MIA 20899)

Audit Committee

- **Yen Siw Kuin**
- **Chong Teck Foh**
- **Mohamad Isa Bin Abdullah**

Auditors

Anuarul Azizan Chew & Co.
18 Jalan 1/64,
Off Jalan Kolam Air/Jalan Ipoh,
51200 Kuala Lumpur

Registrar

Signet Share Registration Services Sdn Bhd
Level 26, Menara Multi Purpose,
Capital Square,
No.8, Jalan Munshi Abdullah,
50100 Kuala Lumpur.

Legal Advisors

Rajah, Lau & Associates
B-13-13, Block B, 13th Floor,
Unit 13, Megan Phileo Avenue,
No 12, Jalan Yap Kwan Seng,
50450 Kuala Lumpur

Tan Eng Choong & Co
No 23, Jalan Pudu Lama,
Bukit Mahkamah,
50200 Kuala Lumpur

Wong Beh & Toh
Level 12, West Block, Wisma
Selangor Dredging, 142-C, Jalan
Ampang,
50450 Kuala Lumpur

Sponsor

AmMerchant Bank Bhd
22nd Floor, Bangunan AmBank
Group, 55 Jalan Raja Chulan,
50200 Kuala Lumpur.
Tel : +603 2078 2633/44/55
Fax : +603 2078 8596 /
+603 2032 4814

Principal Bankers

- **Affin Bank Berhad**
- **Alliance Bank Berhad**
- **AmBank Berhad**
- **Malayan Banking Berhad**
- **RHB Bank Berhad**

Registered Office

18C, Jalan 1/64,
Off Jalan Kolam Air/Jalan Ipoh,
51200 Kuala Lumpur
Tel : +603 40444669
Fax : +603 4044 4670

Business Office

37, Cangkat Bukit Bintang,
50200 Kuala Lumpur, Malaysia
Tel : +603 2116 1688
Fax : +603 2144 3432
Email : kl@ghl.com

Stock Exchange Listing

MSEB - MESDAQ Market
MSEB Code: 0021
Reuters Code: GHLS.KL
Bloomberg Code: GHLS MK

2.00 - FINANCIAL HIGHLIGHTS

Summarized Group Income Statement

Year Ended (RM'000)	2002	2003
Turnover	30,545	63,268
Operating Profit	3,594	6,582
Profit Before Tax	3,215	6,227
Net Profit	3,198	6,003

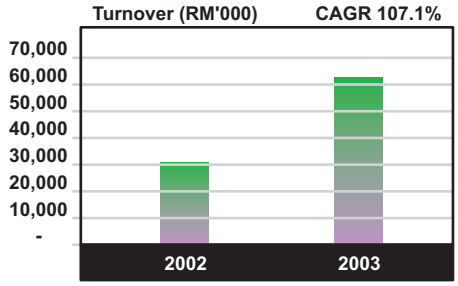
Summarized Group Balance Sheet

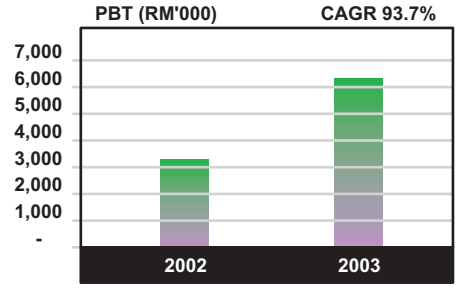
Year Ended (RM'000)	2002	2003
Fixed Assets	14,064	14,136
Associated Company	391	23
Goodwill	1,624	1,624
	16,079	15,782
Current Assets	13,833	30,733
Current Liabilities	7,655	5,136
Net Current Assets	6,178	25,597
	22,257	41,379
Financed By:		
Shareholders' Equity	21,634	40,685
Long-term Borrowings	79	-
Deferred Taxation	544	694
	623	694
	22,257	41,379

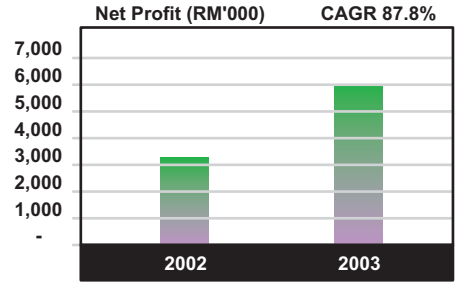
Analysis

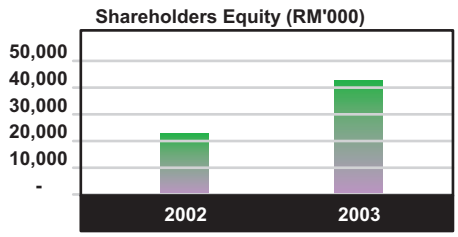
Year Ended (RM'000)	2002	2003
Turnover Growth	-	107.1%
Operating Profit Growth	-	83.1%
Profit Before Tax Growth	-	93.7%
Profit After Tax Growth	-	87.7%
Operating Profit Margin	11.8%	10.4%
Pre-Tax Profit Margin	10.5%	9.8%
Net Profit Margin	10.5%	9.5%
Total Assets	29,912	46,515
Total Borrowings/Equity Ratio	Net Cash	Net Cash
Cash and Cash Equivalents	2,902	12,333
ROE (Average Equity)	19.4%	19.3%
ROA (Average Total Assets)	12.2%	15.7%
NTA Per Share (Sen)	10.69	15.11
Net Earnings Per Share (Sen)	2.09	2.54
Weighted Average No. of Shares*	152.67	236.61

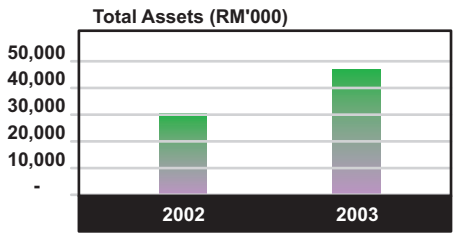
*Ordinary shares of RM0.10 each ('million)

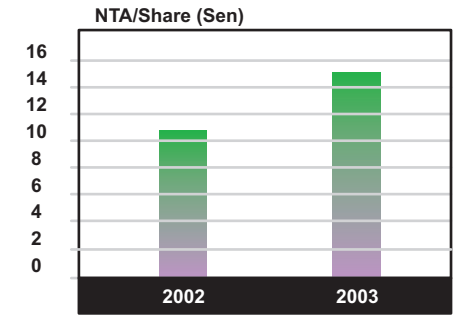








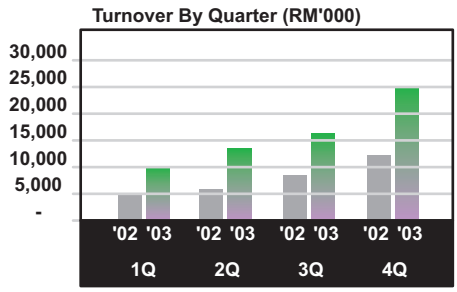




2.00 - FINANCIAL HIGHLIGHTS

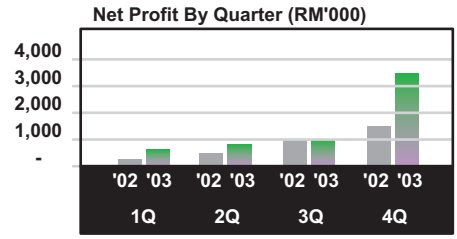
Quarterly Analysis

Year Ended (RM'000) Turnover	2002	2003	%Chg
1st Quarter	4,471	9,430	110.9%
2nd Quarter	5,724	12,874	124.9%
3rd Quarter	7,034	16,331	132.2%
4th Quarter	13,315	24,633	85.0%
	30,545	63,268	107.1%



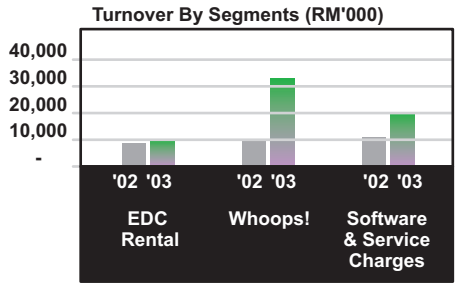
Net Profit

1st Quarter	237	502	111.5%
2nd Quarter	406	858	111.3%
3rd Quarter	1,141	1,141	0.0%
4th Quarter	1,414	3,502	147.8%
	3,198	6,003	87.7%



Segmental Analysis

Year Ended (RM'000) Turnover By Segments	2002	2003	%Chg
EDC Rentals	9,383	9,873	5.2%
Whoops!	9,821	33,644	242.6%
Software & Service Charges	11,341	19,751	74.2%
	30,545	63,268	107.1%



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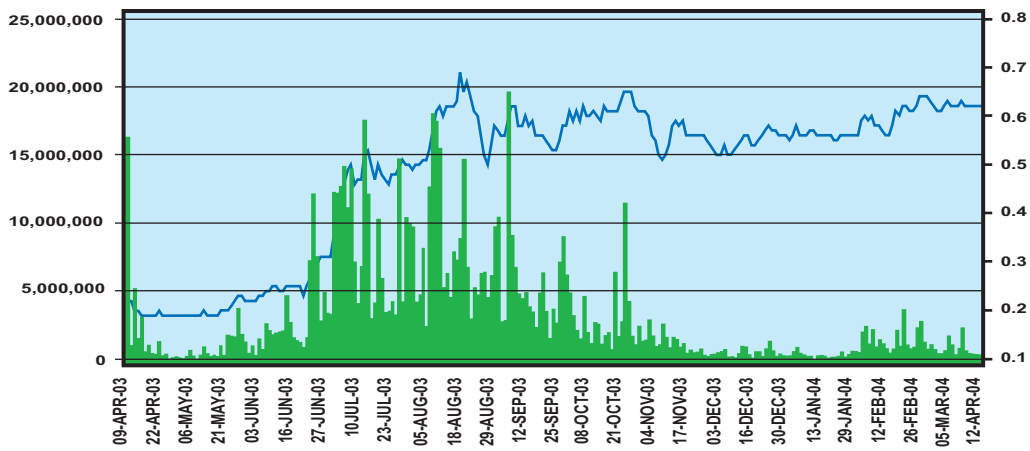
Summarized Group Cash Flows

Year Ended (RM'000)	2002	2003
Operating Profit Before working Capital Changes	7,081	13,548
Net Cash Flows From Operating Activities	2,619	3,873
Net Cash Flows From Investing Activities	(6,098)	(7,252)
Net Cash Flows From Financing Activities	4,718	12,809
Net Increase in Cash and Cash Equivalents	1,240	9,431
Cash and Cash Equivalents at Beginning of Year	1,662	2,902
Cash and Cash Equivalents at End of Year	2,902	12,333

Share Price and Volume



Share Price		
Record High Share Price	-	RM0.74
5 March 2004 Closing Share Price	-	RM0.62

Market Value Ratios (on 5 March 2004)		
Price/Earnings Multiple	-	24.41
Price/Book Ratio	-	4.11

3.00 CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of GHL Systems Berhad, I am pleased to present to you the 2003 Annual Report and the audited accounts of the Group and the Company for the year ended 31 December 2003, together with the previous year's performance for comparison.

For the year ended 31 December 2003, GHL Systems reported group net earnings of RM6.0 million on group revenue of RM63.3 million. Both of these figures represent record achievements for the Group and increases over the previous year of 87.7% and 107.1% respectively.

The result for the year reflects a combination of strong performances in all of our existing lines of business and the continued success of our niche business models.

Our growth-ready balance sheet remains conservatively positioned and will continue to give us the flexibility to expand when the opportunity arises. As at year-end, shareholders' funds stood at RM40.7 million and cash balances were RM12.3 million. Return generated on average shareholders' equity was a commendable 19.3%.

Since the commencement of our operations in June 1999, GHL Systems has managed to achieve phenomenal growth rates. Our group annual revenue grew from RM1.5 million for the year ended 31 May 2000 (pro-form FY2000) to RM63.3 million for the year under review. We reversed a loss of about RM0.17 million (pro-forma FY2000) and turned in a net profit of RM2.1 million (pro-forma FY2001); and we have since been profitable.

I believe this track record over the past four and half years is outstanding and presents ample evidence of our ability to expand GHL Systems.

Indeed, it is remarkable that we have managed to transform GHL Systems from a mere terminal vendor to become a leading payment services enabler, providing comprehensive payment solutions and technology to the financial services industry. We'd like this significant achievement to serve as a barometer of GHL Systems' bright future as well as testimony of our growth, innovativeness and vision over the years.

The year 2003 was also a milestone year for GHL Systems; on April 9, 2003, GHL Systems was successfully listed on the KLSE-MESDAQ market with an Initial Public Offer of 63 million new shares at an offer price of RM0.20 per share. The share price ended the year at RM0.56 per share, a 180% increase in valuation.

The exceptional performance of our share price indeed reflects the strong support and confidence that the investment community has in our niche business models. Our market capitalization as at year-end was about RM145 million, which is more than 2 times our annual group revenue.

The Board of Directors is pleased with the financial performance, and the share price appreciation, as they were achieved during a period when we experienced serious global events such as the IRAQ war and the regional spread of SARS, both of which affected the domestic consumer and business sentiments.

Going forward, 2004 will be a year of challenges, yet full of opportunities. Firstly, the deadline of end-2005 for banks to migrate all magnetic-stripe terminals to chip-based EuroPay-MasterCard-Visa (EMV) compliant terminals will provide opportunities for GHL Systems. In addition, the increasingly secure payment environment as more fraud-proof chip-implanted credits cards are issued would be a boost to our rental income from EDC Pool.

UTILIZATION OF IPO PROCEEDS AND R & D EXPENDITURE

The proceeds from the Initial Public Offering amounted to RM12.6 million, of which RM11.294 million was for working capital and RM1.306 million was for defraying listing expenses. Proceeds earmarked for listing expenses have been disbursed accordingly. As at to date, the Company has utilized about RM2.6 million as working capital.

The Group's research and development (R&D) activities are housed under GHL Systems and the R&D center is located at Technology Park Malaysia. All our R&D expenditure incurred during the year, which consisted mainly of salaries and wages of full-time professionals to conduct in-house R&D, were expensed off in the income statement. For the year 2003, our R&D expenditure amounted to RM4.2 million, compared RM2.8 million the previous year.

The R&D activities in 2003 centered mainly on product enhancement. For instance, NetMatrix, which started off in 2002 as a terminal line encryption solution, is now a key component offering post-issuance solutions for smart cards in our Adaptive Secure Payment Architecture (ASPA) for banks and financial institutions. In addition, NetAccess was further improved to offer wireless access in a LAN environment, new communication protocols, and new capabilities such as billing, reports, and network management.

BONUS SHARE ISSUE

To reward your continuing support as shareholders, the Board is pleased to recommend a 1-for-4 bonus share issue. The bonus share issue will be capitalized from the share premium and the retained earnings accounts. The issue will also enlarge the issued share capital base of the Company to better reflect GHL Systems' current scale of operations, as well as to allow for better share liquidity of the Company's shares on the MESDAQ Market.

CORPORATE GOVERNANCE

The Board strongly believes in continuously upholding the highest standards of corporate governance practice throughout the Group as a fundamental part of discharging our responsibilities to protect and maximize stakeholders' value and enhancing the business prosperity of the Group. The measures that have been implemented will be highlighted in the Corporate Governance Report.

APPRECIATION

On behalf of all members of the Board, I wish to offer our sincere appreciation to all staff for their innovativeness and their continued efforts to add value to the company.

In closing, I would also like to thank our valued customers, including the major banks, telcos and petroleum retail chains, as well as the more than 8,000 merchants throughout the country, for their continued support over the years.

Tunku Dato' Abdul Malek Bin Tunku Kassim,
Chairman
15 April 2004

4.00 - BUSINESS REVIEW BY MANAGEMENT

EDC Sales

During the year, our sales of Electronic Draft Capture (EDC) terminals to the banks were slower than what we had anticipated it would be, in view of the mandated requirement by EuroPay-MasterCard-Visa (EMV) for banks to migrate all their magnetic-stripe terminals to chip-based terminals before 2006. This is largely due to the uncertainty caused by the appointment of a sole Terminal Migration Organization (TMO) by the Prime Minister Department in June 2003, as announced in the KLSE (now known as Malaysia Securities Exchange Berhad) on 13 June 2003.

The Association of Bankers, Malaysia, has since recognized the TMO appointee as another payment equipment vendor. The recognition certainly has cleared up the uncertainty. However, the industry suffered a slow down by three to six months.

Nonetheless, during the year GHL Systems managed to secure three EMV migration projects in Malaysia, one local bank and two foreign-based banks. With the three projects, GHL Systems is now the leading player in EMV migration in Malaysia.

EDC Pool

Revenue from rental of EDC terminals improved marginally. The number of EDC terminals deployed at small and medium sized merchants increased by approximately 17%, from about 7,000 at the beginning of the year to about 8,200 at the end of the year. This segment continues to provide us with a stable source of recurring income.

Whoops!

Sales of WHOOPS! posted exceptional growth rate of 243% in 2003. GHL Systems sold close to RM33.6 million worth of mobile phone airtime last year, as compared with RM9.8 million in 2002. WHOOPS! is our innovative service that is the first in Malaysia to allow mobile phone users to reload their airtime in a secure and convenient way without using Personal Identification Numbers (PINs).

NetAccess

The award-winning NetAccess is another successful innovation by GHL Systems. It is currently one of the fastest and cost effective payment network devices in the industry. We are proud that our NetAccess has been deployed in two 'landmark' retail hubs - Asia's largest IKEA store in Mutiara Damansara, and the largest shopping mall in South-east Asia, Berjaya Times Square. NetAccess is a proprietary technology for multi-lane merchants that can connect up to 90 terminals. We have so far exported more than 120 boxes overseas and deployed about 60 boxes locally. Last year, NetAccess contributed close to RM1 million sales. NetAccess was awarded VeriFone's International Innovation Awards in 2001/2002.

Software Sales

Last year, our software sales amounted to RM9.3 million, as compared with RM0.9million previously. Most of the sales were secured during the last quarter of 2003. Over the years, GHL Systems has developed a suite of payment-related software, including NetMerchant, NetMatrix, and WHOOPS!. Because of our policy in expensing off R&D expenditure, any sales of software would invariably result in a marked increase in net profit and margin, as reflected in the last quarter when our net profit margin was about 14.3%, compared with 9.5% for the entire year.

Card Pay

Card Pay Sdn Bhd (Card Pay), posted a net loss of RM0.88 million for FY2003. Card Pay is a non-bank third party merchant acquirer for MEPS Cash and e-Debit. As at end of 2003, Card Pay had a pool of about 600 merchants in the Klang Valley that allow consumers to pay using BankCard via the MEPS Cash or e-Debit platforms. Taking reference from the success of some national debit card systems in the region, such as NETS of Singapore, the Board of Directors views that Card Pay has a great potential in light of the 12 million BankCard holders in Malaysia. On 27 February 2004, the Board has approved to purchase 250,000 new shares of Card Pay for a cash consideration of RM250,000. The purchase has effectively made Card Pay a 52-percent subsidiary company of the Group, compared to a 40% interest previously. In the long term, we hope to attain critical mass deployment of debit card terminals throughout Malaysia, the achievement of which will inevitably bring about a large recurrent income base and high profitability for the Group.

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PROSPECTS

The Management expects that the year 2004 will be another exciting year for GHL Systems. Trading conditions into 2004 have been positive, largely attributable to the optimistic business sentiments, recovering global economy and smooth leadership transition in Malaysia. And we expect to continue to see abundant opportunities in the payment-related industry.

To begin with, the deadline of end-2005 for banks to migrate all magnetic-stripe terminals to chip-based EMV-compliant terminals will provide great opportunities for GHL Systems. It is estimated that close to 40 percent of the total 50,000 EDC terminals in the market are yet EMV-compliant. With our award-winning EMV-compliant terminals by VeriFone, coupled with our experience in EMV migration, GHL Systems is in good position to secure additional EMV migration projects before the deadline. Also, our CAD Program, a long-term lease program to help banks in saving capital expenditure on terminals, has potential to absorb some of the EMV conversion.

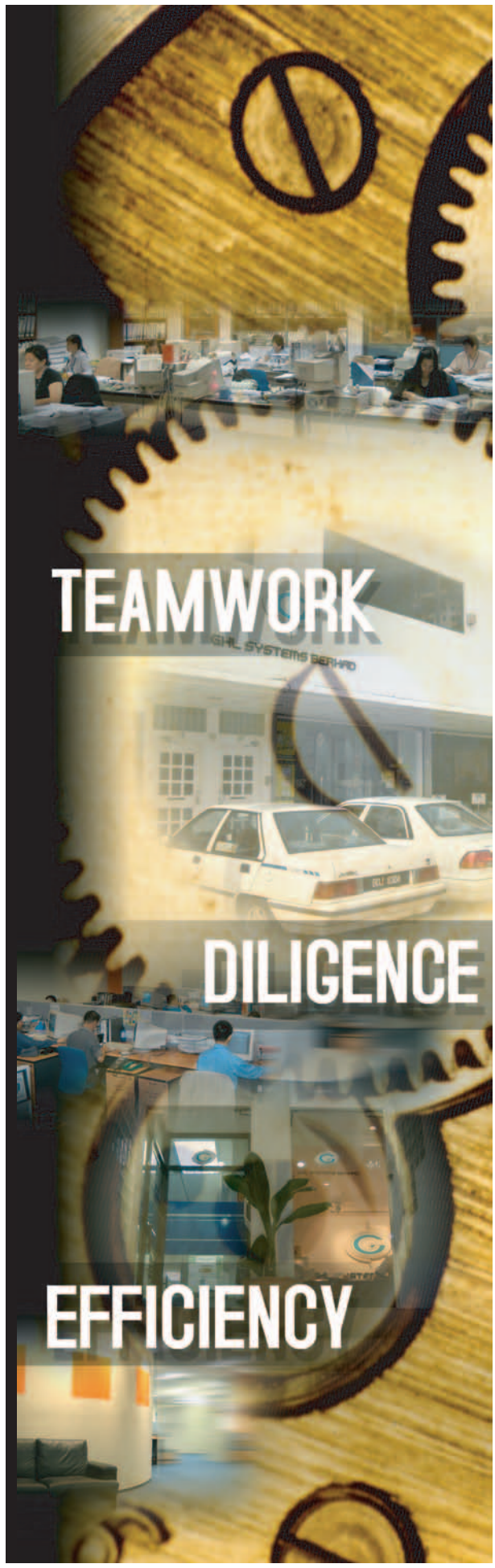
Our rental income from EDC Pool is likely to grow considerably in 2004 and 2005. Our optimistic view is based on the increasingly secure payment environment as more fraud-proof chip-implanted credits cards are issued. The EMV deadline for credit card conversion is end-2004. The expected secure environment should bring about high confidence among the banks and retail merchants.

The strategic partnership signed late last year with Alliance Bank will be another growth driver for GHL Systems. The partnership allows us to assist the bank in the merchant acquiring activities and to deploy EDC terminals for rental at the bank's merchants. At the same time, GHL Systems will get a share of the transaction fees. The tie-up is expected to contribute significantly to the Group's earnings from the rental income and transaction-based revenue.

With more mobile phone users subscribing to prepaid option, WHOOPS! sales will continue to grow exponentially in 2004, as it did in 2003. Our strategic tie-up with e-Cosway to allow its 500,000-strong members to reload through SMS or direct debit from membership cards will also be a key revenue contribution. We target to sign up more than 100,000 members by the end of 2004.

There is a great potential for GHL Systems to go global. We plan to duplicate our successful business model, the EDC Pool, in the regional markets. In March 2004, we signed an agreement with Sampath Bank of Sri Lanka to set up the EDC Pool in the country. So far, we have received a number of similar enquiries from other foreign banks. To avoid problems associated with overseas expansion and stretching management thin, our initial expansion strategy would be a combination of direct presence and offering of franchise program.

Lastly, we believe many of our products are world-class and have the potential for the world markets. During our exhibition of NetAccess in Orlando, USA, we met with enthusiastic response and received several reseller-prospecting enquiries for the North America and European markets. To extend NetAccess overseas, we will look into various options, including reseller program and overseas office set up, to facilitate our export opportunities. Recently, GHL Systems has teamed up with Canada-based Eicon Network Inc to penetrate the global finance and banking industry.



5.00 - DIRECTORS' PROFILE

Tunku Dato' Abdul Malek Bin Tunku Kassim
Independent Non-Executive Chairman

Tunku Dato' Abdul Malek Bin Tunku Kassim, a Malaysian aged 69, graduated from Queen's University of Belfast, United Kingdom, in 1959 with a Bachelor of Science (Economics) Degree and subsequently obtained a Master Degree in Arts from Vanderbilt University, USA, in 1973. He was admitted as a fellow member of the Institute of Bankers Malaysia in 1992.

He started his career as an administrator with the Kedah Civil Service from 1959 to 1962. From there, he joined the Malaysian Civil Service where he was posted to the Treasury, Ministry of Finance as an officer in the Economic and Tax Divisions from 1962 to 1974. He was seconded to the International Monetary Fund ("IMF") in Washington DC as an adviser to an Executive Director in the IMF's Board of Directors from 1975 to 1976. Upon his return to Kuala Lumpur to resume service with the Ministry of Finance, he was appointed Head of the Tax Division and later the Finance Division. In 1983, he was appointed to the Board of the Asian Development Bank ("ADB") in Manila as an Executive Director.

Upon his return to Malaysia after his stint with the ADB in 1987, Tunku Dato' Abdul Malek became an Executive Director of Kewangan Usaha Bersatu Berhad ("KUBB") from 1987 until 1993. During his tenure at KUBB, he was also a Chairman of the Association of Finance Companies, a director of Cagamas Berhad, as well as a Council Member of the Institute of Bankers Malaysia. He was in retirement from 1993 to 1995. Between 1995 and 1999, he was on the Boards of Directors of Commerce Asset-Holding Berhad, Commerce International Merchant Bankers Berhad and CIMB Securities Sdn Bhd.

In June 1999, he joined BSN Commercial Bank (Malaysia) Berhad ("BSNC Bank") as a director and its Chairman. BSNC Bank was renamed BSNC Corporation Berhad ("BSNC") following the disposal of its banking business to Affin Bank. Tunku Dato' Abdul Malek retired from his position as Chairman from 1 July 2003. He is currently a director of BSNC Trustee Berhad and Commerce Life Assurance Berhad (formerly known as Amal Assurance Berhad).

Tay Beng Lock
Group Managing Director

Tay Beng Lock, a Malaysian aged 43, obtained his Bachelor Degree in Electrical Engineering with distinction from Carleton University, Canada, in 1984 and a Master Degree in Business Administration with distinction from Middlesex University, United Kingdom, in 1996.

He began his career in 1984 as a Sales Engineer with Mecomb Malaysia Sdn Bhd, a member company of the Sime Darby Group, where he was responsible for the marketing of test and measurement instruments in the telecommunications and broadcasting industries. Then in 1986, he spent six years in Hewlett-Packard Sales (Malaysia) Sdn Bhd ("HP"); his last position of which was the Business Manager overseeing the company's test and measurement business in Malaysia. In 1992, he joined Delteq (M) Sdn Bhd ("Delteq") as its General Manager and Director, and was part of the pioneer team in building the start-up company to be a regional systems integration services provider.

In 1997, he joined the GHL Group and subsequently assumed the Managing Director position of GHL Technologies Sdn Bhd, GHL Transact Sdn Bhd, and GHL Payments Sdn Bhd. He was instrumental in the reorganization of the GHL Group, by transforming the Group from a computer and IT based business to be a leading niche player in the payment space. One of his innovative achievements was convincing several local banks to outsource their merchant acquiring activities to the Group.

He was appointed the Group Managing Director of GHL Systems Bhd on 26 January 1999. With more than 20 years of enterprise building and marketing experience, he is well placed to lead the GHL Systems Group.

Yeng Fook Hoo
Deputy Group Managing Director

Yeng Fook Hoo, a Malaysian aged 47, obtained his Bachelor Degree in Economics and Mathematics from the University of London, United Kingdom in 1979 and completed a Senior Management Program at Harvard Business School in 1988. He has 17 years of experience in the banking industry, with 10 years of experience in handling the implementation of major banking systems.

He started his career with Pacific Bank Berhad as a Trainee Officer in 1981. In 1984, he was promoted to the Branch Manager, managing 3 branches in Rengit, Batu Pahat and Johor Bahru. In 1988, he advanced to the position of Senior Manager of Operations / Information Technology ("IT"). His achievement included creating and implementing the first integrated bank-in slip to streamline and simplify the bank-in process for Pacific Bank Berhad's customers. He was also responsible for conceiving, designing, creating and implementing the first "instant" ATM card that allowed customers to use their new and replacement ATM cards instantly at the point of registration. In addition, he was instrumental in co-developing and overseeing the migration effort of Pacific Bank Berhad's retail backend banking system from the legacy Honeywell System to the new Tandem System. This extensive exercise was completed within nine (9) months. He left Pacific Bank Berhad in 1994 to join Hong Leong Bank Berhad.

From 1994 to 1997, he was the General Manager of the Operations / IT division of Hong Leong Bank Berhad, where he implemented a new branch delivery system and the first branch system operating on a Windows platform. When he joined the Company in 1997, he was managing the research and development efforts for various transaction-processing and payment-related technologies and solutions such as NetAccess, NetMerchant, NetSync and PivotPoints. He also oversees the operations of WHOOPS and PayDirect. In addition, he was also responsible for conceiving the EDC Pool Program, which was successfully implemented with three (3) partner banks. He was designated as the Deputy Group Managing Director in 2002, responsible for the business development and R & D activities of the Group.

Chin Fook Kheong
Group Finance Director

Chin Fook Kheong, a Malaysian aged 40, was appointed to the board on 31 May 2003. He is a fellow member of the Chartered Institute of Management Accountants (CIMA) and a member of the Malaysian Institute of Accountants (MIA). He has a Master's degree in Business Administration (MBA) from the University of Nottingham, United Kingdom.

He started his career in auditing with S F Yap & Co in 1987 and later joined Nanyang Union Sdn Bhd in 1988 as its Group Accountant, managing all financial matters of a group of companies involved in fabrication and manufacture of rubber gloves and machines, manufacture of ceramic products and pesticides, and trading of industrial chemicals. He was also in charge of the corporate affairs of Nanyang, as well as secretarial and taxation matters.

In 1990, he joined Mulpha International Berhad, a company listed on the MSEB Main Board. He managed Mulpha's sports and cosmetics trading divisions for Hong Kong, Macau, Malaysia, Singapore, Brunei and Indonesia as a Divisional Manager, and was also responsible for management of Mulpha's corporate affairs. In 1994, he left Mulpha and joined Forsixten Sdn Bhd as a General Manager; the company specialized in manufacture of bags and belts. He re-joined Nanyang in 1995 as its Group Financial Controller and was responsible for managing its group financial matters, corporate affairs and large scale development and construction projects.

In 1998, he moved to Jac Malaysia Sdn Bhd as a General Manager of Finance, responsible for its finance division and corporate affairs. Jac Malaysia, a major self-adhesive label manufacturer in Malaysia, was one of the twelve worldwide manufacturing facilities for the Germany-based Jackstaedt GmbH, one of the major self-adhesive label manufacturers in the world.

5.00 - DIRECTORS' PROFILE

He left Jac Malaysia in 2000 to join the Company as a General Manager of Finance and Administration. He was responsible for the finance division, credit control and corporate affairs of the Group. On 31 May 2003, he was promoted to be the Group Finance Director of GHL Systems.

Goh Kuan Ho
Non-Executive Director

Goh Kuan Ho, a Malaysian aged 40, sat for the Sijil Peperiksaan Malaysia in 1982, and in 1984 she was awarded a Certificate in Computer Programming and Information Processing from Tunku Abdul Rahman College, Kuala Lumpur. She started her career as an Administrator with Nortek Computer Sdn. Bhd. in 1984. In 1988, she joined GHL Automation (a sole proprietorship) as an Administrator, and left in 1991 to join GHL Automation Sdn. Bhd. as a Customer Service Manager. She was later appointed to the Board of Directors of GHL Automation Sdn. Bhd. In late 1991, she was appointed to the Board of Directors of Info Era Sdn. Bhd. ("Info Era") and also assumed the position of Retail Manager of Info Era. She resigned as a director of GHL Automation Sdn. Bhd. and Info Era in April 1999 and April 2001 respectively. In 1997, she was appointed to the Board of Directors of GHL Technologies and also assumed the position of Corporate Business Manager of GHL Technologies. She resigned from all her positions in GHL Technologies and joined Jardine OneSolution (2001) Sdn. Bhd. as a Corporate Account Manager in July 2000. In February 2004, she left Jardine OneSolution and took up her current position of General Manager with Microtree Sdn. Bhd.

Mohamad Isa Bin Abdullah
Non-Executive Director

Mohamad Isa Bin Abdullah, a Malaysian aged 47, graduated from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) in 1979 with a Bachelor Science Agribusiness degree. He began his career as an officer with Bank Bumiputra Malaysia Berhad (now known as Bumiputra-Commerce Bank Berhad) in 1979 and left 3 years later to join the Corporate Planning Department of Perwira Affin Bank Berhad (now known as Affin Bank) ("PABB") as a Senior Officer. In 1987, he was promoted to the position of Head of the Corporate Planning Department of PABB. He left PABB in 1995 to join BSN Commercial Bank (Malaysia) Berhad as the Head of the Strategic Planning Department and was subsequently promoted to Assistant General Manager in 2000. He is currently the Chief Executive Officer of BSNC and sits on the Boards of Directors of the subsidiary and associated companies of BSNC, namely BSNC Leasing (M) Sdn. Bhd., BSNC Ringgit Sdn. Bhd., BSNC Partners Sdn. Bhd., Card Pay Sdn Bhd., Kasturi Kembara Sdn. Bhd., Gerak Mobile Technologies Sdn. Bhd., and Pin Center Sdn. Bhd. He also sits on the Board of Global Carriers Berhad.

Yen Siw Kuin
Independent Non-Executive Director

Yen Siw Kuin, a Malaysian aged 47, graduated with a Bachelor of Science (Economics) degree in Accounting and Finance from the London School of Economics and Political Science, University of London, United Kingdom in 1980. Prior to joining the Khee San Berhad Group of Companies in 1989 as its Group Financial Controller, she was attached to the international accounting firms of Touche Ross in the United Kingdom as an Audit Executive from 1981 to 1983 and as a Tax Executive from 1983 to 1985, and Price Waterhouse in Malaysia as a Tax Manager from 1985 to 1989. As the Group Financial Controller of the Khee San Berhad Group of Companies, she was responsible for the operations of the finance and accounts departments. Her responsibilities at Khee San Berhad have expanded to include overseeing the company's quality assurance and quality control departments, as well as human resource matters and product development. She was appointed to the Board of Directors of Khee San Berhad as an Executive Director in 2000. She is also the Company Secretary and a member of the Audit Committee of Khee San Berhad, and holds directorships in several private limited companies. She is a member of the Institute of Chartered Accountants in England and Wales as well as the Malaysian Institute of Accountants.

Chong Teck Foh
Independent Non-Executive Director

Chong Teck Foh, a Malaysian aged 47, has extensive experience in sales, general management and support, and a strong technical background. He obtained a Diploma in Electronics from Tunku Abdul Rahman College, Kuala Lumpur in 1979. He began his career as a Computer Engineer with Computer Information System Sdn. Bhd. in late 1979. He left Computer Information System Sdn. Bhd. in 1981 to pursue a Master's Degree in Very Large Scale Integration Systems Design at the University of West London, United Kingdom, which he obtained in 1982. He returned to Malaysia in 1983 and joined Philips Malaysia Sdn. Bhd. ("Philips Malaysia") as a Systems Engineer. In 1988, he left Philips Malaysia to join Unisys (M) Sdn. Bhd., where he started the company's financial line of business and was responsible for the management of several large financial services accounts.

He was part of the pioneering team recruited by Compaq Computer Corporation Malaysia Sdn. Bhd. ("Compaq") to set up its Malaysian operations in 1993. In 1994, he joined Tandem Computers International Incorporated ("Tandem") as Manager, Customer Support and Services. In the following year, he was promoted to Manager, Channel Marketing, responsible for the development and implementation of Tandem's channel strategy. In October 1997, he was promoted to General Manager of Tandem in Malaysia. As a result of Compaq's acquisition of Tandem in May 1998, he joined Compaq as General Manager of its Tandem Business Unit.

Mr. Chong is currently the Managing Director of Hewlett-Packard Sales (Malaysia) Sdn. Bhd ("HPSM"). Prior to his appointment as the Managing Director of HPSM in 2002, he was the Managing Director of Compaq Computer Corporation Malaysia Sdn. Bhd., a post which he assumed in January 2000. As an IT activist in the local market, he is a member of the Association of the Computer and Multimedia Industry of Malaysia (PIKOM), a self-funding association representing the IT industry in Malaysia. He is also a member of the American Malaysian Chamber of Commerce (AMCHAM) in Malaysia. Under his leadership, Compaq was reported by International Data Corporation (IDC) as the No. 1 IT vendor in Malaysia for 2 consecutive years in 2000 and 2001.

From L - R: Goh Kuan Ho, Yen Siw Kuin, Tay Beng Lock,Tunku Dato' Abdul Malek Bin Tunku Kassim, Mohamad Isa Bin Abdullah, Yeng Fook Ho, and Chin Fook Kheong. **Absent:** Chong Teck Foh

GHL SYSTEMS BERHAD

GROUP OF COMPANIES

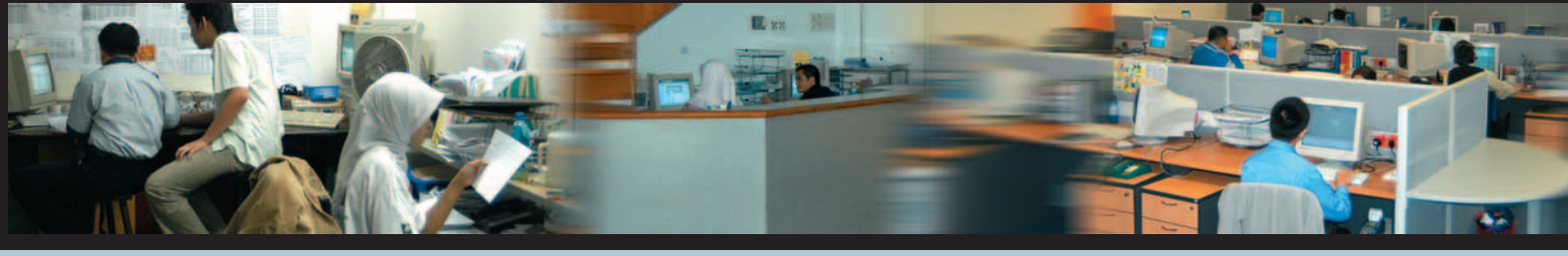
100%
GHL TRANSACT SDN BHD

100%
GHL EFTPOS SDN BHD

100%
GHL PAYMENTS SDN BHD

100%
PAYMENT ONE SDN BHD

52%
CARDPAY
CARD PAY SDN BHD



GHL SYSTEMS BERHAD GROUP STRUCTURE

RETROSPECTIVE 2003

6.00 - CORPORATE GOVERNANCE

The Board of Directors of the Company ("the Board") is pleased to report that it fully subscribes to and supports the principles of the Malaysian Code on Corporate Governance in directing and managing the businesses and affairs of the Group to protect and enhance shareholder value and the performance of the Group.

THE BOARD OF DIRECTORS

i) Duties

The Board takes full responsibility for the performance of the Group. The Board guides the Company on its short and long-term goals, provides advice and directions on management and business development issues while providing balance to the management of the Company.

The Board is responsible for the following:-

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, determining the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations programme or shareholder communications policy for the Company; and
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

ii) Composition

The Company is led by an experienced Board, which is composed of eight (8) members; comprising one (1) Independent Non-Executive Chairman, two (2) Independent Non-Executive Directors, two (2) Non-Executive Directors and three (3) Executive Directors. The Boards composition represents a mix of knowledge, skills and expertise to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction.

iii) Appointments of the Board and Re-election

The Board has appointed a Nomination Committee comprising two (2) Non-Executive Directors and two (2) Executive Directors. On 20 February 2004, the Board has appointed two (2) Independent Non-Executive Directors.

The Nomination Committee's function, amongst others, is to recommend to the Board, candidates to the Board for directorship. In addition, the Committee will review the profile of the required skills of each individual Director and assess the effectiveness, of individual Directors, Board Committees and the Board as a whole.

In accordance with the Company's Articles of Association, an election of Directors shall take place each year during the annual general meeting. All Directors, except the Managing Director, shall retire from office at least once every three (3) years, but shall be eligible for re-election. The Articles also provides that any director who is appointed by the Board to fill a vacancy shall hold office only until the next annual general meeting and shall then be eligible for re-election. The Malaysian Code on Corporate Governance stipulates that all directors should be required to submit themselves for re-election at regular intervals and at least every three years. The Company would like to disclose that it has yet fulfill this requirement and will endeavor to comply with the Code in the near future.

iv) Board Meeting and Supply of Information

The Board meets on a scheduled basis, at least four (4) times a year to control and monitor the development of the Group. Additional meetings will be convened as and when required. The agenda for each Board meeting is circulated to all the Directors for their perusal well in advance of the Board meeting date. They are given sufficient time to enable the Directors to obtain further explanation, where necessary, in order to be briefed properly before the meeting.

The proceedings and resolutions reached at each Board Meeting are recorded in the minutes of the meetings, which are kept in the Minutes Book at the registered office.

Besides Board meetings, the Board exercises control on matters that require the Board's approval through circulation of Directors' Resolutions.

The summary of attendance at the Board Meetings held for the financial year ended 31 December 2003 is as follows: -

DIRECTORS	Number of Meetings	
	Held	Attended
Tunku Dato' A. Malek Bin Tunku Kassim	6	6
Tay Beng Lock	6	6
Yeng Fook Hoo	6	5
Chin Fook Kheong (appointed 31 May 2003)	6	2
Goh Kuan Ho	6	6
Mohamad Isa Bin Abdullah	6	6
Chong Teck Foh (appointed 15 Jan 2003)	6	4
Yen Siw Kuin (appointed 15 Jan 2003)	6	4

v) Directors' Access to Information and Advice

The Board members have access to the advice and services of the Company Secretaries and all information in relation to the Group whether as a full Board or in their individual capacity to assist them in carrying out their duties. Where necessary, the Directors may engage independent professionals at the Group's expense on specialised issues to enable the Board to discharge their duties with adequate knowledge on the matters being deliberated.

vi) Remuneration of Directors

The Board had appointed the Remuneration Committee ("RC") comprising two (2) Non-Executive Directors. On 20 February 2004, the Nomination Committee has appointed one (1) Independent Non-Executive Director as an additional member of the RC. The RC reviews and recommends to the Board the remuneration of the Executive Directors.

The remuneration of an Executive Director will be linked to corporate and individual performance. The remuneration of Non-Executive Directors is related to their experience and level of responsibilities and would be subject to the approval of the Board.

For the financial year ended 31 December 2003, a total sum of RM 1,206,246 was paid to the Directors of the Company. The breakdown of the directors' remuneration and the number of directors in the remuneration bands are as follows:-

	Executive	Non-Executive	Total
Fee	RM64,000	RM144,000	RM208,000
Salaries & Benefits-in-Kind	RM891,292	-	RM891,292
Employee Provident Fund	RM106,954	-	RM106,954
Allowances & Bonus	-	-	-
TOTAL	RM1,062,246	RM144,000	RM1,206,246

Renumeration Band (RM)	Number of Directors	
	Executive	Non-Executive
0 - 50,000	-	5
50,001 - 200,000	-	-
200,001 - 300,000	1	-
300,001 - 400,000	1	-
400,001 - 500,000	1	-

6.00 - CORPORATE GOVERNANCE

vii) Number of Directorships in Other Public Companies

None of the Directors of the Company has held directorships in other public companies except the following:-

Name of Director	Name of Company
Tunku Dato' Abdul Malek Bin Tunku Kassim	Commerce Life Assurance Berhad BSNC Trustee Berhad
Mohamad Isa Bin Abdullah	Global Carriers Berhad
Yen Siw Kuin	Khee San Berhad

BOARD COMMITTEES

The Board has established the following committees:-

i) The Audit Committee

Terms and reference as well as further information on the Audit Committee are set out on pages 21 to 22 of this Annual Report.

ii) The Remuneration Committee

The Remuneration Committee meets on a need-to basis, and is entrusted, among others, with examining the remuneration packages of the Executive Directors. However, the ultimate responsibility to approve the remuneration of these Directors rests on the Board as a whole. The Executive Directors do not play any part in decisions regarding their own remuneration.

Subject to shareholders' approval in the general meeting, the Board as a whole determines the level of remuneration of the Non-Executive Directors of the Company. The remuneration of the Non-Executive Directors will be reviewed in order to take into cognizance their principal duties and responsibilities under the Malaysian Code on Corporate Governance.

iii) The Nomination Committee

The role of the Nomination Committee is to recommend the candidates with an optimal mix of qualifications, skills and experience to the Board. The Nomination Committee has to evaluate the effectiveness of the Board as a whole, the various Committees and each individual Director's contribution to the effectiveness on the decision making process of the Board.

The Nomination Committee may, as it deems fit, call for any appropriate person or persons to be in attendance to make presentations or furnish or provide independent advice to the Nomination Committee on any matters within the scope of responsibilities.

The Malaysian Code on Corporate Governance requires the nominating committee to be composed exclusively of non-executive directors, a majority of whom are independent, with the responsibility for proposing new nominees for the Board and for assessing directors on an on-going basis. The Company would like to disclose that it has yet to fulfill this requirement and will endeavor to comply with the Code in the future.

iv) The Employees' Share Option Scheme ("ESOS") Committee

The ESOS Committee comprises the Group Managing Director, the Deputy Group Managing Director, and one (1) senior management personnel of the Company. Meetings shall be held not less than four (4) times a year.

The ESOS Committee's responsibilities are as follows:-

- To administer the ESOS in accordance with the Bye-Laws of the ESOS and, in such manner, as it shall at its discretion deem fit and, within such powers and duties as are conferred upon it by the Board; and

- To review and amend, at any time and from time to time, any provisions of the ESOS and the Bye-Laws, provided that the amendments are not prejudicial to the eligible employees and with the prior approval of the shareholders of the Company. Such modification/variation shall be subject to the approvals of the Board and the relevant authorities.

The functions of the ESOS Committee, shall be governed by the Bye-Laws which, inter alia, include:-

- To select employees of the Company and its eligible subsidiary companies who are eligible to participate in the initial offer and subsequent offers of the ESOS and, determine the number of new shares to be allocated to the eligible employees according to the grading of employees and each band of years of service;

- To determine the number of options exercisable by the eligible employees for each year during the duration of the ESOS, the date of the initial offer and subsequent offers and the exercise price for each offer at which the eligible employees are entitled to subscribe under an option and, the period during which the option may be exercised; and

- To formulate guidelines/procedures for the administration of the ESOS.

ACCOUNTABILITY AND AUDIT

i) Internal Control
Details of the Internal Control system are stated in the Statement of Internal Control on page 23.

ii) Financial Reporting
The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcements of results as well as the Chairman's statement and financial review in the annual report to shareholders. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and the quality of its financial reporting.

iii) Directors' Responsibility Statement with Respect to the Preparation of the Audited Financial Statements
The Board is responsible for ensuring that the financial statements of the Company and the Group are in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 to present a true and fair view of the state of affairs of the Company and the Group.

During the financial year under review, the Board has undertaken several measures to ensure quality financial reporting to its shareholders, investors and regulatory authorities in order to present a balanced, clear and comprehensive assessment of the Company's and the Group's performance and prospects. As part of the Company's continuing disclosure obligation under the Listing Requirements of the KLSE, the Board aims to ensure timely, accurate and up-to-date financial information relating to the Company's and the Group's quarterly financial results are announced to the KLSE. The timely distribution of the Company's Annual Report to the shareholders and investors is to ensure that all those who invest in the Company's securities are kept abreast of the Company's and the Group's performance throughout the financial year.

The Chairman's Statement also provides an insight into the performance of the Group throughout the financial year as well as on the Group's future prospects.

The Board is assisted by the Audit Committee in the discharge of its fiduciary responsibilities relating to corporate accounting and reporting practices of the Group.

iv) Relationship with Auditors
The Board through the establishment of an Audit Committee maintains an active, transparent and professional relationship with the company's Internal and External Auditors, and has been conferred with the authority to interface directly with both the External and Internal Auditors of the Group.

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The importance of keeping shareholders informed of developments concerning the Group is high on the agenda. In this respect, the Board has always maintained an active and constructive shareholder communication policy. The minority shareholders are kept abreast of all corporate developments concerning the Group through the distribution of the information via the KLSE website (www.klse.com.my), as well as via the Investor Relations Channel of the Company's corporate website (www.ghl.com). Investors are encouraged to sign up the free email-alert service to receive the latest updates of the Company, including the quarterly financial results.

As part of the Company's continuing disclosure obligation under the Listing Requirements of the KLSE, the Company aims to ensure timely announcements are made through the KLSE website and the Company's Investor Relations Channel to enable investors to make informed investment decisions.

6.00 - CORPORATE GOVERNANCE

THE ANNUAL GENERAL MEETING

The Chairman and the Board encourages the shareholders to attend and participate in the Annual General Meeting held annually as this is deemed to be the platform for the Board to report on the Group's business activities. To promote an open and transparent policy, the shareholders are given the opportunity to seek clarifications on the affairs, activities and prospects of the Group.

The External Auditors are also present to provide their professional and independent clarification on issues of concern raised by the shareholders.

EMPLOYEE SHARE OPTION SCHEME (ESOS) COMMITTEE

During the financial year ended 31 December 2003, the Company has offered ESOS options to the eligible directors and eligible employees of the Group, on 31 March 2003 (19,830,000 ESOS options granted at an exercise price of RM0.20 per share), on 31 May 2003 (2,960,000 ESOS options granted at an exercise price of RM0.205 per share) and on 22 December 2003 (3,730,000 ESOS options granted at an exercise price of RM0.475 per share).

TERMS OF REFERENCE

1. Constitution
The Board resolved to establish a committee of the Board to be known as the ESOS Committee on 11 February 2003. The ESOS shall be in force for a duration of two (2) years from 31 March 2003 to 30 March 2005.

2. Composition
The ESOS Committee shall be appointed by the Board with at least three (3) members comprising the Group Managing Director, the Deputy Group Managing Director and one (1) senior management personnel of the Company.

a. Members of the Committee will only be entitled to hold office during the period of their service with the Company.

b. Where the Members of the Committee are reduced to less than three (3) for any reasons whatsoever, the Board shall, as soon as practicable thereafter, appoint such additional number of Members as may be required to make up the minimum of three (3). Unless the minimum number of three (3) Members are appointed, the Committee shall not be entitled to exercise any discretion under the ESOS Bye-Laws.

c. The Board may, from time to time and in its absolute discretion, revise the composition of the Committee and the roles and responsibilities of the Committee.

3. Chairman of the ESOS Committee
The Group Managing Director shall be the Chairman during the meetings. In the event, the Group Managing Director is not able to attend a meeting, the Committee shall nominate the Deputy Group Managing Director as Chairman for the meeting.

In the absence of the Group Managing Director and Deputy Group Managing Director, with the quorum of at least two (2) members, a Member of the Committee shall be nominated as Chairman for the meeting.

4. Meetings of the ESOS Committee

Frequency
Meetings shall be held not less than four (4) times a year. In addition, the Chairman shall call for a meeting of the Committee if requested to do so by any Member of the Committee, the Board, the senior management or the internal or external auditors. Prior notice shall be given for the Committee's meetings.

Quorum
The quorum for a meeting of the committee shall be two (2). Two (2) members present in person or through teleconferencing, video conferencing or other electronic media allowing for contemporaneous presence of the Members shall form the quorum.

Secretary of the ESOS Committee
The Company Secretary shall attend the meetings on invitation to assist in the secretarial function of the Committee and not as a Member of the Committee. In the absence of the Company Secretary, a Member of the Committee shall be nominated for such secretarial function.

5. Authority of the ESOS Committee

The Committee shall have unlimited access to all the information and documents relevant to its activities, including but not limited to the following:-

(i) The full name and job title of an eligible employee as described in Bye-Law 5 ("Eligible Employee");
(ii) The date of commencement of his/her employment with the Group;
(iii) His/Her Maximum Entitlement (as described in Bye-Law 6); and
(iv) The total number of shares which comprises:-
  a. The Options granted to the Eligible Employee;
  b. The Options which had been accepted by him/her; and
  c. The balance over which Options may be granted.

6. Grant of Options

6.1 No offer shall be made to any Executive Director of the Company unless such offer and the related allotment of shares have previously been approved by the shareholders of the Company in a general meeting.

6.2 The Committee may grant Options at anytime within the duration of the ESOS, provided always that no Member of the Committee shall participate in any deliberation or decision in respect of Options to be granted to himself.

6.3 The Committee may in its absolute discretion make more than one (1) offer to an eligible employee provided that the aggregate number of Options offered to an eligible employee throughout the entire duration of the ESOS does not exceed the eligible employee's Maximum Entitlement as set out in Bye-Law 6. The Committee shall not be obliged in any way to offer to an eligible employee all of the specified Maximum Entitlement. The decision of the Committee shall be final and binding.

6.4 In exercising its discretion, in determining the number of Options to be offered to an eligible employee, the Committee shall take into consideration the seniority and length of service of each eligible employee.

6.5 The grant of Options to any Eligible Employee by the Committee shall be made by the issuance of a Letter of Offer to an eligible employee on the date of offer.

7. Acceptance of the Offer

7.1 A written offer made by the Committee to an eligible employee in the manner provided in Bye-Law 7 ("Offer") shall be valid for a period of fourteen (14) days from the date of Offer ("Offer Period").

7.2 An Offer shall be accepted by an eligible employee within the Offer Period by written notice to the Company accompanied by a payment to the Company of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only for the grant of the Options.

If an Offer is not accepted in the manner aforesaid, the Offer shall automatically lapse upon expiry of the Offer Period. The number of Options offered in the lapsed Offer shall be deducted from the Maximum Entitlement or the balance of the Maximum Entitlement of the eligible employee, and the eligible employee shall not be entitled to be offered the number of Options offered in the lapsed Offer, in any Offers made in the future.

8. Responsibility

The Committee shall be responsible to the Board for matters pertaining to administering the ESOS and compliance with the Bye-Laws governing the ESOS.

9. Duties And Scope Of Work

The duties and scope of responsibilities of the Committee are as follows:-

9.1 To monitor the progress of the ESOS;

9.2 To review and report to the Board on a regular basis to ensure compliance with the ESOS Bye-Laws; and

9.3 Without limiting the generality of Bye-Law 21.1, the Committee may, for the purpose of administering the ESOS, do all acts and things, rectify any errors in Offers, execute all documents and delegate any of its powers and duties relating to the ESOS as it may in its discretion consider to be necessary or desirable for giving effect to the ESOS.

10. Decision Making

Decision making shall be on majority votes of the Members present at the meeting, and in case of an equality of votes, provided more than two (2) members present in person are competent to vote on the question at issue but not otherwise, the Chairman shall have a second or casting vote.

7.00 - AUDIT COMMITTEE REPORT

TERMS OF REFERENCE

1. Constitution

The Board of the Company resolved to establish a Committee of the Board to be known as the Audit Committee on 11th February 2003.

2. Composition

The Audit Committee shall be appointed by the Board with at least three (3) members of which the majority shall comprise Independent Directors.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:-

A member of the Malaysian Institute of Accountants ("MIA"); and

If he or she is not a member of MIA, he must have at least three (3) years working experience and:-

- o He or she must have passed the examination specified in Part I of the 1st schedule of the Accountants Act, 1967; or
- o He or she must be a member of the Associations of Accountants specified in Part II of the Accountants Act, 1967.

3. Chairman of the Audit Committee

The Committee shall elect a Chairman from among its members and the elected Chairman shall be an Independent Director.

In the event the elected Chairman is not able to attend a meeting, a member of the Committee shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent Director.

4. Meetings of the Audit Committee

Frequency

Meetings shall be held not less than four (4) times a year. In addition, the Chairman shall call for a meeting of the Committee if requested to do so by any member of the Committee, the Board, the Senior Management or the internal or external auditors. Prior notice shall be given for the Committee's meetings.

Quorum

A minimum of two (2) members shall form the quorum.

Secretary of the Audit Committee

The Company Secretary shall be the secretary of the Committee.

5. Duties, Responsibilities and Rights

The Audit Committee shall assist the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Group and the sufficiency of auditing relating thereto.

The duties of the Audit Committee shall include a review of:-

(a) The nomination of external auditors;
(b) The adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;
(c) The effectiveness of the internal audit function (if any);
(d) The effectiveness of the internal control and management information systems;
(e) The financial statements of the Company with both the external auditors and management;
(f) The external auditors' audit report;
(g) Any management letter sent by the external auditors to the Company and the management's response to such letter;
(h) Any letter of resignation from the Group's external auditors;
(i) The assistance given by the Company's officers to the external auditors;
(j) All areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
(k) All related-party transactions and potential conflict of interest situations; and
(l) All other matters delegated by the Board.

The Audit Committee shall:-

(a) Have explicit authority to investigate any matters within its terms of reference;
(b) Have the resources which it needs to perform its duties;
(c) Have full access to any information which it requires in the course of performing its duties;
(d) Have unrestricted access to the Managing Director and the Finance Director;
(e) Have direct communication channels with the external auditors and internal auditors (if any);
(f) Be able to obtain independent professional or other advice in the performance of its duties at the cost of the Group;
(g) Be able to invite outsiders with relevant experience to attend its meetings if necessary; and

(h) Monitor and ensure that any transactions entered into between the Group and parties or companies connected to the promoters, directors and substantial shareholders of the Group are at arm's length and not on terms that are detrimental to the Group. The Directors of the Company are required to report such transactions in the annual report of the Company every year.

The management shall provide the fullest co-operation in providing information and resources to the Audit Committee, and in implementing or carrying out all requests made by the Audit Committee.

6. Rights of Auditors

The external auditors and internal auditors (if any) have the right to appear and be heard at any meeting of the Audit Committee and shall so appear when required by the Audit Committee.

Upon the request of the external auditors or internal auditors (if any), the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matters that the auditors believe should be brought to the attention of the Directors or shareholders.

7. Functional Independence

The Audit Committee shall function independently of the other Directors and officers of the Group. Such other Directors and officers may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

Other than as provided herein, the Audit Committee may regulate its own procedures including the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.

8. Retirement and Resignation

A member of the Audit Committee who wishes to retire or resign shall provide sufficient written notice to the Company so that a replacement may be appointed before he leaves. In the event of any vacancy in the Audit Committee, the Company shall fill the vacancy within two (2) months, but in any case not later than three (3) months.

The Audit Committee has verified that the allocation of ESOS Options to the eligible directors and employees of the Group is in accordance with the ESOS Bye-Laws.

8.00 - STATEMENT OF INTERNAL CONTROL

INTRODUCTION

Pursuant to paragraph 15.27(b) of the MSEB Listing Requirements, the Board is required to include in its Annual Report, a statement on the state of internal control of the Group. In making this statement of Internal Control it is essential to address the Principles and Best Practices in the Malaysian Code on Corporate Governance, which relate to internal control.

RESPONSIBILITY

The Board acknowledges its stewardship responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity to safeguard shareholder's investment and the Company's assets. However, it should be noted that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

INTERNAL CONTROL SYSTEMS

During the year, the Group had initiated design and implementation of embedded control system Group-wide to facilitate achievement of the Groups business objectives. It comprises the underlying control environment, control process, communication and monitoring systems which manifest themselves as follows: -

Well-documented Group wide policies, procedures and standards are currently being established to bolster the internal controls environment, and kept updated in accordance with changes in operating environment.

The Group's computerised information systems are also being streamlined to ensure compliance with hardware and software regulations and guidelines for system integrity, effectiveness and efficiency.

Independent appraisals by internal and external auditors ensure ongoing compliance with policies, procedures, standards and legislations whilst assessing the effectiveness of the Groups system of financial, compliance and operational controls.

RISK MANAGEMENT FRAMEWORK

Besides primary ownership over effectiveness of the Group's internal control systems, the Board recognises its responsibility over the principal risks of various aspects of the Group's business. For long-term viability of the Group, it is crucial to achieve a critical balance between risks incurred and potential returns.

In response to the above challenge, the Group has, during the year under review, initiated an in-house structured risk management framework thereby, laying the foundation for an ongoing process for identifying, evaluating, treating, reporting and monitoring the significant risks faced by the Group.

To facilitate risk analysis, a professional Risk Management-consulting firm was appointed to conduct a Risk Management Workshop on December 3, 2003 for all operations and services heads. The workshop, besides increasing senior management's risk awareness and implications, served to capture a database of likelihood and impact of all risks and its associated controls. The consolidated risk profiles of the various business units would be reported to the Audit Committee in due course.

INTERNAL AUDIT FUNCTION

An out-sourced Internal Audit function supports the Audit Committee, and by extension, the Board, by providing reasonable independent assurance on the effectiveness of the Group's system of internal control. In particular, Internal Audit appraises and contributes towards improving the Group's risk management and control systems and reports to the Audit Committee on a quarterly basis. The internal audit work plan, which reflects the risk profile of the Group's major business sectors is routinely reviewed and approved by the Audit Committee. The scope of the Internal Audit function covers the audit of all business units and operations.

INTERNAL CONTROL ISSUES

Management maintains an ongoing commitment to strengthen the Group's control environment and processes. During the year, Management has taken proactive measures to minimise material losses that may cause breakdown in internal controls.

This statement is made in accordance with a resolution of the Board of Directors dated 23 March 2004.

9.00 - OTHER INFORMATION

MATERIAL CONTRACT

On 26 March 2004, the Company and Computer Infobase System Sdn Bhd ("CIS") entered into a Subscription Agreement for the Company to subscribe for 1,500,000 new ordinary shares of RM1.00 each in CIS, equivalent to 16.7% of the enlarged share capital of CIS, for a cash consideration of RM1,500,000. A Shareholders Agreement dated 26 March 2004 between the Company and CIS and CIS' founders was also entered into to govern the relationships amongst the shareholders of CIS, including the conduct of the business and affairs of CIS.

None of the directors or substantial shareholders of GHL Systems Berhad or persons connected with them has any interest, direct or indirect, in relation to the above Subscription Agreement or Shareholders Agreement.

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10.01 DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of developing and selling in-house software programmes. The principal activities of the subsidiary companies and associated company are stated in notes 4 and 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit before taxation	6,227,081	6,377,462
Taxation	(223,795)	(63,455)
Profit after taxation	6,003,286	6,314,007

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

There has not arisen during the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend in respect of the current financial year.

SHARE CAPITAL

During the financial year, in conjunction with the flotation of the Company's shares on the Malaysian Exchange of Securities Dealing and Automated Quotation of the Malaysia Securities Exchange Berhad on 9 April 2003, the Company increased its issued and paid-up share capital from RM18,715,178 to RM25,850,378 through the issue of the following shares :-

Type of issue/consideration	Par Value (RM)	No. of Ordinary Shares
Public issue of 9,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.20 per ordinary share.	0.10	9,000,000
Private placement of 54,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.20 per ordinary share.	0.10	54,000,000
ESOS of 7,122,000 new ordinary shares of RM0.10 each at an issue price of RM0.20 per ordinary share.	0.10	7,122,000
ESOS of 1,230,000 new ordinary shares of RM0.10 each at an issue price of RM0.205 per ordinary share.	0.10	1,230,000

All new shares issued rank pari passu in all respects with the existing issued shares of the Company.

10.01 DIRECTORS' REPORT

RESERVES AND PROVISIONS

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

EMPLOYEE SHARE OPTION SCHEME

The GHL Systems Berhad Employee Share Option Scheme (ESOS) was approved by shareholders at the Extraordinary General Meeting on 11 February 2003. The main features of the ESOS are as follows:

(a) Eligible employees comprise confirmed full time employees, including executive directors of the Company to its eligible subsidiary companies, subject to meeting the following conditions:

(i) An Employee must be at least eighteen (18) years of age on the Date of Offer;

(ii) An Employee must fall under one of the categories of Employees listed in GHL Systems Berhad ESOS Bye-Law 6.1 Maximum entitlement and basis of allotment;

(iii) An Employee must have been confirmed on the Date of Offer;

(iv) If an Employee is employed by a subsidiary of the Company, the Employee's period of employment in the Group, for purposes of determining the minimum period of continuous service as stipulated in paragraph (c) above, shall be deemed to commence from the date on which the Employee commenced employment with the subsidiary, or the date on which such company became a subsidiary of the Company, whichever is later; and

Provided always that the selection of any Employee for participation and the amount of Options to be granted in the Scheme shall be at the discretion of the Option Committee and the decision of the Option Committee shall be final and binding.

(b) No Employee shall participate at any time in more than one (1) employee share option scheme currently implemented by any company within the Group.

(c) The maximum number of new ordinary shares which may be available under the ESOS shall not exceed 10% of the total issued and paid-up share capital of the Company at the point in time during the tenure of the ESOS.

(d) The ESOS shall come into force for a duration of two (2) years from Effective Date, 31 March 2003 subject however to any extension of the ESOS for a further period of up to eight (8) years at the discretion of the Board upon the recommendation of the Option Committee. The date of expiry of the ESOS shall be at the end of the two (2) years from the Effective Date or, if the ESOS shall be extended, shall be the date of expiry as so extended.

(e) The option price which is made subsequent to the Company's listing on the MESDAQ Market of the KLSE, the weighted average market price of the Shares for the five (5) Market Days immediately preceding the Date of Offer with a discount of not more than ten per centum (10%).

(f) A Grantee shall exercise his Options by notice in writing to the Company in the prescribed form stating the number of Options exercised, the number of Shares relating thereto and the Grantee's individual/nominee CDS Account number. The Options shall be exercised in multiples of and not less than one hundred (100) Options. The exercise by a Grantee of some but not all of the Options which have been offered to and accepted by him shall not preclude the Grantee from subsequently exercising any other Options which have been or will be offered to and accepted by him, during the Option Period.

The movements of option over unissued shares of the Company granted under the ESOS during the financial year are as follows :-

Number of ESOS as at 1.1.2003	During the financial year			Number of ESOS as at 31.12.2003	Subscription price per ordinary share	Exercise Period
	Granted	Exercised	Lapsed			
-	19,830,000	(7,122,00)	(1,650,000)	11,058,000	RM0.200	31.3.2003 to 31.3.2005
-	2,960,000	(1,230,00)	(100,000)	1,630,000	RM0.205	31.3.2003 to 31.3.2005
-	3,730,000	-	-	3,730,000	RM0.475	31.3.2003 to 31.3.2005
-	26,520,000	(8,352,000)	(1,750,000)	16,418,000		

10.01 DIRECTORS' REPORT

DIRECTORS

The directors who served since the date of the last report are as follows : -

Goh Kuan Ho
Tay Beng Lock
Yeng Fook Hoo
Tunku Dato' A Malek Bin Tunku Kassim
Mohamad Isa Bin Abdullah
Yen Siew Kuin
Chong Teck Foh
Chin Fook Kheong (appointed on 31.5.2003)

In accordance with the Company's Articles of Association, Goh Kuan Ho, Yeng Fook Hoo and Chin Fook Kheong retire, and being eligible, offer themselves for re-election.

Details of holdings in the shares and options of the Company and its related corporations by the directors in office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965, were as follows:-

GHL SYSTEMS BERHAD Direct Interest -	No. of ordinary shares of RM0.10 each			
	At 1.1.2003	Acquired	Disposed	At 31.12.2003
Goh Kuan Ho	79,000,460	590,000	(30,175,000)	49,415,460
Tay Beng Lock	25,300,270	206,800	(12,300,000)	13,207,070
Yeng Fook Hoo	14,600,100	-	(6,375,000)	8,225,100
Mohamad Isa Bin Abdullah	-	25,000	(25,000)	-
Tunku Dato' A Malek Bin Tunku Kassim	-	100,000	(100,000)	-
Chin Fook Kheong	-	1,210,000	(1,210,000)	-

By virtue of their interests in the share capital of the Company, Goh Kuan Ho, Tay Beng Lock and Yeng Fook Hoo are also deemed to have interests in the shares of the subsidiary companies to the extent the Company has an interest.

The other directors do not hold any shares in the Company and its related corporations during the financial year.

GHL SYSTEMS BERHAD ESOS	No. of ordinary shares of RM0.10 each				
	At 1.1.2003	Granted	Exercised	Lapsed	At 31.12.2003
Tay Beng Lock	-	1,000,000	-	-	1,000,000
Yeng Fook Hoo	-	1,000,000	-	-	1,000,000
Chin Fook Kheong	-	700,000	(350,000)	-	350,000

The other directors do not hold any share options in the Company and its related corporations during the financial year.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which a director is a member, or with a company in which the director has a substantial financial interest.

OTHER STATUTORY INFORMATION

(a) The directors, before the Income Statements and Balance Sheets of the Group and of the Company were made out, took reasonable steps:-

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

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10.01 DIRECTORS' REPORT

(ii) to ensure that any current assets which were unlikely to realise their book value in the ordinary course of business were written down to an amount which they might be expected so to realise.

(b) The directors are not aware of any circumstances, at the date of this report, which would render:

(i) the amount written off for bad debts or the allowance for doubtful debts of the Group and of the Company inadequate to any substantial extent;

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

(iii) any amount stated in the financial statements of the Group and of the Company misleading; and

(iv) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) No contingent or other liabilities have become enforceable or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due.

(d) At the date of this report:

(i) there are no charges on the assets of the Company and its subsidiary companies which have arisen since the end of the financial year to secure the liabilities of any other person; and

(ii) there are no contingent liabilities in respect of the Company and its subsidiary companies which have arisen since the end of the financial year.

SIGNIFICANT EVENTS

(a) On 9 April 2003, the entire issued and paid-up share capital of the Company comprising 250,151,780 ordinary shares of RM0.10 each were listed on the Malaysian Exchange of Securities Dealing and Automated Quotation of the Malaysia Securities Exchange Berhad.

(b) During the financial year, an associated company, Card Pay Sdn Bhd increased its issued and paid-up share capital from RM900,000 to RM1,000,000 by issue of 100,000 ordinary shares of RM1 each at par for cash to provide additional working capital. Consequently, the Company's shareholdings in Card Pay Sdn Bhd reduced from 44% to 40%.

NUMBER OF EMPLOYEES

The total number of employees of the Group and of the Company at the end of the financial year were 164 and 61 (2002: 168 and 63) respectively.

AUDITORS

The auditors, Anuarul Azizan Chew & Co., have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the directors,

TAY BENG LOCK

YENG FOOK HOO

KUALA LUMPUR

10.02 STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, TAY BENG LOCK and YENG FOOK HOO, being two of the directors of GHL SYSTEMS BERHAD., do hereby state that, in the opinion of the directors, the financial statements set out on pages 32 to 52 are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Company as at 31 December 2003 and of the results of their operations and the cash flows of the Group and of the Company for the year ended on that date.

On behalf of the Board,

TAY BENG LOCK

YENG FOOK HOO

KUALA LUMPUR

10.03 STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, TAY BENG LOCK, being the director primarily responsible for the financial management of GHL SYSTEMS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 32 to 52 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed TAY BENG LOCK at Kuala Lumpur in the Federal Territory this

TAY BENG LOCK

Before me,

Commissioner for Oaths

10.04 - AUDITORS' REPORT

TO THE MEMBERS OF GHL SYSTEMS BERHAD:

We have audited the financial statements set out on pages 32 to 52. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:

(i) the state of affairs of the Group and of the Company as at 31 December 2003 and of their results and the cash flows of the Group and of the Company for the year ended on that date; and

(ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company.

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that are consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

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ANUARUL AZIZAN CHEW & CO.
Firm Number : AF 0791
Chartered Accountants

TEE GUAN PIAN
Approved Number : 1886/05/04 (J/PH)
Partner of Firm

KUALA LUMPUR

10.05 BALANCE SHEETS

AS AT 31 DECEMBER 2003

	Note	Group 2003 (RM)	Group 2002 (RM)	Company 2003 (RM)	Company 2002 (RM)
ASSETS EMPLOYED					
PROPERTY, PLANT & EQUIPMENT	3	14,136,007	14,064,469	6,512,628	5,589,027
INVESTMENT IN SUBSIDIARY COMPANIES	4	-	-	4,400,000	4,400,000
INVESTMENT IN ASSOCIATED COMPANY	5	22,575	390,532	-	-
GOODWILL ON CONSOLIDATION		1,623,556	1,623,556	-	-
CURRENT ASSETS					
Inventories	6	2,612,557	1,857,895	2,136,128	1,107,314
Trade receivables		14,338,288	8,252,328	4,797,508	759,856
Other receivables	7	383,012	821,051	161,309	723,543
Amount owing by subsidiary companies	8	-	-	13,706,245	8,744,846
Amount owing by associated company	9	1,066,760	-	1,066,760	-
Short term funds	10	3,034,124	-	3,034,124	-
Fixed deposits placed with licensed banks	11	6,475,706	1,857,504	6,062,455	1,457,504
Cash & bank balances		2,822,900	1,044,405	1,586,670	449,455
		30,733,347	13,833,183	32,551,199	13,242,518
Less: CURRENT LIABILITIES					
Trade payables		1,953,953	5,396,220	1,852,826	919,423
Other payables	12	3,086,931	2,019,607	407,697	246,500
Hire purchase & lease payables	13	79,252	239,284	79,252	239,284
Provision for taxation		16,243	-	14,291	-
		5,136,379	7,655,111	2,354,066	1,405,207
NET CURRENT ASSETS		25,596,968	6,178,072	30,197,133	11,837,311
		41,379,106	22,256,629	41,109,761	21,826,338
FINANCED BY					
Share Capital	14	25,850,378	18,715,178	25,850,378	18,715,178
Share Premium		5,912,788	-	5,912,788	-
Retained Profits		8,921,936	2,918,650	9,346,595	3,032,588
		40,685,102	21,633,828	41,109,761	21,747,766
LONG TERM LIABILITIES					
Hire purchase & lease payables	13	-	78,572	-	78,572
Deferred taxation	15	694,004	544,229	-	-
		694,004	622,801	-	78,572
		41,379,106	22,256,629	41,109,761	21,826,338

The notes on pages 37 to 52 form part of these financial statements.

10.06 INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	Group		Company	
		2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
REVENUE	16	63,267,977	30,544,669	50,708,345	17,938,846
COST OF SALES		(35,403,714)	(13,884,855)	(30,953,965)	(8,697,009)
GROSS PROFIT		27,864,263	16,659,814	19,754,380	9,241,837
OTHER OPERATING INCOME	17	433,746	729,603	1,424,505	31,889
OPERATING EXPENSES	18	(21,715,732)	(13,795,114)	(14,781,523)	(6,462,448)
PROFIT FROM OPERATIONS		6,582,277	3,594,303	6,397,362	2,811,278
FINANCE COST	19	(19,900)	(369,416)	(19,900)	(26,150)
SHARE OF LOSS IN ASSOCIATED COMPANY		(335,296)	(9,468)	-	-
PROFIT BEFORE TAXATION		6,227,081	3,215,419	6,377,462	2,785,128
TAXATION	20	(223,795)	(17,906)	(63,455)	-
PROFIT AFTER TAXATION		6,003,286	3,197,513	6,314,007	2,785,128
Earnings per share (sen)					
Basic	21(a)	2.54	2.09		
Diluted	21(b)	2.48	N/A		

The notes on pages 37 to 52 form part of these financial statements.

10.07 STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2003

	Share Capital (RM)	Share Premium (RM)	Retained Profits (RM)	Total (RM)
GROUP				
BALANCE AT 1 JANUARY 2002				
- As previously stated	10,100,000	-	1,147,638	11,247,638
- Prior year adjustment	-	-	(526,323)	(526,323)
- As restated	10,100,000	-	621,315	10,721,315
BONUS ISSUE	900,178	-	(900,178)	-
ISSUE OF SHARES	7,715,000	-	-	7,715,000
PROFIT AFTER TAXATION	-	-	3,197,513	3,197,513
BALANCE AT 31 DECEMBER 2002	18,715,178	-	2,918,650	21,633,828
BALANCE AT 1 JANUARY 2003				
- As previously stated	18,715,178	-	3,462,879	22,178,057
- Prior year adjustment	-	-	(544,229)	(544,229)
- As restated	18,715,178	-	2,918,650	21,633,828
ISSUE OF SHARES	6,300,000	5,071,438	-	11,371,438
ISSUE OF SHARES PERSUANT TO ESOS	835,200	841,350	-	1,676,550
PROFIT AFTER TAXATION	-	-	6,003,286	6,003,286
BALANCE AT 31 DECEMBER 2003	25,850,378	5,912,788	8,921,936	40,685,102
COMPANY				
BALANCE AT 1 JANUARY 2002	10,100,000	-	1,147,638	11,247,638
BONUS ISSUE	900,178	-	(900,178)	-
ISSUE OF SHARES	7,715,000	-	-	7,715,000
PROFIT AFTER TAXATION	-	-	2,785,128	2,785,128
BALANCE AT 31 DECEMBER 2002	18,715,178	-	3,032,588	21,747,766
BALANCE AT 1 JANUARY 2003	18,715,178	-	3,032,588	21,747,766
ISSUE OF SHARES	6,300,000	5,071,438	-	11,371,438
ISSUE OF SHARES PERSUANT TO ESOS	835,200	841,350	-	1,676,550
PROFIT AFTER TAXATION	-	-	6,314,007	6,314,007
BALANCE AT 31 DECEMBER 2003	25,850,378	5,912,788	9,346,595	41,109,761

The notes on pages 37 to 52 form part of these financial statements.

10.08 CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	6,227,081	3,215,419	6,377,462	2,785,128
Adjustment for:-				
Depreciation of property, plant & equipment	3,665,661	2,900,725	1,047,339	798,153
Impairment losses	3,478,000	-	3,478,000	-
Loss/(Gain) on disposal of property, plant & equipment	34,016	619,757	-	-
Share of loss in associated company	335,296	9,468	-	-
Loss on deemed disposal of associated company	32,661	-	-	-
Property, plant & equipment written off	2,685	-	-	-
Loss/(Gain) on foreign exchange	-	3,043	-	-
Interest income	(213,614)	(36,898)	(190,324)	(31,889)
Dividend income	(34,181)	-	(34,181)	-
Interest expense	19,900	369,416	19,900	-
Operating profit before working capital changes	13,547,505	7,080,930	10,698,196	3,551,392
Decrease/(Increase) in working capital				
Inventories	(754,662)	(1,373,177)	(1,028,814)	(811,808)
Receivables	(5,647,921)	(1,985,469)	(3,475,418)	242,194
Payables	(2,374,943)	(770,408)	1,094,600	551,453
Amount owing by/(to) subsidiary companies	-	-	(4,961,398)	(8,719,174)
Amount owing by/(to) associated companies	(1,066,760)	-	(1,066,760)	-
	(9,844,286)	(4,129,054)	(9,437,790)	(8,737,335)
Cash generated from/(used in) operations	3,703,219	2,951,876	1,260,406	(5,185,943)
Interest received	213,614	36,898	190,324	31,889
Interest paid	(19,900)	(369,416)	(19,900)	-
Dividend received	34,181	-	34,181	-
Tax paid	(57,777)	-	(49,165)	-
	170,118	(332,518)	155,440	31,889
Net cash from/(used in) operating activities	3,873,337	2,619,358	1,415,846	(5,154,054)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant & equipment Note (22)	(7,258,350)	(6,084,845)	(5,448,940)	(689,345)
Proceeds from disposal of property, plant & equipment	6,450	387,264	-	-
Purchase of associated company	-	(401,995)	-	(1,995)
Disposal of associated company	-	1,995	-	1,995
Net cash outflow on acquisition of subsidiary companies	-	-	-	(400,000)
Net cash used in investing activities	(7,251,900)	(6,097,581)	(5,448,940)	(1,089,345)

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Continued on the next page...

FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of hire purchase	-	240,000	-	240,000
Repayment of hire purchase & lease payables	(238,604)	(1,652,165)	(238,604)	(152,144)
Repayment of term loans	-	(1,585,015)	-	-
Proceeds from issue of shares	13,047,988	7,715,000	13,047,988	7,715,000
Net cash from financing activities	12,809,384	4,717,820	12,809,384	7,802,856
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,430,821	1,239,597	8,776,290	1,559,457
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	2,901,909	1,662,312	1,906,959	347,502
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	12,332,730	2,901,909	10,683,249	1,906,959
Closing balance of cash and cash equivalents comprises:				
Cash and bank balances	2,822,900	1,044,405	1,586,670	449,455
Fixed deposit placed with licensed Banks	6,475,706	1,857,504	6,062,455	1,457,504
Short term funds	3,034,124	-	3,034,124	-
	12,332,730	2,901,909	10,683,249	1,906,959

The notes on pages 37 to 52 form part of these financial statements.

11.00 - NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES

The principal activities of the Company is that of developing and selling in-house software programmes. The principal activities of the subsidiary companies and associated company are stated in notes 4 and 5 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

During the financial year ended 31 December 2003, the Group and the Company adopted the following Malaysian Accounting Standards Board (MASB) Standards for the first time:

MASB 25 Income Taxes
MASB 26 Interim Financial Reporting
MASB 27 Borrowing Costs
MASB 28 Discontinuing Operations
MASB 29 Employee Benefits
MASB 30 Accounting and Reporting by Retirement Benefit Plans

The effects of adopting MASB 25 are summarised in the Statements of Changes in Equity and further information is disclosed in Note 29 to the financial statements. The adoption of MASB 26, MASB 27, MASB 28, MASB 29 and MASB 30 has not given rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

(b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary companies for the year ended 31 December 2003.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

Inter-company transactions are eliminated upon consolidation and the consolidated financial statements reflect external transactions only.

(c) Goodwill on consolidation

Goodwill arising on consolidation represents the excess of the acquisition cost over the fair value of the net assets of the subsidiary companies at the date of acquisition.

In the opinion of the directors, there is no permanent impairment to the value of the goodwill and therefore no amortisation is considered necessary.

(d) Subsidiary companies

A subsidiary company is a company in which the Group owns, directly or indirectly, more than 50% of the equity share capital and has control over its financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies is stated at cost unless, in the opinion of the directors, a permanent diminution in value of the investments has arisen.

(e) Associated company

Associated company is defined as those companies not being a subsidiary company in which the investor company has a long term interest of between 20% to 50% equity and in whose financial and operating decisions the investor company exercises significant influence.

Investment in associated company is stated at cost unless in the opinion of the directors, a permanent diminution in value of the investment has arisen.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated on a straight line method at rates calculated to write off the cost of the assets over their estimated useful lives. The principal annual rates used are as follows:-

Computer equipment	33%
EDC equipment	20%
Computer software	10%
Motor vehicles	20%
Furniture, fittings and office equipment	10%
Renovation	50%

Gain or losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value and is determined on the first-in-first-out method.

(h) Assets under lease and hire purchase

Assets under lease and hire purchase which in substance transfer the risks and benefits of ownership of the assets to the Group are capitalised under property, plant and equipment. The assets and the corresponding lease and hire purchase obligations are recorded at the lower of present value of the minimum lease and hire purchase payments or the fair value of the leased and hire purchase assets at the beginning of the lease and hire purchase terms. Such leased and hire purchase assets are subject to depreciation consistent with that for depreciable assets which are owned.

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to income statement as incurred. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

(i) Impairment of assets

At each balance sheet date, the Company and Group review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior financial years. A reversal of an impairment loss is recognised as income immediately.

An impairment loss recognised for goodwill is not reversed unless the impairment loss is caused by a specific non-recurring external event of an exceptional nature and a subsequent external event occurs to reverse the effect of that specific event.

11.00 - NOTES TO THE FINANCIAL STATEMENTS

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposit, bank overdrafts and other short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(k) Provisions and contingent liabilities

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote except for cases where the amount involved is material and the Directors are of the opinion that disclosure is appropriate.

(l) Short term investments

Investments in fixed income trust funds that do not meet the definition of cash and cash equivalents are classified as short term investments.

(m) Foreign currencies

Foreign currency transactions are converted into Malaysian Ringgit at the rate of exchange ruling on the transaction dates. Assets and liabilities in foreign currencies at balance sheet date are translated into Malaysian Ringgit at the rate of exchange ruling at that date.

Gains and losses arising from the current year's transactions are dealt with in the income statement.

The closing exchange rate used by the Group and the Company for the main foreign currency is USD1 = RM3.83 (2002 : USD1 = RM3.83).

(n) Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, or performance of services.

Rental and interest income are recognised on an accrual basis.

(o) Taxation

Taxation for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date. Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25 Income Taxes on 1 January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 29.

(p) Employee benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and Company.

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(iii) Accrued Annual Leave

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for employee entitlements to annual leave as a result of services rendered by employees up to the balance sheet date.

(iv) Employee Share Option Scheme

GHL Systems Bhd's Employee Share Option Scheme allows the Company's employees to subscribe for shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

(q) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivable, payables and bank borrowing. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group/Company has a legally enforceable right and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	Computer equipment (RM)	EDC equipment (RM)	Computer software (RM)	Motor vehicles (RM)	Furniture, fittings & office equipment (RM)	Renovations (RM)	TOTAL (RM)
Cost							
As at 1.1.2003	1,155,580	10,107,785	5,000,000	885,500	327,890	667,920	18,144,675
Additions	509,999	1,706,093	4,978,000	-	45,330	18,928	7,258,350
Disposals/Written off	-	(90,482)	-	-	-	-	(90,482)
As at 31.12.2003	1,665,579	11,723,396	9,978,000	885,500	373,220	686,848	25,312,543
Accumulated depreciation & impairment losses							
Accumulated depreciation	651,260	2,333,081	750,000	159,941	36,721	149,203	4,080,206
Accumulated impairment losses	-	-	-	-	-	-	-
As at 1.1.2003	651,260	2,333,081	750,000	159,941	36,721	149,203	4,080,206
Charge for the year	344,594	2,266,576	500,000	177,100	22,554	354,837	3,665,661
Disposals/Written off	-	(47,331)	-	-	-	-	(47,331)
Accumulated depreciation	995,854	4,552,326	1,250,000	337,041	59,275	504,040	7,698,536
Accumulated impairment Losses	-	-	3,478,000	-	-	-	3,478,000
As at 31.12.2003	995,854	4,552,326	4,728,000	337,041	59,275	504,040	11,176,536
Net book value							
As at 31.12.2003	669,725	7,171,070	5,250,000	548,459	313,945	182,808	14,136,007
As at 31.12.2002	504,320	7,774,704	4,250,000	725,559	291,169	518,717	14,064,469
Depreciation charge for the year ended 31.12.2002	221,313	1,859,163	500,000	148,767	22,279	149,203	2,900,725

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY	Computer equipment (RM)	Computer software (RM)	Motor vehicles (RM)	Furniture, fittings & office equipment (RM)	Renovations (RM)	TOTAL (RM)
Cost						
As at 1.1.2003	821,874	5,000,000	870,000	107,210	265,420	7,064,504
Additions	424,792	4,978,000	-	27,220	18,928	5,448,940
As at 31.12.2003	1,246,666	9,978,000	870,000	134,430	284,348	12,513,444
Accumulated depreciation & impairment losses						
Accumulated depreciation	535,633	750,000	154,000	20,637	15,207	1,475,477
Accumulated impairment losses	-	-	-	-	-	-
As at 1.1.2003	535,633	750,000	154,000	20,637	15,207	1,475,477
Charge for the year	220,360	500,000	174,000	11,966	141,013	1,047,339
Accumulated depreciation	755,993	1,250,000	328,000	32,603	156,220	2,522,816
Accumulated impairment losses	-	3,478,000	-		-	3,478,000
As at 31.12.2003	755,993	4,728,000	328,000	32,603	156,220	6,000,816
Net book value						
As at 31.12.2003	490,673	5,250,000	542,000	101,827	128,128	6,512,628
As at 31.12.2002	286,241	4,250,000	716,000	86,573	250,213	5,589,027
Depreciation charge for the year ended 31.12.2002	130,065	500,000	145,667	7,214	15,207	798,153

11.00 - NOTES TO THE FINANCIAL STATEMENTS

Property, plant and equipment acquired under hire purchase and lease stated at net book value are as follows:-

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Motor Vehicles	542,000	745,000	542,000	745,000
EDC Equipment	-	1,249,544	-	-
	542,000	1,994,544	542,000	745,000

4. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2003 (RM)	2002 (RM)
(a) Unquoted shares, at cost	4,400,000	4,400,000

(b) The subsidiary companies and shareholdings therein are as follows:-

Name of Company	Country of Incorporation	Equity Interest 2003 (%)	Equity Interest 2002 (%)	Principal Activities
GHL Transact Sdn. Bhd.	Malaysia	100	100	Sale and rental of Electronic Data Capture (EDC) equipment and related services.
GHL Payments Sdn. Bhd.	Malaysia	100	100	Sale and rental of Electronic Data Capture (EDC) equipment and related services.
GHL Eftpos Sdn. Bhd.	Malaysia	100	100	Sale and rental of Electronic Data Capture (EDC) equipment and related services.
PaymentOne Sdn. Bhd.	Malaysia	100	100	Investment holding.

5. INVESTMENT IN ASSOCIATED COMPANY

	Group	
	2003 (RM)	2002 (RM)
Unquoted shares - at cost	400,000	400,000
Share of post acquisition losses	(344,764)	(9,468)
	55,236	390,532
Loss on deemed disposal of associated company shares	(32,661)	-
	22,575	390,532
The Groups' investment in associated company is represented by:-		
Share of net assets	46,628	386,532
(Reserve)/Goodwill on acquisition	(24,053)	4,000
	22,575	390,532

The associated company and shareholding therein is as follows:-

Name of Company	Country of Incorporation	Equity Interest 2003 (%)	Equity Interest 2002 (%)	Principal Activities
Card Pay Sdn. Bhd.	Malaysia	40	44	Third Party aquirer for e-debit and MEPS CASH transactions.

6. INVENTORIES

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Whoops!	2,136,128	1,107,314	2,136,128	1,107,314
EDC Equipment	342,247	750,581	-	-
Others	134,182	-	-	-
	2,612,557	1,857,895	2,136,128	1,107,314

7. OTHER RECEIVABLES

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Other receivables	75,128	402,288	5,000	332,059
Deposits	150,558	133,744	124,619	108,460
Prepayments	157,326	285,019	31,690	283,024
	383,012	821,051	161,309	723,543

8. AMOUNT OWING BY SUBSIDIARY COMPANIES

This represents unsecured interest free advances with no fixed term of repayment except for an amount of RM11,444,959 (2002 : RM4,575,561) which made up of trade transactions.

9. AMOUNT OWING BY ASSOCIATED COMPANY

This represents trade transactions that are interest free and have no fixed term of repayment.

10. SHORT TERM FUNDS

	Group/Company	
	2003 (RM)	2002 (RM)
Investment in fixed income trust funds in Malaysia	3,034,124	-

A cash placement in a Fixed-Income trust fund which is regulated by the Securities Commission, Malaysia. The fund aims to provide a regular stream of monthly income by investing in money market and other fixed income instruments and is managed with the aim of maintaining the unit price at RM1.00.

11.00 - NOTES TO THE FINANCIAL STATEMENTS

11. FIXED DEPOSITS PLACED WITH LICENSED BANKS

Included in the above is an amount of RM1,300,000 (2002 : RM900,000) and RM900,000 (2002 : RM900,000) pledged to banks for bank guarantee facility granted to the Group and the Company respectively.

The interest rates and maturities of deposits ranges from 2.2% to 3.0% per annum and 30 to 365 days (2002 : 2.2% to 3.2% and 30 to 365 days) respectively.

12. OTHER PAYABLES

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Other payables	470,626	131,521	105,199	64,627
Deposits	2,170,290	1,681,791	-	44,431
Accruals	446,015	206,295	302,498	137,442
	3,086,931	2,019,607	407,697	246,500

13. HIRE PURCHASE AND LEASE PAYABLES

(a)

Future minimum payments	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Payable within one year	80,202	258,504	80,202	258,504
Payable between one and five years	-	80,202	-	80,202
	80,202	338,706	80,202	338,706
Less: Finance charges	(950)	(20,850)	(950)	(20,850)
	79,252	317,856	79,252	317,856

(b)

Present value representing hire purchase and lease liabilities	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Payable within one year	79,252	239,284	79,252	239,284
Payable between one and five years	-	78,572	-	78,572
	79,252	317,856	79,252	317,856

14. SHARE CAPITAL

Authorised Ordinary Shares	Group/Company	
	2003 (RM)	2002 (RM)
As at 1 January of RM0.10 each/RM1.00 each	50,000,000	25,000,000
Upon sub-division of RM0.10 each	-	25,000,000
Created during the year of RM0.10 each	-	25,000,000
As at 31 December of RM0.10 each	50,000,000	50,000,000

14. SHARE CAPITAL (continued)

Issued and Fully Paid Ordinary Shares	Group/Company 2003 (RM)	Group/Company 2002 (RM)
As at 1 January of RM0.10 each/RM1.00 each	18,715,178	10,100,000
Bonus issue at RM1.00 each	-	900,178
Issued during the year of RM1.00 each	-	4,715,000
	18,715,178	15,715,178
Upon sub-division of RM0.10 each	-	15,715,178
Issued during the year of RM0.10 each	6,300,000	3,000,000
ESOS Exercised	835,200	-
As at 31 December of RM0.10 each	25,850,378	18,715,178

During the financial year, in conjunction with the flotation of the Company's shares on the Malaysian Exchange of Securities Dealing and Automated Quotation of the Malaysia Securities Exchange Berhad on 9 April 2003, the Company increased its issued and paid-up share capital from RM18,715,178 to RM25,850,378 through the issue of the following shares :-

Type of issue/consideration	Par Value (RM)	No. of Ordinary Shares
Public issue of 9,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.20 per ordinary share.	0.10	9,000,000
Private placement of 54,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.20 per ordinary share	0.10	54,000,000
ESOS of 7,122,000 new ordinary shares of RM0.10 each at an issue price of RM0.20 per ordinary share	0.10	7,122,000
ESOS of 1,230,000 new ordinary shares of RM0.10 each at an issue price of RM0.205 per ordinary share	0.10	1,230,000

15. DEFERRED TAXATION

	Note	2003 (RM)	2002 (RM)
At 1 January		-	-
Prior year's adjustment	29	544,229	526,323
As restated		544,229	526,323
Recognised in income statement		149,775	17,906
At 31 December		694,004	544,229

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

Deferred tax liabilities of the Group:

	Accelerated Capital Allowances (RM)	TOTAL (RM)
At 1 January 2003	-	-
Prior year's adjustment	1,413,442	1,413,442
Recognised in income statement	461,418	461,418
At 31 December 2003	1,874,860	1,874,860

11.00 - NOTES TO THE FINANCIAL STATEMENTS

Deferred tax assets of the Group:

	Accelerated Capital Allowances (RM)	TOTAL (RM)
At 1 January 2003	-	-
Prior year's adjustment	869,213	869,213
Recognised in income statement	311,643	311,643
At 31 December 2003	1,180,856	1,180,856

16. REVENUE

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Whoops!	33,644,427	9,820,564	33,644,427	9,820,564
Rental	9,872,641	9,383,390	-	-
Software and Service Charges	19,750,909	11,340,715	17,063,918	8,118,282
	63,267,977	30,544,669	50,708,345	17,938,846

17. OTHER OPERATING INCOME

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Fixed deposit interest	213,614	36,898	190,324	31,889
Insurance claim	157,516	72,948	-	-
Gain on foreign exchange	28,435	-	-	-
Dividend income	34,181	-	34,181	-
Gain on disposal of property, plant and equipment	-	619,757	-	-
Management fees received from subsidiary company	-	-	1,200,000	-
	433,746	729,603	1,424,505	31,889

18. OPERATING EXPENSES

Operating profit is derived after charging:-

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Auditor's remuneration				
- Fee	26,000	24,000	10,000	8,000
- Others	-	20,000	-	6,000
Directors' remuneration	1,206,246	680,700	1,206,246	540,700
Depreciation of property, pant & equipment	3,665,661	2,900,725	1,047,339	798,153
Loss on foreign exchange	2,063	3,043	2,063	1,775
Rental of premises	684,058	539,935	365,458	238,135
Impairment losses	3,478,000	-	3,478,000	-
Loss on disposal of property, plant & equipment	34,016	-	-	-
Loss on deemed disposal of associated company shares	32,661	-	-	-
Fixed asset written off	2,685	-	-	-

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Continued on the next page...

18. OPERATING EXPENSES (Continued)

Directors' renumeration

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Executive Directors				
- Fees	64,000	-	64,000	-
- Salaries and other emoluments	891,292	618,300	891,292	478,300
- EPF	106,954	57,000	106,954	57,000
Non-Executive Directors				
- Fees	144,000	-	144,000	-
- Salaries and other emoluments	-	5,400	-	5,400
Total directors' renumeration	1,206,246	680,700	1,206,246	540,700

19. FINANCE COST

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Interest expense				
- Term loans	-	73,507	-	-
- Lease	-	269,759	-	-
- Hire purchase	19,900	26,150	19,900	26,150
	19,900	369,416	19,900	26,150

20. TAXATION

GROUP	2003 (RM)	2002 (RM)
Tax expense for the year:-		
- Current tax provision	59,743	-
- Under provision in prior year	14,277	-
	74,020	-
Deferred tax:-		
- Relating to origination and reversal of temporary differences	149,775	17,906
	223,795	17,906

COMPANY	2003 (RM)	2002 (RM)
Tax expense for the year:-		
- Current tax provision	53,141	-
- Under provision in prior year	10,314	-
	63,455	-

Income tax is calculated at the statutory rate of 28% on chargeable income (2002: 28%) of the estimated assessable profit for the year.

11.00 - NOTES TO THE FINANCIAL STATEMENTS

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate are as follows:

Group	2003 (RM)	2002 (RM)
Profit before taxation	6,227,081	3,215,419
Taxation at statutory tax rate of 28% (2002 : 28%)		
- 20% on the first RM100,000	25,820	-
- 28% on the balance of the chargeable income	1,711,503	900,317
Tax incentive	(1,824,712)	(957,112)
Expenses not deductible for tax purposes	176,342	238,518
Income not subject to tax	-	(173,473)
Losses not available for set off	-	(2,651)
Deferred tax assets not recognised	120,565	7,122
Under provision of current taxation in respect of prior years	14,277	-
Others	-	5,185
	223,795	17,906

Company	2003 (RM)	2002 (RM)
Profit before taxation	6,377,462	2,785,128
Taxation at statutory tax rate of 28% (2002 : 28%)	1,785,689	779,836
Tax incentive	(1,824,712)	(957,112)
Expense not deductible for tax purposes	92,164	177,276
Under provision of current taxation in respect of prior years	10,314	-
	63,455	-

21. EARNINGS PER SHARE

a) Basic earnings per share

The earnings per share has been calculated based on the consolidated profit after taxation of RM6,003,286 (2002 : RM3,197,513) for the Group and the weighted average number of ordinary shares in issue during the financial year of 236,612,944 (2002 : 152,674,104).

(b) Fully diluted earnings per share

Fully diluted earnings per share has been calculated based on the consolidated profit after taxation of RM6,003,286 for the Group and the adjusted weighted average number of ordinary shares issued and issue able of 241,600,768 shares. The adjusted weighted average number of ordinary shares issued and issue able has been arrived at based on the assumption that all the ESOS are converted to ordinary shares on 31 December 2003. No dilution on the earnings per share for the financial year ended 31 December 2002.

22. PURCHASE OF PROPERTY, PLANT & EQUIPMENT

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Aggregate cost	7,258,350	6,314,845	5,488,940	919,345
Less: Hire purchase financing	-	(230,000)	-	(230,000)
	7,258,350	6,084,845	5,488,940	689,345

11.00 - NOTES TO THE FINANCIAL STATEMENTS

23. STAFF INFORMATION

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Staff costs	10,602,953	7,685,552	8,477,179	7,146,852

Included in the staff costs are contributions made to the Employees Provident Fund under a defined contribution plan of the Group and the Company amounting to RM719,797 and RM401,275 (2002 : RM603,367 and RM286,344) respectively.

Included in the staff cost of the Group and the Company is directors' remuneration amounting to RM1,062,246 and RM1,062,246 (2002 : RM680,700 and RM540,700) respectively.

The total number of employees of the Group and of the Company at the end of the financial year were 164 and 61 (2002 : 168 and 63) respectively.

24. CONTINGENT LIABILITY

	Group/Company	
	2003 (RM)	2002 (RM)
Bank guarantees	900,000	900,000

25. RELATED PARTY TRANSACTIONS

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Sales to subsidiary companies:				
GHL Transact Sdn. Bhd.	-	-	5,074,720	6,761,960
GHL Payments Sdn. Bhd.	-	-	39,520	47,820
GHL Eftpos Sdn. Bhd.	-	-	606,040	260,820
Management fee received from subsidiary company:				
GHL Transact Sdn. Bhd.	-	-	1,200,000	-
Rental and Maintenance Charges paid to GHL Enterprise Sdn. Bhd., a company in which Goh Kuan Ho, a director of the Company, has substantial financial interest.	492,000	470,000	196,800	123,760

The directors are of the opinion that the above transactions were in the normal course of the business and at terms mutually agreed between the companies.

26. SIGNIFICANT EVENTS

(a) On 9 April 2003, the entire issued and paid-up share capital of the Company comprising 250,151,780 ordinary shares of RM0.10 each were listed on the Malaysian Exchange of Securities Dealing and Automated Quotation of the Malaysia Securities Exchange Berhad.

(b) During the financial year, an associated company, Card Pay Sdn Bhd increased its issued and paid-up share capital from RM900,000 to RM1,000,000 by issue of 100,000 ordinary shares of RM1 each at par for cash to provide additional working capital. Consequently, the Company shareholdings in Card Pay Sdn Bhd reduced from 44% to 40%.

11.00 - NOTES TO THE FINANCIAL STATEMENTS

27. COMMITMENTS FOR EXPENDITURE

Commitments in relation to non-cancellable operating leases are payable as follows:-

	Group		Company	
	2003 (RM)	2002 (RM)	2003 (RM)	2002 (RM)
Payable within one year	369,000	492,000	147,600	196,800
Payable between one and five years	-	369,000	-	147,600
	369,000	861,000	147,600	344.400

28. FINANCIAL INSTRUMENTS

The Group's/Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's/Company's businesses whilst managing its financial risk. The Group/Company operates within guidelines that are approved by the Boards and the Group's/Company's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group/Company and the policy in respect of the major areas of treasury activity are set our as follows:

(a) Interest Rate Risk

The Group's/Company's income and operating cash flows substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's/Company's deposits. The Group/Company does not hedge the interest rate risk.

(b) Foreign Exchange Risk

The Group/Company is exposed to foreign currency exchange risk as a result of its normal operating activities where the currency denomination differs from the local currency. The Group's/Company's policy is to minimise the exposure to foreign currency risk by monitoring and approving requisition which involve foreign currencies.

(c) Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Company's associations to business partners with high creditworthiness. Trade receivable are monitored on an ongoing basis via management reporting procedure and action is taken to recover debts when due.

(d) Liquidity and Cash Flow Risks

The Company seeks to achieve a flexible and cost effective borrowing structure to ensure that the projected net borrowing needs are covered by available committed facilities. Debt maturities are structured in such a way to ensure that the amount of debt maturing in any one year is within the Company's ability to repay and refinance.

The Company also maintains a certain level of cash and cash convertible investments to meet its working capital requirements.

(e) Fair Values

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings are carried at their approximate fair values due to the relatively short term maturity of these financial instruments.

29. CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENTS

(a) Change in accounting policy

During the financial year, the Company applied MASB 25 Income Taxes which became effective during the current financial year, and accordingly modified its accounting policy. The changes in accounting policy which resulted in prior year adjustments are discussed below:

Under MASB 25, deferred tax liabilities are recognised for all temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a liability was expected to materialise in the foreseeable future. In addition, the Company have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

(b) Prior year adjustments

The changes in accounting policies have been applied retrospectively and comparative have been restated. The effect of changes in accounting policies are as follows:-

Group	2003 (RM)	2002 (RM)
Effects on retained profits:		
At 1 January, as previously stated	3,462,879	1,147,638
Effects of adopting MASB 25	(544,229)	(526,323)
At 1 January, as restated	2,918,650	621,315
Effects on net profit for the year:		
Net profit before changes in accounting polilcy	6,153,061	3,215,419
Effects of adopting MASB 25	(149,775)	(17,906)
Net profit for the year	6,003,286	3,197,513

Comparative amounts as at 31 December 2002 have been restated as follows:

	As previously stated (RM)	Adjustments (RM)	Restated (RM)
Deferred tax liabilities	-	544,229	544,229

30. SEGMENTAL REPORTING

The principal business of the Group are those of dealing with EDC equipment and its related services, developing and selling software programmes in Malaysia which are substantially within a single business segment, as such, segmental reporting is deemed not necessary.

31. AUTHORISATION FOR ISSUE

The financial statements of the Company for the financial year ended 31 December 2003 were authorised for issue in accordance with a resolution of the Board of Directors on 25 February 2004.

32. COMPARATIVE FIGURES

The following comparative figures have been restated to conform with the presentation of current financial year:

Group	As previously stated (RM)	Adjustments (RM)	Restated (RM)
Income Statement			
Taxation	-	17,906	17,906
Balance Sheet			
Deferred tax liabilities	-	544,229	544,229

12.00 SHAREHOLDING STATISTICS

As at 1 April 2004

Authorised Capital	:	RM50,000,000.00
Issued and Fully Paid-up Capital	:	RM25,944,678.00
Class of Shares	:	Ordinary shares of 10 sen each fully paid
Voting Rights	:	One vote per 10 sen share

BREAKDOWN OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
Less than 100	1	0.02	50	0.00
100 - 999	38	0.93	13,400	0.01
1000 - 4,999	1,445	35.18	3,432,000	1.32
5,000 - 10,000	1,565	38.10	11,377,750	4.39
10,001 - 100,000	927	22.57	31,303,100	12.07
100,001 - 1,000,000	107	2.60	31,101,700	11.99
100,001 - 1,000,000	25	0.61	182,218,780	70.23
TOTAL	4,108	100.00	259,446,780	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 1 APRIL 2004

According to the register required to be kept under Section 69L of the Companies Act, 1965, the following are substantial shareholders of the Company:-

Substantial Shareholders	No. of Shares Held			
	Direct Interest	%	Indirect Interest	%
JMF Asset Management Sdn. Bhd. (for BSNC Corporation Berhad)	49,530,050	19.09	-	-
Goh Kuan Ho	49,415,460	19.05	-	-
BHLB Trustee Berhad	16,759,500	6.46	-	-

DIRECTORS' SHAREHOLDINGS AS AT 1 APRIL 2004

Name of Directors	No. of Shares Held			
	Direct Interest	%	Indirect Interest	%
Goh Kuan Ho	49,415,460	19.05	-	-
Tay Beng Lock	11,873,570	4.58	-	-
Yeng Fook Hoo	7,975,100	3.07	-	-

By virtue of their interests in the share capital of the Company, Goh Kuan Ho, Tay Beng Lock and Yeng Fook Hoo are also deemed to have interests in the shares of the subsidiary companies to the extent the Company has an interest.

12.00 SHAREHOLDING STATISTICS

STATEMENT OF SHAREHOLDINGS

THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 1 APRIL 2004

No.	Name of Shareholder	No. of Shares	%
1.	JMF Asset Management Sdn. Bhd. (for BSNC Corporation Berhad)	49,530,050	19.09
2.	Goh Kuan Ho	49,415,460	19.05
3.	BHLB Trustee Berhad	16,759,500	6.46
4.	HSBC Nominees (Tempatan) Sdn. Bhd.	12,144,400	4.68
5.	Tay Beng Lock	11,873,570	4.58
6.	Mayban Nominees (Tempatan) Sdn. Bhd.	8,076,900	3.11
7.	Yeng Fook Hoo	7,975,100	3.07
8.	Joshua Tan Siew Meng	7,430,100	2.86
9.	Tasec Nominees (Tempatan) Sdn. Bhd.	5,595,500	2.16
10.	Goh Heng Loo	5,570,000	2.15
11.	Ang Kok Seong	4,605,500	1.78
12.	Allianz Life Insurance Malaysia Berhad	4,420,800	1.70
13.	Universal Trustee (Malaysia) Berhad	4,058,600	1.56
14.	HLG Nominee (Asing) Sdn. Bhd.	3,000,000	1.16
15.	Bumiputra-Commerce Trustee Berhad	3,000,000	1.16
16.	Amanah Raya Nominees (Tempatan) Sdn. Bhd.	1,221,200	0.47
17.	Lim Chai Ong	1,200,000	0.46
18.	Jerneh Asia Capital Sdn. Bhd.	1,136,800	0.44
19.	Perbadanan Nasional Berhad	1,098,100	0.42
20.	Chan Sek Tai	1,085,000	0.42
21.	Empoyees Provident Fund Board	1,062,200	0.41
22.	Chong Mei Ngor	900,000	0.35
23.	Mayban Securities Nominees (Tempatan) Sdn. Bhd.	899,700	0.35
24.	Perbadanan Nasional Berhad	786,600	0.30
25.	Go Lee Bin	594,300	0.23
26.	Allianz General Insurance Malaysia Berhad	588,000	0.23
27.	Affin Nominees (Tempatan) Sdn. Bhd.	588,000	0.23
28.	Amsec Nominees (Tempatan) Sdn. Bhd.	534,000	0.21
29.	Alliancegroup Nominees (Temapatan) Sdn. Bhd.	500,100	0.19
30.	HDM Nominees (Asing) Sdn. Bhd.	500,000	0.19

13.00 NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at Raya Room, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on 20 May 2004, Thursday, at 10.00 a.m. for the purpose of transacting the following businesses:

AGENDA

1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2003 together with the Reports of the Directors and Auditors thereon.	(Resolution 1)
2.	To re-elect Mr. Yeng Fook Hoo who retires pursuant to Article 127 of the Company's Articles of Association.	(Resolution 2)
3.	To re-elect Miss Goh Kuan Ho who retires pursuant to Article 127 of the Company's Articles of Association.	(Resolution 3)
4.	To re-elect Mr. Chin Fook Kheong who retires pursuant to Article 132 of the Company's Articles of Association.	(Resolution 4)
5.	To approve the payment of Directors' fees of RM208,000.00 for the year ended 31 December 2003.	(Resolution 5)
6.	To re-appoint Messrs Annual Azizan Chew & Co., as Auditors of the Company and to authorize the Directors to fix their remuneration.	(Resolution 6)
	As Special Business: To consider and, if thought fit, to pass the following Ordinary Resolution:	
7.	**Authority to Directors to Allot and Issue Shares** "That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies having been obtained for such allotment and issue."	(Resolution 7)
8.	To transact any other business of the Company for which due notice shall have been given.	
	BY ORDER OF THE BOARD Chin Fook Kheong (MIA 12596) Chee Wai Yen (MIA 20899) Company Secretaries Kuala Lumpur Date : 28 April 2004	

NOTES ON APPOINTMENT OF PROXY

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or up to a maximum of two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

3. The instrument appointing the proxy and power of attorney or other authority under which it is signed, shall be deposited at the Registrar Office at Signet Share Registration Services Sdn Bhd, Level 26, Menara Multi Purpose, Capital Square, No.8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof at which the person or persons named in such instrument proposes to vote.

13.00 NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolution 7 : Authority to Directors to Allot and Issue Shares

The Proposed Resolution 7, if passed, would enable the Directors to issue up to a maximum of 10% of the issued share capital of the Company as at the date of this Annual General Meeting for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Tenth Annual General Meeting of the Company are:-

Mr. Yeng Fook Hoo	Article 127	(Resolution 2)
Miss Goh Kuan Ho	Article 127	(Resolution 3)
Mr. Chin Fook Kheong	Article 132	(Resolution 4)

The profile of the Directors standing for re-election for Resolutions 2, 3 and 4 are shown on pages 10 and 11 of the Annual Report 2003. The securities holdings of the abovenamed Directors in the Company or its' subsidiaries are disclosed in the Directors' Shareholdings report on page 53 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement.

The Tenth Annual General Meeting of the Company will be held at Raya Room, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on 20 May 2004, Thursday, at 10.00 a.m.

PROXY FORM

I / We, _____

NRIC No. / Passport No. / Company No. _____

of _____

being a member / members of GHL SYSTEMS BERHAD, hereby appoint

_____

NRIC No. / Passport No. / Company No. _____

of _____

or failing him / her, the Chairman of the Meeting as my / our proxy, to vote for me / us on my / our behalf at the Tenth Annual General Meeting of the Company to be held at Raya Room, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on 20 May 2004, Thursday, at 10.00 a.m. and at any adjournment thereof, in the manner indicated below:-

NO.	RESOLUTION	FOR	AGAINST
1.	To receive and adopt the Financial Statements and Reports.		
2.	To re-elect Mr. Yeng Fook Hoo as Director.		
3.	To re-elect Miss Goh Kuan Ho as Director.		
4.	To re-elect Mr. Chin Fook Kheong as Director.		
5.	To approve the payment of Directors' fees of RM208,000.00		
6.	To re-appoint Messrs Anuarul Azizan Chew & Co., as Auditors of the Company.		
7.	As special business, to approve the ordinary resolution pursuant to Section 132D of the Companies Act, 1965.		

(Please indicate with 'X' how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolutions as he/she may think fit.)

Signed this _____ day of _____, 2004.

Signature : _____
(If shareholder is a corporation, this part should be executed under seal)

NUMBER OF SHARES HELD	

Notes:-

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or up to a maximum of two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

3. The instrument appointing the proxy and power of attorney or other authority under which it is signed, shall be deposited at the Registrar Office at Signet Share Registration Services Sdn Bhd, Level 26, Menara Multi Purpose, Capital Square, No.8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof at which the person or persons named in such instrument proposes to vote.

Staple here to seal

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Please affix
postage stamp
here.

The Registrar of GHL SYSTEMS BERHAD (293040-D)

SIGNET SHARE REGISTRATION SERVICES SDN. BHD.

Level 26, Menara Multi Purpose, Capital Square,
No.8, Jalan Munshi Abdullah, 50100 Kuala Lumpur.

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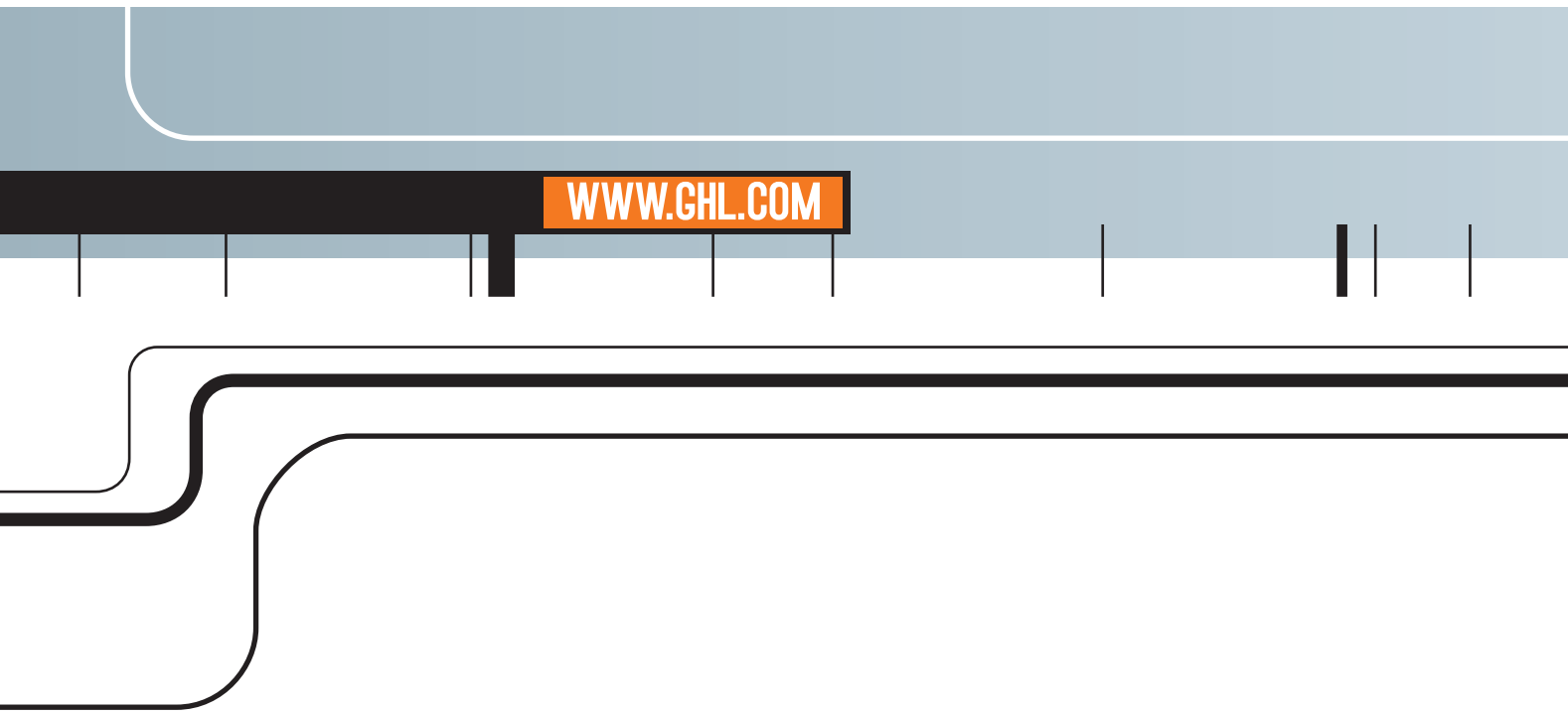
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