



GHL SYSTEMS BERHAD

293040-D

Incorporated in Malaysia



GHL SYSTEMS BERHAD  
293040-D

Unit L8 C-G-15, Block C, Jalan Dataran SD1,  
Dataran SD PJU 9, Bandar Sri Damansara,  
52200 Kuala Lumpur

Tel : 603-6286 3388

Fax : 603-6280 2999

WWW.GHL.COM

a time to **NURTURE**



annual report **2008**



## COVER RATIONALE

### a time to **Nurture**

Building a sustainable business takes not a day, but often a lifetime.

While we have a decade of hard-earned experience under our belt, we at GHL Systems believe that it is now a time to nurture the Group to reach our highest potential. This entails more than the determination of one person; it involves engaging the mindset and endeavour of the collective team.

We look forward to you joining us alongside this exciting journey forward.

## CONTENTS

1	Corporate Information	32	Directors' Report
2	Corporate Profile	37	Statement by Directors
3	Corporate Structure	37	Statutory Declaration
4	Financial Highlights	38	Independent Auditors' Report
6	Share Price Performance	40	Balance Sheets
7	Chairman's Statement	41	Income Statements
10	Management Review	42	Statements of Changes in Equity
14	Calendar of Events	44	Cash Flow Statements
15	Directors' Profile	46	Notes to the Financial Statements
19	Regional Management Teams	86	Shareholding Statistics as at 31 March 2009
21	Corporate Governance Statement	87	List of Property
28	Audit Committee Report	88	Notice of Annual General Meeting
30	Statement of Internal Control		Proxy Form

## CORPORATE DIRECTORY

### MALAYSIA

#### **Headquarters / Corporate Office**

GHL Systems Berhad  
Unit L8 C-G-15, Block C  
Jalan Dataran SD1, Dataran SD PJU 9  
Bandar Sri Damansara  
52200 Kuala Lumpur  
Malaysia  
Tel : (603) 6286 3388  
Fax : (603) 6280 2999  
Email : my.sales@ghl.com

#### **Research & Development Centre**

GHL Systems Berhad  
L5-E-7B Enterprise 4  
Technology Park Malaysia  
Bukit Jalil  
57000 Kuala Lumpur  
Malaysia  
Tel : (603) 8998 3600  
Fax : (603) 8998 3301

### INTERNATIONAL OFFICES

GHL (Beijing) Co. Ltd.  
Suite 310 Yingu Bldg. 3rd/fl  
No.9 North 4th Ring Road West Haidian  
District Beijing 100190 China  
Tel : +86(10)-82525080  
Fax : +86(10)-82525055  
Email : shitian@ghlchina.com

GHL (China) Co. Ltd.  
Room 1003, 10/F., Trendy Centre  
682-684 Castle Peak Road  
Kowloon, Hong Kong  
Tel : (852) 2370 1070  
Fax : (852) 2370 1055  
Email : edwardchien@ghl.com

GHL Services Co. Ltd.  
Suite 314 Yingu Bldg. 3rd/fl  
No.9 North 4th Ring Road West Haidian  
District Beijing 100190 China  
Tel : +86(10)-82525081  
Fax : +86(10)-82525055  
Email : shitian@ghlchina.com

GHLSYS Philippines Inc.  
16/F Lepanto Condominium  
8747 Paseo de Roxas  
1226 Makati City  
Philippines  
Tel : (632) 856 0850  
Fax : (632) 856 0825  
Email : herve@ghl.com

GHL (Thailand) Co. Ltd.  
77/20, 2nd Floor, Sinn Sathorn Tower  
Krungthonburi Road, Klongtongsai  
Bangkok  
10600 Thailand  
Tel : (660) 2440 0588  
Fax : (660) 2440 0577  
Email : albertmah@ghl.com

#### **Representative Offices**

Ho Chi Minh City 1105C  
11th Floor, Screc Tower  
Truong Dinh Street, District 3  
Ho Chi Minh City, Vietnam  
Tel : (848) 290 4945  
Fax : (848) 290 4970  
Email : albertmah@ghl.com

Room 1201  
Information Industrial Tech. Building  
Road Wujia Wan  
Wuhan 430074, China  
Tel : +86-(027)87690909  
Fax : +86-(027)87690909-628  
Email : dufang@ghlsystems.com

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Tay Beng Lock**, Interim Chairman and Group Managing Director

**Yeng Fook Hoo**, Deputy Group Managing Director

**Chin Fook Kheong**, Group Finance Director

**Goh Kuan Ho**, Non-Independent Non-Executive Director

**Yen Siw Kuin**, Independent Non-Executive Director

**Angus Eugenio Campos**, Independent Non-Executive Director

## COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482)  
Chin Fook Kheong (MIA 12596)

## AUDIT COMMITTEE

Yen Siw Kuin (Chairperson)  
Goh Kuan Ho  
Angus Eugenio Campos

## REMUNERATION COMMITTEE

Yen Siw Kuin (Chairperson)  
Goh Kuan Ho  
Angus Eugenio Campos  
Dr. Lum Heap Sum  
Chong Tiam Tai

## NOMINATION COMMITTEE

Goh Kuan Ho (Chairperson)  
Yen Siw Kuin  
Angus Eugenio Campos

## ESOS COMMITTEE

Tay Beng Lock (Chairperson)  
Yeng Fook Hoo  
Yen Siw Kuin  
Chong Tiam Tai

## AUDITORS

UHY DIONG (AF1411)  
Suite 11.05, Level 11,  
The Gardens South Tower,  
Mid Valley City,  
Lingkar Syed Putra,  
59200 Kuala Lumpur

## PRINCIPAL BANKERS

Affin Bank Berhad  
Alliance Bank Berhad  
AmBank Berhad  
CIMB Bank Berhad  
Malayan Banking Berhad  
RHB Bank Berhad  
United Overseas Bank (Malaysia) Berhad

## LEGAL ADVISORS

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

Goh Wong Pereira  
Advocates & Solicitors  
36, Jalan Pipit,  
Off Jalan Ipoh, Batu 3,  
51100 Kuala Lumpur

Mazlan & Associates  
Level 3A, Wisma E&C,  
2, Lorong Dungun Kiri,  
Damansara Heights,  
50490 Kuala Lumpur

Brigitta I. Rahayoe & Syamsuddin  
Suite 701,  
7th Floor Indofood Tower,  
Sudirman Plaza,  
Jl.Jend.Sudirman Kay.76-78,  
Jakarta 12910, Indonesia

Robertsons Solicitors & Notaries  
57th Floor, The Center,  
99, Queen's Road Central,  
Hong Kong

Ramdas & Wong  
36, Robinson Road,  
#10-01, City House,  
Singapore 068877

Zhongtian PRC Lawyers  
1711-1717 Yingu Mansion,  
9 West Beisihuan Road,  
Beijing 100080, China

Fortun Narvasa & Salazar  
23F, Multinational  
Bancorporation Centre,  
6805 Ayala Ave.,  
Makati City 1226, Philippines

Chalermchat Law Office Co. Ltd.  
10th Floor, Amarin Plaza Building,  
496-502, Ploenchit Road,  
Lumpini, Pathumwan,  
Bangkok 10330, Thailand

## REGISTRAR

Symphony Share Registrars Sdn Bhd  
Level 26,  
Menara Multi Purpose,  
Capital Square,  
8 Jalan Munshi Abdullah,  
50100 Kuala Lumpur  
Tel: 603-2721 2222  
Fax: 603-2721 2530

## REGISTERED OFFICE

Suite 11.05B, Level 11,  
The Gardens South Tower,  
Mid Valley City,  
Lingkar Syed Putra,  
59200 Kuala Lumpur  
Tel: 603-2279 3088  
Fax: 603-2279 3090

## HEAD OFFICE

Unit L8 C-G-15,  
Block C, Jalan Dataran SD1,  
Dataran SD PJU 9,  
Bandar Sri Damansara,  
52200 Kuala Lumpur  
Tel: 603-6286 3388  
Fax: 603-6280 2999  
Email: kl@ghl.com

## R&D OFFICE

L5-E-7B Enterprise 4,  
Technology Park Malaysia,  
Bukit Jalil,  
57000 Kuala Lumpur

## STOCK EXCHANGE LISTING

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

Website: [www.ghl.com](http://www.ghl.com)

# CORPORATE PROFILE

## VISION AND MISSION

To be the LEADING  
end-to-end payment services enabler  
by deploying WORLD-CLASS PAYMENT INFRASTRUCTURE,  
TECHNOLOGY AND SERVICES



Main Board-listed GH Systems Berhad (“GH Systems”) is the leading end-to-end payment services enabler in Asia Pacific that deploys world-class payment infrastructure, services, and technology. GH Systems’ complete portfolio of payment solutions include transaction routers and concentrators, terminal line encryption technologies, loyalty and online payment solutions, smartcard technologies, secure EDC networks and terminals, as well as consulting and professional services.

With direct presence in Bangkok, Beijing, Wuhan, Hong Kong SAR, Kuala Lumpur, Manila, Ho Chi Minh City and Singapore, GH Systems’ payment solutions are further recognised, accredited and certified by international organisations and governing bodies such as Visa, MasterCard, JCB, MEPS, SIRIM, and Line Encryption Working Group.

By providing a broad range of services across the payment solutions spectrum, GH Systems today deploys its products and services to multiple clients spread across various vertical segments – not limited to banking and financial services, telecommunications, oil and gas, transportation, and retail sectors.

Having successfully forayed beyond Malaysia into Bangladesh, Brunei, China PRC, Hong Kong SAR, Indonesia, Thailand, Vietnam, Pakistan, Philippines, Sri Lanka, and Taiwan, GH Systems is well positioned to meet the demands of the global economy.

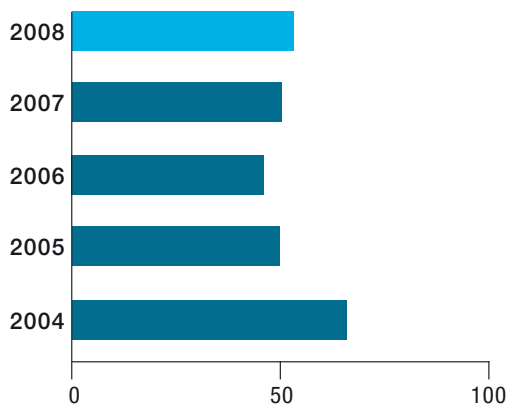
**GH SYSTEMS. PAYMENT SOLUTIONS, REDEFINED.**

# CORPORATE STRUCTURE

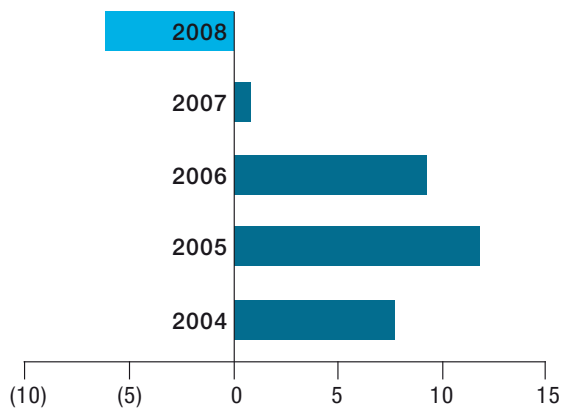


# FINANCIAL HIGHLIGHTS

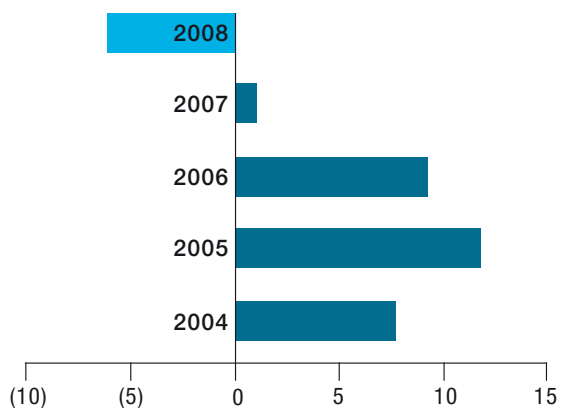
Revenue (RM'Mil)



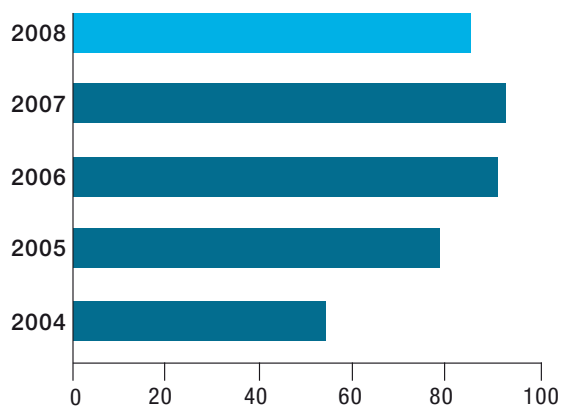
Profit Before Taxation (RM'Mil)



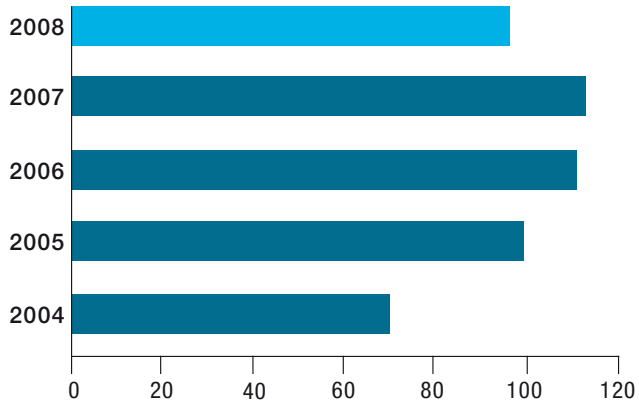
Net Profit/(Loss) (RM'Mil)



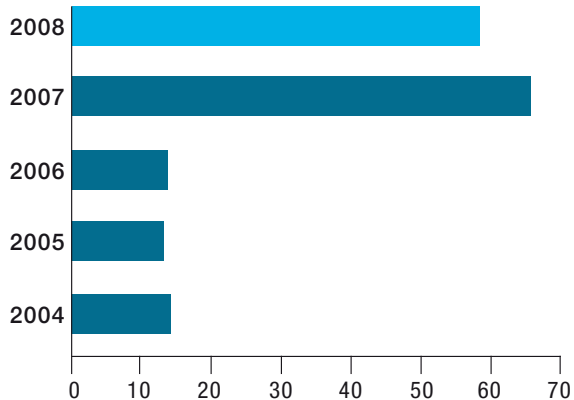
Shareholders' Equity (RM'Mil)



Total Assets (RM'Mil)



Net Tangible Assets Per Share (Sen)



## FINANCIAL HIGHLIGHTS (CONT'D)

Summarised Group Income Statement For The Financial Year Ended 31 December (RM'000)	2004	2005	2006	2007	2008
Revenue	65,153	50,992	47,907	51,340	<b>52,245</b>
Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	11,854	17,989	12,501	8,179	<b>2,206</b>
Operating Profit/(Loss)	7,849	11,621	8,607	771	<b>(6,262)</b>
Profit/(Loss) Before Taxation	7,793	11,799	9,177	471	<b>(6,475)</b>
Net Profit/(Loss) Attributed to Equity Holders	7,652	11,716	9,074	849	<b>(6,154)</b>

Summarised Group Balance Sheet As At 31 December (RM'000)	2004	2005	2006	2007	2008
Total Non-Current Assets	25,315	46,809	61,134	54,032	<b>59,314</b>
Total Current Assets	44,537	51,785	49,134	58,150	<b>36,304</b>
Total Current Liabilities	17,858	13,359	14,539	16,408	<b>9,247</b>
Total Non-Current Liabilities	1,378	6,438	5,131	3,838	<b>3,117</b>
Shareholders' Equity	50,616	78,797	90,596	91,927	<b>83,253</b>
Share Capital	33,650	54,459	62,479	69,431	<b>69,431</b>
Reserves	16,574	24,338	28,118	22,496	<b>13,826</b>
Treasury Shares	-	-	-	-	<b>(4)</b>

Summarised Group Cash Flows For The Financial Year Ended 31 Dec (RM'000)	2004	2005	2006	2007	2008
Operating Profit Before Working Capital Changes	11,575	17,831	16,019	5,603	<b>4,971</b>
Net Cash Flows (Used in)/From Operating Activities	3,658	18,450	16,929	(1,972)	<b>8,524</b>
Net Cash Flows (Used in)/From Investing Activities	(11,486)	(27,303)	(16,470)	2,159	<b>(14,158)</b>
Net Cash Flows (Used in)/From Financing Activities	(687)	22,483	(796)	5,359	<b>(5,876)</b>
Net (Decrease)/Increase in Cash and Cash Equivalents	(8,514)	13,631	(337)	5,546	<b>(11,510)</b>
Cash and Cash Equivalents at Beginning of Financial Year	12,333	3,818	17,449	17,113	<b>22,659</b>
Cash and Cash Equivalents at End of Financial Year	3,818	17,449	17,113	22,659	<b>11,149</b>

Financial Analysis	2004	2005	2006	2007	2008
Total Borrowings/Equity Ratio	Net Cash	Net Cash	Net Cash	Net Cash	<b>Net Cash</b>
Net Tangible Assets Per Share (Sen)	14.52	14.15	14.20	64.82	<b>58.58</b>
Net Earnings Per Share (Sen)*	2.30	2.75	7.44	0.61	<b>(4.44)</b>
Weighted Average Number of Shares	332.60#	426.17#	121.89^	138.60^	<b>138.52^</b>

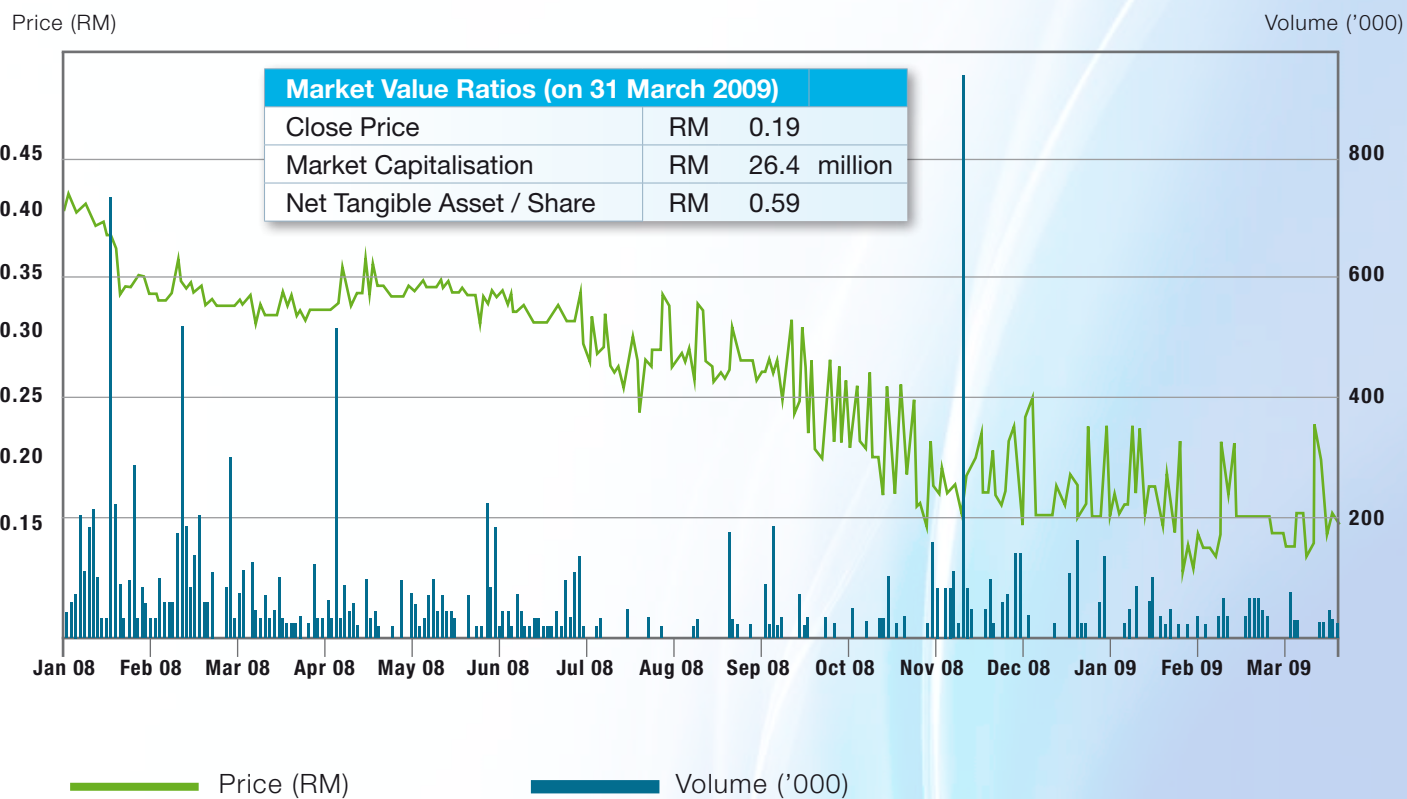
\* Not adjusted for changes in share capital

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

^ Ordinary shares of RM0.50 each ('million)

# SHARE PRICE PERFORMANCE

## SHARE PRICE PERFORMANCE FOR THE PERIOD 1 JANUARY 2008 TO 31 MARCH 2009



## SHARE CAPITAL CHANGES AND DILUTION

Date	Capital Exercise	Change in Number of Shares	Total Number of Shares
19 Jan 2007	ESOS Exercise	3,930,710	628,718,146 *
9 Feb 2007	5-for-1 Consolidation	(502,974,517)	125,743,629 ^
13 Apr 2007	ESOS Exercise	170,712	125,914,341 ^
21 Jun 2007	1-for-10 Bonus Issue	12,591,434	138,505,775 ^
17 Jul 2007	ESOS Exercise	164,720	138,670,495 ^
15 Aug 2007	ESOS Exercise	191,720	138,862,215 ^

\* Par Value of RM0.10

^ Par Value of RM0.50



# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS OF GHL SYSTEMS BERHAD ("GHL SYSTEMS" OR "THE GROUP"), I HEREBY PRESENT THE 2008 ANNUAL REPORT AND THE AUDITED ACCOUNTS OF THE GROUP AND COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 ("FY2008").

2008 was heralded by the initially-contained financial meltdown in the USA that quickly snowballed into a full-blown economic crisis of global proportions. Dwindling manufacturing and export statistics from key economies such as China and Singapore indicated the growing severity of the predicament, contributing to the dampened sentiment of business corporations as well as the ordinary men on the street.

This indirectly contributed to businesses across all sectors deferring major capital expenditure decisions – a trend not limited to the large institutions but true of the small and medium-sized enterprises as well.

GHL Systems was not spared from the impact of the global crisis, and saw a slowdown in demand for payment solutions on both the local and regional fronts, in line with the dampened business sentiment. What with the industry being inundated with numerous players in recent years, the battle for market share intensified immensely, resulting in an even-more competitive landscape amongst industry players.

**Tay Beng Lock**

Interim Chairman and Group Managing Director

## CHAIRMAN'S STATEMENT (CONT'D)

***“... the year under review was not only a time of testing the overall resilience of the business, but also a time to nurture potentially high-growth revenue streams in order to emerge a stronger entity that effectively serves the needs of our target markets.”***

### FY2008 FINANCIAL RESULTS

In the year under review, the Group maintained revenue level of RM52.24 million compared to RM51.34 million previously – creditable performance given the gloomy environment of the local and regional playing field.

However, the overall high operating cost environment in the year under review impacted the Group's bottom line. Coupled with the allowances of doubtful debts amounting to RM2.58 million in adherence to our prudent financial policy, the Group reported net losses of RM6.16 million compared to group net profits of RM0.85 million the year before.

The Group opines that the year under review was not only a time of testing the overall resilience of the business, but also a time to nurture potentially high-growth revenue streams in order to emerge a stronger entity that effectively serves the needs of our target markets.

The Group's balance sheet remained in the positive, with group borrowings drastically reduced to RM3.83 million as at end-2008, compared to RM9.98 million previously; while cash and cash equivalents stood at RM12.70 million in the year under review from RM25.49 million previously.

Shareholders' equity amounted to RM83.25 million in end-2008, versus RM91.93 million in end-2007. This decline was mostly attributed to the reduction in reserves due to net losses for the year as well as foreign exchange translational losses.

In addition, there is a first-time appearance of treasury shares as a result of the Group's share buy-back scheme undertaken in the year. The share buy-back scheme entailed the purchase of 1,388,700 shares at an average price of RM0.320 per share in the year under review.

The Board believes that the share buy-back scheme would be value-creating for shareholders and subsequently distributed 1,374,735 treasury shares on a 1-for-100 distribution basis to shareholders. As at 31 December 2008, the balance number of treasury shares held by the Company was 13,965 ordinary shares.

The Board is pleased to propose a first and final share dividend on a 1-for-100 distribution basis in respect of FY2008 for shareholders' approval at the forthcoming Annual General Meeting.

### CORPORATE UPDATES

*Memorandum of Understanding (MOU) with a group of Filipino investors*

On 31 July 2008, GHL Systems signed an MOU with a group of Filipino investors to establish a teaming arrangement to establish a joint venture Philippines company (“Philco”) to provide Information Technology (“IT”) solutions in the Philippines. Upon incorporation of the Philco, GHL Systems would hold 33% equity stake while the balance 67% would be held by the Filipino investors.

The Board views this teaming arrangement as mutually beneficial, as the MOU should provide synergies to the Group's business development plans and expand the scope of payment solutions provided in the Philippines. At the time of writing, the details of the shareholders' agreement are being negotiated and deliberated between both parties.

*Acquisition of GHL Services Co. Ltd. (“GHL Services”) by GHL (Beijing) Co. Ltd. (“GHL Beijing”)*

On 20 October 2008, GHL Beijing announced the acquisition of 100% equity interest in GHL Services for a cash consideration of RMB100,000, comprising 100,000 fully paid-up ordinary shares of RMB1.00 each.

GHL Services, incorporated in China on 2 June 2008, is a private limited company primarily involved in the development and sales of in-house software solutions, sales and rental of payment solutions. The Board is of the opinion that the acquisition would enable GHL Beijing to simultaneously run the rental programme as well as continue pursuing opportunities to increase sales of software solutions in China, thus enabling the Group to create a larger impact in the country.

### BUSINESS STRATEGIES

In its report released in March 2009, the International Monetary Fund (IMF) expected the global economy to contract by 0.6%, backtracking on its earlier prediction of 0.5% growth as financial markets are expected to remain under duress, and investors and consumers alike seek vital indicators in policy actions to regain confidence in the markets. Indeed, industry experts surmise that the situation remains unstable, with the possibility of weaker growth in 2010; a prospect that further weighs down the dampened sentiment worldwide.

Nevertheless, the Group believes that the economic downturn would eventually be followed by an uptrend. Therefore, the Group's strategy remains to grow the business in order to place the Group onto stronger footing to capture the future prospects.

Firstly, we will double our efforts in expanding the depth and breadth in implementing our payment solutions. For one thing, we aim to strengthen our hold on existing markets by leveraging on our track record to attract new customers within the same industries, for instance in “traditional” sectors such as banking and financial services, telecommunications, oil and

## CHAIRMAN'S STATEMENT (CONT'D)

gas, transportation, and retail. At the same time, we would also be seeking new market sectors that could leverage on our flexible platform to undertake payment transactions.

Secondly, we will maintain our focus on developing innovative solutions through Research & Development – an unwavering commitment which has seen the Group receiving much acclaim over the years for innovation in technology. Further underscoring that point, we are proud to state some of our achievements, including:

- 1) Our contactless reader, VersaRead VR-300, garnering much support from Taiwanese banks; even surpassing the sales of industry peers from Taiwan and the USA.
- 2) Enthusiastic response for the recently-launched new NetAccess L-series from our global partners stretching from the United Kingdom to Brazil.

Thirdly, we will work in partnership with leading corporations to bring our payment solutions to the world arena to a greater extent. To this end, we are in discussions with the world's leading terminal vendor to market our new range of NetAccess products globally, and also negotiating with telecommunications companies in various countries to incorporate our NetAccess L-series within their value-added service offering to maximise savings for joint customers with banks.

Finally, we will continue our aggressive marketing endeavours to enhance the Group's branding. This entails not only maintaining our regular participation in global payment solutions events, but also conducting our own "GHL Innovation" road shows to create awareness of the Group's wide range of products and services to existing and potential customers. Such measures, we believe, would go a long way in reinforcing our leading position in the international payment solutions industry.

### CORPORATE SOCIAL RESPONSIBILITY (CSR)

We at GHL Systems are keenly aware of the importance in maintaining a balance between commercial interests and community development. Among the CSR initiatives



Mr Jeffrey Chin, representing GHL Systems, receiving a token of appreciation from Desa Amal Jireh Christian Association, in conjunction with GHL's visit and charity donation to the children's home.

undertaken in the year under review included visitations and donations to orphanages and old folks' homes. It is part of the Group's long term plan to gradually broaden the scope of CSR activities and implement it on a sustainable basis.

### CORPORATE GOVERNANCE

The Board is steadfast in the compliance of corporate governance best practices within the Group as a crucial step towards achieving business sustainability and growth. Bearing this in mind, the Board is committed to implementing business strategies that are in line with the Group's vision and deemed to be value-accretive in order to protect and maximise shareholders' value.

The measures undertaken by the Board to maintain our corporate governance are highlighted in the Corporate Governance Statement in this Annual Report.

### EPILOGUE

Some of you may be aware that the year 2009 marks GHL Systems' 10th anniversary. The Group has grown by leaps and bounds in the past decade, from a private limited company to a Main Board public listed entity; from providing mostly Electronic Data Capture ("EDC") terminals to end-to-end payment solutions; and from serving mostly domestic to increasingly regional customers.

There is a time to plant and nurture, and thereafter to reap the fruits of our labour.

The Group is currently nurturing the business in the many new countries we have invested over the last few years; thereby building up the company to withstand crisis. We recognise that this entails participation and cooperation of every member of the team to see success.

I would like to expressly state my appreciation to the management and employees of the Group who have ploughed alongside one another to undergo the challenges in the past year. It is my sincere hope that each member of the team would recognise and adopt the Group's vision as a personal mission, and in so doing, be motivated to work hand-in-hand to weather the storm ahead.

### **TAY BENG LOCK,**

Interim Chairman and Group Managing Director  
31 March 2009

## MANAGEMENT REVIEW

The management of GHL Systems speaks candidly about the domestic and foreign payment solutions industry, the implications of the ongoing global economic crisis, and the Group's future plans.

### HOW DID YOUR DOMESTIC OPERATIONS FARE IN THE YEAR?

In 2007, we had already noted that the local market was overrun with new entrants, which made it necessary for us to mount aggressive strategies to distance ourselves further from our peers through value-added products and superior service.

Coming into 2008, the prospects of a "contracting" market in 2008 raised the level of competition by a few notches, as it was even more vital for companies to retain their customers and gain new ones. That said, having been entrenched in the local market for the past decade, we at GHL Systems believe that we have both the in-depth experience as well as the financial clout to withstand challenges.

In the year under review, sales from the domestic market amounted to RM34.14 million or 65.34% of total group revenue, compared to RM31.67 million or 61.7% contribution in the previous year. This represents a decent growth rate of 7.8% in a challenging year.

Among the Group's major projects undertaken in FY2008 was the diesel subsidy programme, implemented for two reputable oil and gas retailers. These projects were significant because it demonstrated our ability to seamlessly undertake a nationwide rollout within a short period of time, while simultaneously assisting the Government in improving its public services delivery. Needless to say, the success of these projects undoubtedly placed us in a favourable position in the eyes of the end-users as well as the Malaysian Government.

In addition, the Group also registered a significant rise in the number of merchants using our GPRS-based desktop and portable terminals; the result of our continued penetration into the local market. Our NetAccess L300 payment communications router had also been installed in various large merchants by our partner banks.

Furthermore, we have deployed a new payment network infrastructure that aids large retail merchants and acquiring banks achieve up to 80% cost-savings on communication charges alone – a timely breakthrough in a high-cost environment.

Meanwhile, I'm pleased to report that our Bankcard e-Debit payment scheme under wholly-owned subsidiary Card Pay Sdn. Bhd. has finally obtained breakthrough, with more than 10,000 e-Debit terminals deployed across large and small-



medium merchants nationwide. With a substantial critical mass now in place, and the public becoming more aware of the benefits of e-Debit transactions, the prospects for this complementary payment service in terms of merchant recruitment and transaction volume are looking up. Card Pay Sdn Bhd is now the largest acquirer for the national Bankcard e-Debit for non-on-us transactions switching through MEPS.

### HOW MUCH DID FOREIGN REVENUE CONTRIBUTE TO THE GROUP IN FY2008? COULD YOU ELABORATE ON SOME OF THE NOTABLE PROJECTS SECURED IN THAILAND AND PHILIPPINES IN THE YEAR UNDER REVIEW?

Against the backdrop of dire business sentiment, we still retained our foothold on the foreign front in the year under review, namely Thailand, Philippines, China, Hong Kong, Romania, Middle East and Singapore. Sales from foreign countries contributed a commendable RM18.11 million or 34.7% to Group revenues in FY2008, compared to RM19.67 million or 38.3% in the previous year.

Despite the socio-political tensions in the country, GHL Thailand Co. Ltd. ("GHL Thailand") did have notable accomplishments to speak of in the year under review. Cementing our reputation as a leader in wireless technology, GHL Thailand secured a THB26.1 million deal with Kasikornbank Public Company Ltd to supply wireless GPRS EDC terminals with the VersaRead VR-300 contactless readers to Bangchak Petroleum Public Company Ltd, a leading energy company in Thailand. We also successfully collaborated with Thailand's largest commercial bank, Bangkok Bank Public Company Ltd, to deploy GPRS EDC terminals and NetAccess L100 payment routers at Carrefour and Event outlets.

Additionally, GHL Thailand was selected as technical partner for Global-I-Care, the top loyalty and reward programme in Thailand, to roll out point-of-sale support for the Thailand market as well as Australia, New Zealand, India and Vietnam in 2009.

## MANAGEMENT REVIEW (CONT'D)



Continuing on its growth path, GHLSYS Philippines Inc. ("GHLSYS Philippines") advanced further into our partnership with Bank of Philippine Islands ("BPI") to deploy additional 2,500 terminals in the year under review. To date, BPI has entrusted GHLSYS Philippines with the maintenance of approximately 20,000 terminals nationwide. GHLSYS Philippines also successfully installed our NetAccess L-series payment router for Metrobank Card Corporation (MCC) – the largest bank in the Philippines in terms of assets and widest branch network, and the third-largest credit card company in the Philippines.

Another milestone for GHLSYS Philippines in FY2008 was when we were awarded the first phase of a project for Small Town Lottery to curb illegal betting that had in the past siphoned revenues originally meant for the Filipino government's charity fund. Under the first phase, we deployed 700 terminals to agents and corporations to effectively capture all bets. Having successfully conducted a pilot test, the charity fund aims to deploy potentially more than 50,000 terminals over the next few years. This project not only enabled us to emerge as a major technology provider in the country but also testified to the flexibility of our solutions in "non-traditional" sectors.

Indeed, the progress made in these countries belied the true spirit of GHL in adopting innovative approaches in resolving payment and its related issues.

### CHINA, WITH ITS HUGE POPULATION, HAS A HUGE PAYMENT SOLUTIONS MARKET. HOW MUCH HAVE YOU MANAGED TO GROW YOUR BUSINESS IN CHINA, AND IN OTHER EMERGING MARKETS?

We have sustained our efforts in the emerging market of China, where GHL Beijing Co. Ltd. ("GHL Beijing") expanded the merchant acquiring business by working in closer cooperation with China Merchants Bank, Bank of Communications ("Bocom"), and Bank of China. Altogether, GHL China deployed 5,300 units of EDC terminals and 300 units of NetAccess in the year under review. We are pleased to report that the terminals manage RMB300 million worth of transactions monthly – an impressive feat compared to monthly transactions of RMB100 million just a year ago, and testament of end-users' growing acceptance of cashless payments in China.

We implemented the first Mastercard Paypass project in mainland China for China CITIC Bank using our VersaRead VR-300 contactless reader, as well as the first phase of Bocom's Estate Management System ("EMS") where we assist the bank in managing their EDC terminals and estate. The second phase of this EMS project will be undertaken in the current year.

GHL Beijing also continued to penetrate the retail sector – providing the NetAccess L100 payment solution to all 20 outlets of the supermarket chain Beijing TianKeLong Group Co., Ltd, as well as to Shell Beijing petrol stations.

GHL China Co. Ltd. ("GHL China") added Hang Seng Bank Hong Kong to our clientele, deploying 2,500 EDC terminals for the prestigious financial institution. In fact, GHL China maintains about 5,000 units of EDC terminals to date.

Our class-leading contactless reader, the VersaRead VR300, continued to garner much interest in Taiwan, where we rolled out approximately 3,500 units in the year under review. Added to the 5,000 units deployed in the previous year, we now have 8,500 units of the contactless reader in Taiwan alone, with a lion's share of about 70% of Taiwan's VISA Paywave and Mastercard Paypass contactless market.

GHL China also deployed 3,200 units of the VersaRead VR-300 in Bank Mandiri and Citibank Indonesia under the Visa Paywave initiative.

The Group also scored a major victory when we successfully penetrated into the new and exciting market of Middle East with the securing of a project to upgrade the payment network infrastructure of Qatar-based Doha Bank, widely acknowledged as the early adopter of cutting-edge technologies in the region. The maiden project entailed the implementation of our NetAccess W-1000, a payment system that is robust, highly-available, and adaptable to the bank's specific needs.

## MANAGEMENT REVIEW (CONT'D)

Furthermore, we had forged a strategic distribution partnership with Romanian ICT leader Omnilogic in FY2008, following Omnilogic's successful large-scale implementation of our NetMATRIX Terminal Line Encryption solution throughout Romania for Banca Comerciala Romania. Under the partnership, Omnilogic will provide and implement GHL Systems' solutions in Romania; thus offering the financial/banking sector transaction security and further reduction of fraud risk. It is hoped that this strategic partnership would open the door for GHL Systems to enter into the European market in a big way.

Further to that, we had signed on a new reseller in Holland, with whom we are currently negotiating for them to distribute our new range of products by mid-2009.

Overall, the Group has attained many milestones on the foreign shores, and is well-poised to grow our contributions in the future.

### HOW HAS GHL SYSTEMS REINFORCED ITS LEADING POSITION IN THE PAYMENT SOLUTIONS INDUSTRY IN FY2008?

It has been somewhat a tradition for GHL Systems to receive recognition for innovative payment solutions every year, and FY2008 was no different. Among the accolades garnered in the year were:

- **Best Product Solutions Partner 2008 (MasterCard Worldwide)**

Presented at the MasterCard Asia/Pacific Middle East & Africa (APMEA) Product Conference and Technology Fair in Singapore, this award affirmed GHL Systems' achievements and commitment for developing and supplying its brand of contactless readers – the VersaRead VR-300 – that has been widely deployed across the Asia/Pacific region in support of the MasterCard's PayPass Contactless Payment scheme.

- **“Best of Financial Applications” - Winner (MSC Malaysia APICTA 2008 Awards)**

This award, which honours the most innovative ICT solutions for the financial sector, was bestowed on our NetTransact Solutions Suite - a multichannel, multi-business logic online payment processing gateway being used by major corporations in Malaysia.



- **“Best of Communications Applications” – Merit (MSC Malaysia APICTA 2008 Awards)**

Our NetAccess L300, the first-in-the-market payment router, was acknowledged as one of the most innovative uses of communications technologies to develop outstanding ICT solutions.

Beyond question, these awards aptly place us in the league of international payment solutions providers.

Not only that, these awards have certainly justified the Group's focus on conducting Research & Development (“R&D”), and proven our ability to continually develop and innovate payment solutions that are adaptive to the changing requirements of business entities worldwide. The way forward would be no different, in that we would still undertake R&D to maintain our leading position.

Our leading position has been solidified further with our ongoing marketing efforts in order to create a brand name synonymous with quality and award-winning solutions. In FY2008, we participated in global industry events, such as MasterCard Worldwide APMEA Product Conference in Singapore, and the world-renowned Cartes in Paris, to showcase our capabilities and hosts of integrated payment solutions.

In fact, we took our marketing initiatives a step further – by organising our own GHL Innovation Event roadshows across Kuala Lumpur, Bangkok and Manila. Aimed at showcasing “live” the versatility and effectiveness of our suite of solutions, the roadshows have garnered much interest and generated enquiries on the new products, thus increasing GHL Systems' visibility in key regional markets.



### WITHIN THIS DEPRESSED ECONOMIC ENVIRONMENT, HOW DOES GHL SYSTEMS INTEND TO EXCEL IN THE PAYMENT SOLUTIONS SPACE?

While one can no longer deny the negative economic sentiment, we believe that payment solutions would never be a sunset industry. Therefore, we believe that long term business sustainability lies in the following three factors.

Firstly, we would place more emphasis on sharing resources within the Group to secure and seamlessly implement projects. At the same time, we would also work with strategic partners in order to tap into each other's strengths and penetrate even deeper in the markets we are currently in; an example being the strategic distribution partnership with Omnilogic to cast a wider reach in Romania. We believe that harnessing greater synergies within the Group and beyond would assist us in broadening our business reach tremendously.

Secondly, we will continuously reinvest in R&D to enhance our product and service offerings, even more so in this downturn so as to develop solutions that are value-packed yet cost-effective to the target audiences, thus ensuring their business sustainability. At the time of writing, we are preparing to launch a new service to enable retail merchants reduce operating expenses. We believe this new initiative would greatly enhance our overall service offering, and boost our merchant recruitment and rental business in no small measure.

And thirdly, we would explore beyond the traditional scopes of our solutions to develop new growth areas. A prime example of this would be the deployment of our mobile contactless payment solutions in the taxis of Bangkok, Thailand, to enable users make easy, secure and convenient cashless payments on the go. Pioneering ideas such as these enable us to serve an even-wider base of customers.

All said, we at GHL Systems will continue our pursuit of excellence to redefine the payment solutions industry.



## CALENDAR OF EVENTS

In line with our growing reputation, GHL embarked on a series of roadshows, dubbed the “GHL Innovation Event”, that showcased our exciting new products to the international community.

The roadshows not only covered cities within the Asia-Pacific region from Kuala Lumpur, Singapore, Bangkok and Manila; but also included Europe as we made our presence felt at the prestigious Cartes 2009 in Paris.

### Cartes, Paris – November 2008



### GHL Innovation Event, Bangkok – January 2009

### GHL Innovation Event, Kuala Lumpur – August 2008



### MasterCard Worldwide APMEA Product Conference, Singapore – October 2008



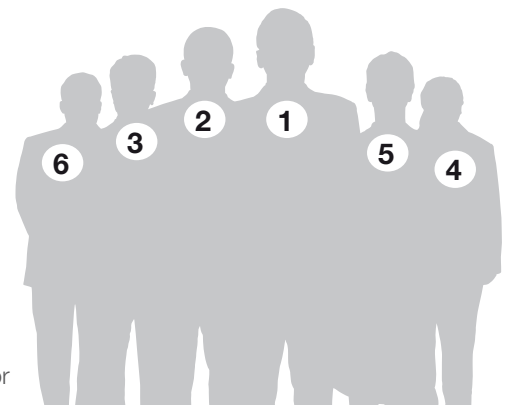
### GHL Innovation Event, Manila – February 2009



## DIRECTORS' PROFILE



- 1 **Tay Beng Lock**, Interim Chairman and Group Managing Director
- 2 **Yeng Fook Hoo**, Deputy Group Managing Director
- 3 **Chin Fook Kheong**, Group Finance Director
- 4 **Goh Kuan Ho**, Non-Independent Non-Executive Director
- 5 **Yen Siw Kuin**, Independent Non-Executive Director
- 6 **Angus Eugenio Campos**, Independent Non-Executive Director



## DIRECTORS' PROFILE (CONT'D)

### **TAY BENG LOCK,**

Interim Chairman and Group Managing Director, Executive Director

Tay Beng Lock, a Malaysian aged 48, was appointed to the Board on 26 January 1999. He is the Chairperson of the ESOS Committee. He 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 was appointed the Group Managing Director of the Company on 26 January 1999. He began his career in 1984 with Mecomb Malaysia Sdn Bhd as a Sales Engineer specialised in electronic test and measurement instruments. He later joined Hewlett-Packard Sales (Malaysia) Sdn Bhd ("HP") in 1986 as a Staff Field Engineer and rose through the ranks over the six years there to a Business Manager position, overseeing HP's Test and Measurement division (which is now part of Agilent Technologies, Inc).

In 1992, he joined Delteq (M) Sdn Bhd, a regional systems integrator, as the General Manager responsible for the management of the company's operations. He left Delteq in 1996 to join GHL Automation Sdn Bhd as the General Manager, and subsequently assumed his current position in 1999.

One of his notable achievements at the GHL Group was the restructuring of the group's businesses by divesting the computer retail business and by realigning the group's business focus in the payment space. With about 24 years of corporate and marketing experience, he is well placed to lead the Group to greater heights.



### **YENG FOOK HOO,** Deputy Group Managing Director, Executive Director

Yeng Fook Hoo, a Malaysian aged 52, was appointed to the Board on 26 January 1999. He is a member of the ESOS Committee of the Company. He is also directly responsible for the planning and implementation of Group's Asia Pacific expansion, namely in Thailand, Vietnam, Philippines, Hong Kong SAR and China PRC. In addition, he manages the sales of GHL line of NetAccess products and other payment solutions in Indonesia, Sri Lanka, Pakistan and Romania.

He obtained his Bachelor Degree in Economics and Mathematics from the University of London 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.

In addition, he was also responsible for conceiving the EDC Pool Program, which was successfully implemented with three (3) partner banks. He also oversees the operations of PayDirect. He was designated as the Deputy Group Managing Director in 2002, responsible for the business development and R & D activities of the Group.

## DIRECTORS' PROFILE (CONT'D)

### **CHIN FOOK KHEONG**, Group Finance Director, Executive Director

Chin Fook Kheong, a Malaysian aged 45, was appointed to the Board on 31 May 2003. In 1992, he is admitted as a Fellow member of the Chartered Institute of Management Accountants (CIMA) and later as a Chartered Accountant of the Malaysian Institute of Accountants (MIA). In 2004, he obtained his Master's degree in Business Administration (MBA) from the University of Nottingham, United Kingdom. In 2008, he has been admitted as an Associate member of The Institute of Chartered Accountants in England and Wales (ICAEW), United Kingdom. In the same year, he also passed Pre-Contract Examination for Insurance Agents Certificate for General Insurance, Life Insurance and Investment-Linked Life Insurance conducted by The Malaysian Insurance Institute (MII).

He started his career in auditing with S F Yap & Co in 1987 and later joined Nanyang Union Sdn Bhd ("Nanyang") 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. In Nanyang, he also in charge of the corporate affairs, secretarial and taxation matters.

In 1990, he joined Mulpha International Berhad, a company listed on the Main Board of Bursa Malaysia. As a Divisional Manager, he managed Mulpha's sports and cosmetics trading divisions for Hong Kong, Macau, Malaysia, Singapore, Brunei and Indonesia, and was also responsible for the management of Mulpha's corporate affairs. In 1994, he left Mulpha and joined Forsixten Sdn Bhd, a company specialising in manufacture of bags and belts, as its General Manager. 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 ("Jac") as a General Manager of Finance, responsible for its finance division and corporate affairs. Jac, 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. He left Jac in 2000 and later joined GHL. As a General Manager of Finance and Administration, he was responsible for the finance division, credit control, corporate affairs and also acted as the Company Secretary of the GHL Group. In June 2002, he was promoted to the Group Finance Director of GHL.



### **GOH KUAN HO**, Non-Independent Non-Executive Director

Goh Kuan Ho, a Malaysian aged 45, was appointed to the Board on 29 March 1994. She is also the Chairperson of the Nomination Committee and member of the Audit and Remuneration Committee of the Company. 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 Sdn Bhd ("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 ("Jardine OneSolution") 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.

## DIRECTORS' PROFILE (CONT'D)

### **YEN SIW KUIN,** Independent Non-Executive Director

Yen Siw Kuin, a Malaysian aged 52, was appointed to the Board on 15 January 2003. She is also Chairperson of the Audit Committee and Remuneration Committee and a member of the Nomination and ESOS Committees of the Company. She 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 legal, quality assurance and quality control departments. She was appointed to the Board of Directors of Khee San Berhad as an Executive Director in 2000. She was also the Company Secretary and a member of the Audit Committee of Khee San Berhad. In late October 2007, she resigned as the director as well as the Company Secretary of Khee San Berhad and she continues to hold directorships in several private limited companies. She is an Associate member of the Institute of Chartered Accountants in England and Wales (ICAEW), UK as well as a Chartered Accountant of the Malaysian Institute of Accountants (MIA).



### **ANGUS EUGENIO CAMPOS,** Independent Non-Executive Director

Angus Eugenio Campos, a Malaysian aged 37, was appointed to the Board on 17 March 2008. He sits in the Audit, Remuneration and Nomination Committee of the Company. He graduated with a double Major in Economics and Marketing from the Curtin University of Technology, Australia in 1995, and in the same year started his career with Alliance Bank in the Treasury Department, dealing with Swaps and Derivatives. He was subsequently promoted to Senior Officer a year later.

In 2001, he was appointed the Director of Operations of Smarten Asia Sdn Bhd, an Italy-based company, to head their Asian office in Malaysia, where he was responsible for providing customer care and billing solutions to the country's major telecommunications players. In 2003, he joined property developer Duta Sentosa Sdn Bhd as an Executive Director, which is most noted for the development of land in Taman Duta.

# REGIONAL MANAGEMENT TEAMS

## The team of GHL Systems Malaysia



*Front row (seated) from left:*

Chan Chun Fee (Chief Operating Officer),  
Yeong Siew Lee  
(Assistant General Manager - Finance),  
Chong Tiam Tai  
(PA to Group MD & Senior HR Manager),  
Phua Kia Teck Jason  
(General Manager - Product Marketing)

*2nd row (seated) from left:*

Yoong May Hoh (Finance Manager - AR),  
Chung Heuy Fen (General Manager,  
Merchant Acquiring & Administration),  
Pui Siew Foon (Assistant General Manager -  
Terminal Solutions),  
Seah Chong Kai (General Manager, Service,  
Support & Operation),  
Carlo Chung (Assistant General Manager -  
Enterprise Solutions)

*3rd row (seated) from left:*

Chong Siow Yee (Operations Manager), Albert Ling Hung Kwong (Assistant General Manager - Devices & Security Management), Lee Kean Fook (General Manager - Pre-Sales, Consulting & Services), Ng Yin Hing (Senior General Manager - Enterprise Operations), Leong Wing Kong (Manager - Merchant Admin)

*Last row (standing) from left:*

Lau Weng Tat (Assistant General Manager - Devices & Security Management), Nordin Bin Samud (Service Manager), Adrian Yoon Chee Leong (Manager - Netaccess Engineering), Kenny Lim Ken Yew (Business Manager-Merchant Sales, Central Region), Chong Kah Leek (Senior Finance Manager), Chow Chin Wah (Business Manager - Corp Sales), Ngieng Hock Lin (Manager - NetAccess, Product Management), Ian Patrick Jones (Project Manager), Tan Lan Chiew (Manager - EDC Customer Service), Robertson Ku Khin Fui (Manager - NetAccess Services)

## The team of GHL Thailand

*From Left:*

Tanavut Asavallop  
(Business Development Manager),  
Paphat Matthayanpol  
(Head of Customer Services),  
Apichart Wichaya  
(Senior Account Manager-Corp Sales),  
Songsak Danubumrungsat  
(Head of Merchant Admin),  
Amphol Suwantherangkoon  
(Deputy General Manager),  
Albert Mah (General Manager),  
Sasima Aimwongsri  
(Head of Finance and Admin),  
Suttiluk Wongcharoenlap  
(Asst Manger - Merchant Sales),  
Laddawan Sangmart (Corporate Admin/HR),  
Thanannut (Accounting Manager)



## REGIONAL MANAGEMENT TEAMS (CONT'D)



### The team of GHL Beijing

*Seated from left:*

Li Yi (Executive Field Personnel Engineer)  
Yang Tingting (Executive HR)  
Huang Shi Tian (General Manager)  
Liu Haijiao (Executive Finance)

*Standing from left:*

Liu Wen Guang (Card Manager, Operations)  
Sun Ya Nan (Executive Hotline)  
Wang Chun Jiao (Executive Project Sales)  
Su Ning (Executive Merchant Admin)  
Feng Yu Lin (Project Sales Manager)  
Yu Xiaohui (Executive Merchant Admin)

### The team of GHL China

*From left :*

Lai Kwok Fai (Service Operation Manager),  
Chan Wai Fan Celia (Administration Manager),  
Chang Yue Ming Eric (Service Operation Supervisor),  
Chien Yik Hoong Edward (General Manager)



### The team of GHL Philippines

*From left:*

Maurine Javier (Merchant Admin Manager),  
Rachelle Perez (HR Executive),  
Czareenah Amiscaray (Finance Head),  
Jayson Roque (Service & Technical Head),  
Herve Alfieri (General Manager),  
Rey Chumacera (Assistant General Manager)



# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Company 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.

## A. 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 program 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 six (6) members; comprising, three (3) Executive Directors, one (1) Non-Independent Non-Executive Director, and two (2) Independent Non-Executive Directors. The Board's 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) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. 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 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.

### 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.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## A. THE BOARD OF DIRECTORS (CONT'D)

### iv) Board Meeting and Supply of Information (cont'd)

The summary of attendance at the Board Meetings held for the financial year ended 31 December 2008 is as follows:-

Directors	Number of Board Meetings	
	Held	Attended
Tay Beng Lock	5	5
Yeng Fook Hoo	5	5
Chin Fook Kheong	5	5
Goh Kuan Ho	5	5
Yen Siw Kuin	5	5
Che Sab Bin Ahmad (resigned with effect from 7 January 2008)	-	-
Angus Eugenio Campos (appointed with effect from 17 March 2008)	4	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 has appointed the Remuneration Committee ("RC") comprising two (2) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director, one (1) senior management personnel and one (1) Independent External Consultant. 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 2008, a total sum of RM1,958,124 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:-

	Salary RM	Fees RM	* Other Emoluments RM	Grand Total RM
<b>Executive Directors</b>				
Tay Beng Lock	573,600	36,000	97,668	707,268
Yeng Fook Hoo	536,400	36,000	91,329	663,729
Chin Fook Kheong	385,440	36,000	64,558	485,998
<b>Sub-Total</b>	1,495,440	108,000	253,555	1,856,995
<b>Non-Executive Directors</b>				
Goh Kuan Ho	-	36,000	-	36,000
Yen Siw Kuin	-	36,000	-	36,000
Angus Eugenio Campos	-	28,452	-	36,000
Che Sab Bin Ahmad	-	677	-	677
<b>Sub-Total</b>	-	101,129	-	101,129
<b>Total</b>	1,495,440	209,129	253,555	1,958,124

\* The other emoluments include unutilised annual leave, EPF, Socso and other Benefits-in-kind

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## A. THE BOARD OF DIRECTORS (CONT'D)

### vi) Remuneration of Directors (cont'd)

Remuneration Band (RM)	Number of Directors	
	Executive	Non-Executive
0 - 50,000	-	4
450,001 - 500,000	1	-
650,001 - 700,000	1	-
700,001 - 750,000	1	-

### vii) Directors' Training and Continuing Education Program

All the directors of the Company are encouraged to attend training programs that can further enhance their knowledge in the latest developments relevant to the Group, especially in the areas of corporate governance and regulatory development, to enable them to discharge their responsibilities effectively.

## B. 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 in the 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 Company would like to disclose that it has fulfill the requirement of the Malaysian Code on Corporate Governance that 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.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## B. BOARD COMMITTEES (CONT'D)

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

The ESOS Committee comprises the Group Managing Director, the Deputy Group Managing Director, one (1) Independent Non-Executive Director and one (1) senior management personnel of the Company. Meetings shall be held at least once 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.

## C. ACCOUNTABILITY AND AUDIT

### i) Internal Audit

Details of the Internal Control System are stated in the Statement of Internal Control in the Annual Report.

### 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 Bursa Malaysia Listing Requirements for the Main Board, 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 Bursa Malaysia. 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.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## D. 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 Bursa Malaysia website ([www.bursamalaysia.com](http://www.bursamalaysia.com)), as well as via the Investor Relations Channel of the Company's corporate website ([www.ghl.com](http://www.ghl.com)). Investors are encouraged to sign up for 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 Bursa Malaysia Listing Requirements for the Main Board, the Company aims to ensure timely announcements are made through the Bursa Malaysia website and the Company's Investor Relations Channel to enable investors to make informed investment decisions.

### The Annual General Meeting

The Chairman and the Board encourage 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.

## E. EMPLOYEES' SHARE OPTION SCHEME (ESOS) COMMITTEE

On 28 October 2005, the Company has offered 69,807,200 ESOS options at an exercise price of RM0.10 per share to eligible directors and eligible employees of the Group. On 8 November 2006, the Company has offered 15,723,000 ESOS options at an exercise price of RM0.21 per share to employees of the Group. On 9 February 2007, the Company had undertaken a Share Consolidation Exercise to consolidate five (5) ordinary shares of RM0.10 each into one (1) ordinary share of RM0.50 each and the ESOS options exercise prices were adjusted accordingly. On 25 June 2007, the Company has offered 1,496,500 ESOS options at an exercise price of RM0.775 per share to employees of the Group. These ESOS options had expired on 5 September 2008.

On 15 May 2008 at the EGM, the shareholders of the Company had approved the ordinary resolution of a new ESOS up to fifteen percent (15%) of the issued and paid up capital of GHL Systems Berhad. No new ESOS is granted in the year.

### Term of Reference

#### 1. Constitution

The Board of Directors ("the Board") resolved to establish a committee of the Board to be known as the ESOS Committee on 11 February 2003.

#### 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 GHL Systems Berhad ("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.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## E. EMPLOYEES' SHARE OPTION SCHEME (ESOS) COMMITTEE (CONT'D)

### Term of Reference (cont'd)

#### 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 at least once 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 GHL Systems Berhad and its subsidiaries ("the Group");
- (iii) His/Her Maximum Entitlement (as described in Bye-Law 6);
- (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.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## E. EMPLOYEES' SHARE OPTION SCHEME (ESOS) COMMITTEE (CONT'D)

### Terms of Reference (cont'd)

#### 6. Grant of Options

- 6.1 No offer shall be made to any Executive Director of GHL Systems Berhad unless such offer and the related allotment of shares have previously been approved by the shareholders of GHL Systems Berhad 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 GHL Systems Berhad accompanied by a payment to GHL Systems Berhad of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only for the grant of the Options.
- 7.3 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.

# 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 11 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.

# AUDIT COMMITTEE REPORT (CONT'D)

## TERMS OF REFERENCE (CONT'D)

### 5. Duties, Responsibilities and Rights (cont'd)

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;
- (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.

The Group Finance Director, the internal auditor and a representative of the external auditors shall attend Audit Committee Meetings. The Audit Committee shall meet at least twice a year with external auditors without the presence of executive board members.

### 6. Rights of Auditors

The external auditors and internal auditors 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.

# STATEMENT OF INTERNAL CONTROL

The Board of Directors is responsible for the adequacy and effectiveness of the GHL Systems Berhad's Group system of internal controls. The internal control system covers the areas of risk management and all of its operational divisions, finance, management information systems and compliance with the relevant laws and regulations. The system provides a reasonable but not an absolute assurance against material misstatement, loss or fraud.

## RISK MANAGEMENT FRAMEWORK

The Board recognises its responsibility over the principal risks of various aspects of the Group's business. Risk-Based-Auditing approach is established which begins with risk identification, risk evaluation and mapping of controls has been introduced and implemented. In addition, the Risk Management framework of the Company and of the Group develops and maintains sound risk management policies and procedures for the respective business units, and ensures that risk exposures are being measured and monitored.

## INTERNAL CONTROL SYSTEM

The key elements of the Group's internal control system, that are regularly reviewed by the Board and are in accordance with the Guidance, are described below:-

- Establishment of a conducive control environment in respect of the overall attitude, awareness and actions of Directors and management regarding the internal control system and its importance to the Group;
- Recruitment of experienced, skilled and professional staff with the necessary caliber to fulfill the respective responsibilities and ensuring that minimum controls are in place;
- Clear Group structure, reporting lines of responsibilities and appropriate levels of delegation;
- Clearly defined delegation of specific responsibilities to committees of the Board and to management, as and when the Board deems fit to do so. These committees or management have the authority to examine all matters within their scope and report back to the Board with their recommendations;
- Documented policies, procedures which provides a sound framework of authority and accountability within the Group and facilitates proper corporate decision-making at the appropriate level in the Group hierarchy;
- Establishment of an effective segregation of duties via independent checks, review and reconciliation activities to prevent human errors, fraud and abuses;
- Disaster recovery backup plan to provide business continuity has been established in the key business activities. These disaster recovery plans are tested from time to time and enhanced whenever required;

- Regular and comprehensive management meetings and reports to the Board from various lines of operations and business units, on key business performance, operating statistics and regular matters. This enables effective monitoring of significant variances and deviation from standard operating procedures and budget;

## INTERNAL AUDIT FUNCTION

The Group has established an in-house internal audit function which work together with an independent internal audit service provider to review the adequacy and integrity of the internal control systems of the Group and its business units. These include independently reviews the risk identification procedures and control processes implemented by management, and reports to the Audit Committee on a quarterly basis. The Group Internal Audit provides assurance over the operation and validity of the system of internal control in relation to the level of risk involved using Risk-Based-Auditing methodology; and

The Audit Committee regularly convenes meetings to deliberate on the findings and recommendations for improvement by Group internal audit, external auditors as well as regulatory authorities. The Audit Committee reviews the actions taken to rectify the findings in a timely manner, and to evaluate the effectiveness and adequacy of the Group's internal control systems.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control for the inclusion in the annual report of the Company and of the Group for the financial year ended 31 December 2008 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

The Board believes that the systems of internal controls in the Group are adequate and have been effective in their functions, with no significant problems noted during the period under review. Moving forward, the Group will continue to improve and enhance the existing systems of internal controls, taking into consideration the changing business environment.

This statement is made in accordance with a resolution of the Board of Directors dated 23 March 2009.



## FINANCIAL CONTENTS

32	DIRECTORS' REPORT
37	STATEMENT BY DIRECTORS
37	STATUTORY DECLARATION
38	INDEPENDENT AUDITORS' REPORT
40	BALANCE SHEETS
41	INCOME STATEMENTS
42	STATEMENTS OF CHANGES IN EQUITY
44	CASH FLOW STATEMENTS
46	NOTES TO THE FINANCIAL STATEMENTS

# 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 2008.

## Principal Activities

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

The principal activities of the subsidiary companies are disclosed in Note 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
(Loss)/Profit before taxation	(6,475,447)	403,273
Taxation	311,976	(21,612)
Net (loss)/profit for the financial year	<u>(6,163,471)</u>	<u>381,661</u>
Attributable to:		
Equity holders of the parent	(6,153,818)	381,661
Minority interests	(9,653)	-
	<u>(6,163,471)</u>	<u>381,661</u>

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 in 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 their operations of the Group and of the Company for the current financial year.

## Dividend

During the financial year, a total of 1,374,735 treasury shares were distributed on 14 July 2008 and 3 September 2008 to the entitled shareholders in relation to the distribution of share dividend of one treasury share for every one hundred existing ordinary shares of RM0.50 each held in the Company for the previous financial year 2007.

At the forthcoming Annual General Meeting, a first and final share dividend on the basis of one ordinary share for every one hundred existing ordinary shares held by the entitled shareholders on an entitlement date in respect of the financial year ended 31 December 2008 by way of utilisation of the retained profits will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend which will be accrued as a liability in the financial year ending 31 December 2009 when approved by shareholders.

## Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year under review other than those disclosed in the financial statements.

## Issue of Shares and Debentures

There were no issues of shares or debentures during the financial year under review.

## DIRECTORS' REPORT (CONT'D)

### Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year under review, except for the Employees' Share Option Scheme.

### Repurchase of Shares

At the Extraordinary General Meeting held on 7 May 2007, the shareholders approved the share buy-back of up to 10% of the issued and paid-up share capital of the Company at any point in time. The authority from the shareholders has been renewed consecutively for two years at the shareholders' meeting. The renewal of share buy-back was last approved at the Extraordinary General Meeting ("EGM") of the Company held on 15 May 2008 and will expire at the conclusion of the forthcoming AGM of the Company.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

To date, the Company had purchased the following ordinary shares of its issued and paid-up share capital from the open market:

Date	No. of ordinary shares	Average price per share RM	Total cost RM
17.03.2008	505,600	0.320 - 0.325	164,976
04.04.2008	19,300	0.295 - 0.295	5,741
07.04.2008	16,400	0.295 - 0.300	4,914
08.04.2008	10,000	0.295 - 0.295	2,994
09.04.2008	3,200	0.300 - 0.300	1,001
10.04.2008	20,000	0.300 - 0.300	6,048
11.04.2008	442,200	0.300 - 0.320	141,491
02.06.2008	203,100	0.300 - 0.320	64,382
03.06.2008	77,500	0.300 - 0.310	23,717
04.06.2008	53,500	0.320 - 0.320	17,246
05.06.2008	13,600	0.290 - 0.300	4,091
06.06.2008	24,300	0.310 - 0.315	7,691
	<u>1,388,700</u>		<u>444,292</u>

The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares and carried at cost in accordance with the requirements of section 67A of the Companies Act, 1965. There has been no sale or cancellation of such shares to date.

During the financial year, a total of 1,374,735 treasury shares were distributed to the entitled shareholders in relation to the distribution of share dividend of one treasury share for every one hundred existing ordinary shares of RM0.50 each held in the Company. As at 31 December 2008, the total number of treasury shares held by the Company is 13,965 ordinary shares.

### Employees' Share Option Scheme

The GHL Systems Berhad Employees' Share Option Scheme ("ESOS") was approved by shareholders at the Extraordinary General Meeting on 30 May 2005 and became effective on 6 September 2005 for a period of 3 years, and lapsed on 5 September 2008. The salient features and other terms of the ESOS are disclosed in Note 30 to the financial statements.

A new ESOS scheme of up to 15% of the issued and paid-up share capital of GHL Systems Berhad at any point in time through out the duration of the scheme (three (3) years) was approved during the EGM on 15 May 2008 by the shareholders. As at todate, no grant is made to eligible employees.

## DIRECTORS' REPORT (CONT'D)

### Employees' Share Option Scheme (cont'd)

The Company has been granted exemption pursuant to Section 169(11) of the Companies Act, 1965 by the Companies Commission of Malaysia from having to disclose the names of option holders, other than Directors, who have been granted options to subscribe for less than 100,000 ordinary shares of RM0.50 each.

The list of employee granted options to subscribe for more than 100,000 ordinary shares of RM0.50 each during the financial year are as follows:

	Option price	Number of share options		
	RM	At 1.1.2008	Lapsed	At 31.12.2008
Chan Chun Fee	0.775	187,600	187,600	-

Details of the options granted to Directors are disclosed in the section on Directors' Interests of this report.

### Directors

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

Tay Beng Lock  
Yeng Fook Hoo  
Chin Fook Kheong  
Goh Kuan Ho  
Yen Siw Kuin  
Angus Eugenio Campos

### Directors' Interests

Details of holdings in the share capital and options over the shares of the Company or 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:

	← No. of ordinary shares of RM0.50 each →				
	At 1.1.2008	Share dividend	Acquired	Disposed	At 31.12.2008

#### GHL Systems Berhad

Direct interest:

Goh Kuan Ho	17,383,081	173,830	-	-	17,556,911
Tay Beng Lock	6,101,800	61,017	-	-	6,162,817
Yeng Fook Hoo	3,230,748	30,806	-	250,000	3,011,554
Chin Fook Kheong	152,000	1,520	-	153,520	-

	← No. of options over ordinary shares of RM0.50 each (ESOS) →		
	At 1.1.2008	Lapsed on 5.9.2008	At 31.12.2008

#### GHL Systems Berhad

Tay Beng Lock	1,297,144	1,297,144	-
Yeng Fook Hoo	1,936,024	1,936,024	-
Chin Fook Kheong	658,264	658,264	-

## DIRECTORS' REPORT (CONT'D)

### Directors' Interests (cont'd)

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

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

### Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company or its subsidiary companies a party to any arrangement the object of which is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than those arising from the share options granted under the GH L Systems Berhad ESOS.

### Other Statutory Information

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors 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
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the allowance for doubtful debts in the financial statements 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 of the Group and of the Company 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, there does not exist:
- (i) any charge on the assets of the Company and its subsidiary companies which has arisen since the end of the financial year which secures the liabilities of any other person; and
  - (ii) any contingent liability in respect of the Company and its subsidiary companies which has arisen since the end of the financial year.

## DIRECTORS' REPORT (CONT'D)

### Significant Events

The significant events are disclosed in Note 33 to the financial statements.

### Subsequent Events

The subsequent events are disclosed in Note 34 to the financial statements.

### Auditors

The auditors, UHY Diong, have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors.



YENG FOOK HOO



CHIN FOOK KHEONG

KUALA LUMPUR  
31 March 2009

# STATEMENT BY DIRECTORS

*Pursuant to Section 169(15) of the Companies Act, 1965*

We, YENG FOOK HOO and CHIN FOOK KHEONG, 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 40 to 85 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the Directors.



YENG FOOK HOO



CHIN FOOK KHEONG

KUALA LUMPUR  
31 March 2009

# STATUTORY DECLARATION

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

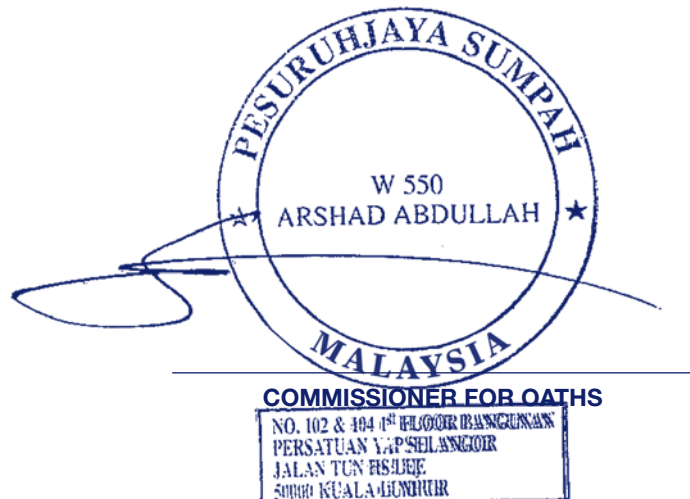
I, YENG FOOK HOO, being the Director primarily responsible for the financial management of GHL SYSTEMS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 40 to 85 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously 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 YENG FOOK HOO )  
at KUALA LUMPUR in the Federal )  
Territory this 31 March 2009 )



YENG FOOK HOO

Before me,



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GHL SYSTEMS BERHAD

## Report on the Financial Statements

We have audited the financial statements of GHL Systems Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 85.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

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 in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

## Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

# INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF GHL SYSTEMS BERHAD

## Other Matters

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



**UHY DIONG**  
Firm Number: AF 1411  
Chartered Accountants



**TEE GUAN PIAN**  
Approved Number: 1886/05/10 (J/PH)  
Chartered Accountant

KUALA LUMPUR  
31 March 2009

# BALANCE SHEETS

AS AT 31 DECEMBER 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>Non-Current Assets</b>					
Property, plant and equipment	3	55,737,225	49,973,480	14,477,674	16,522,713
Prepaid lease payments	4	1,575,757	1,592,172	1,575,757	1,592,172
Investment in subsidiary companies	5	-	-	14,859,995	14,859,995
Other investment	6	88,250	553,688	88,250	553,688
Goodwill on consolidation	7	1,913,105	1,913,105	-	-
		<u>59,314,337</u>	<u>54,032,445</u>	<u>31,001,676</u>	<u>33,528,568</u>
<b>Current Assets</b>					
Inventories	8	9,486,878	9,557,780	2,751,682	1,935,839
Trade receivables	9	12,050,156	18,986,414	2,716,544	7,033,812
Other receivables	10	1,931,037	3,978,157	780,214	1,547,598
Amount owing by subsidiary companies	11	-	-	58,208,466	53,734,426
Tax recoverable		137,994	142,003	22,051	36,195
Fixed deposits with licensed banks	12	3,351,989	13,486,240	864,617	3,217,063
Cash and bank balances		9,345,502	11,999,225	2,002,548	1,950,579
		<u>36,303,556</u>	<u>58,149,819</u>	<u>67,346,122</u>	<u>69,455,512</u>
<b>Total Assets</b>		<u>95,617,893</u>	<u>112,182,264</u>	<u>98,347,798</u>	<u>102,984,080</u>
<b>Equity</b>					
Share capital	13	69,431,108	69,431,108	69,431,108	69,431,108
Reserves	14	13,826,436	22,495,536	25,038,138	25,672,823
Treasury shares	15	(4,467)	-	(4,467)	-
Equity attributable to equity holders of the parent		83,253,077	91,926,644	94,464,779	95,103,931
Minority interests		-	9,653	-	-
Total equity		<u>83,253,077</u>	<u>91,936,297</u>	<u>94,464,779</u>	<u>95,103,931</u>
<b>Non-Current Liabilities</b>					
Hire purchase payables	16	34,786	92,131	-	-
Bank borrowings	17	3,082,585	3,248,259	3,082,585	3,248,259
Deferred taxation	18	-	497,457	-	-
		<u>3,117,371</u>	<u>3,837,847</u>	<u>3,082,585</u>	<u>3,248,259</u>
<b>Current Liabilities</b>					
Trade payables	19	1,045,304	2,197,127	336,436	403,656
Other payables	20	7,450,608	7,572,950	300,102	1,020,071
Hire purchase payables	16	51,244	130,203	-	-
Bank borrowings	17	664,262	6,507,840	163,896	3,208,163
Tax payable		36,027	-	-	-
		<u>9,247,445</u>	<u>16,408,120</u>	<u>800,434</u>	<u>4,631,890</u>
<b>Total Liabilities</b>		<u>12,364,816</u>	<u>20,245,967</u>	<u>3,883,019</u>	<u>7,880,149</u>
<b>Total Equity and Liabilities</b>		<u>95,617,893</u>	<u>112,182,264</u>	<u>98,347,798</u>	<u>102,984,080</u>

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

# INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Revenue	21	52,244,852	51,340,232	23,329,597	21,505,214
Cost of sales		(16,887,166)	(18,396,265)	(7,656,785)	(6,383,104)
Gross profit		35,357,686	32,943,967	15,672,812	15,122,110
Other operating income	22	966,087	4,949,415	484,263	5,187,526
Administration expenses		(38,140,619)	(33,725,068)	(14,034,856)	(13,784,813)
Distribution costs		(3,916,469)	(2,484,548)	(1,403,522)	(1,362,825)
Other operating expenses		(528,187)	(912,328)	(132,984)	(569,999)
Finance costs	23	(213,945)	(300,539)	(182,440)	(194,119)
(Loss)/Profit before taxation	24	(6,475,447)	470,899	403,273	4,397,880
Taxation	25	311,976	387,636	(21,612)	(25,061)
Net (loss)/profit for the financial year		(6,163,471)	858,535	381,661	4,372,819
Net (loss)/profit for the financial year attributable to:					
Equity holders of the parent		(6,153,818)	848,916		
Minority interests		(9,653)	9,619		
		(6,163,471)	858,535		
Earning per share attributable to equity holders of the parent (sen):					
Basic	26(a)	(4.44)	0.61		
Fully diluted	26(b)	(4.44)	0.60		

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

Group	Note	Attributable to Equity Holders of the Parent							Total equity RM
		← Non-Distributable →			Distributable				
		Share capital RM	Foreign exchange reserve RM	ESOS reserve RM	Retained profits RM	Total RM	Minority interests RM		
At 1 January 2007		62,478,744	20,334	343,967	27,753,449	90,596,494	1,618	90,598,112	
Arising from acquisition of subsidiary companies from minority interests		-	-	-	-	-	(1,584)	(1,584)	
Foreign exchange differences, representing net gains not recognised in income statement		-	221,609	-	-	221,609	-	221,609	
Dividends	27	-	-	-	(629,576)	(629,576)	-	(629,576)	
Issue of shares pursuant to ESOS		656,647	-	-	-	656,647	-	656,647	
Bonus issue		6,295,717	-	-	(6,295,717)	-	-	-	
Net profit for the financial year		-	-	-	848,916	848,916	9,619	858,535	
Share based payment		-	-	232,554	-	232,554	-	232,554	
At 31 December 2007		69,431,108	241,943	576,521	21,677,072	91,926,644	9,653	91,936,297	

Group	Note	Attributable to Equity Holders of the Parent							Total equity RM
		← Non-Distributable →			← Distributable →				
		Share capital RM	Foreign exchange reserve RM	ESOS reserve RM	Treasury shares RM	Retained profits RM	Total RM	Minority interests RM	
At 1 January 2008		69,431,108	241,943	576,521	-	21,677,072	91,926,644	9,653	91,936,297
Shares purchased during the financial year held as treasury shares		-	-	-	(444,292)	-	(444,292)	-	(444,292)
Foreign exchange differences, representing net loss not recognised in income statement		-	(1,498,936)	-	-	-	(1,498,936)	-	(1,498,936)
Dividends	27	-	-	-	439,825	(439,825)	-	-	-
Realisation of ESOS reserves on issue of shares		-	-	(576,521)	-	-	(576,521)	-	(576,521)
Net loss for the financial year		-	-	-	-	(6,153,818)	(6,153,818)	(9,653)	(6,163,471)
At 31 December 2008		69,431,108	(1,256,993)	-	(4,467)	15,083,429	83,253,077	-	83,253,077

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

## STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

Company	Note	Share capital RM	Non-Distributable	Distributable		Total equity RM
			ESOS reserve RM	Treasury shares RM	Retained profits RM	
At 1 January 2007		62,478,744	343,967	-	27,648,776	90,471,487
Dividends	27	-	-	-	(629,576)	(629,576)
Issue of shares pursuant to ESOS		656,647	-	-	-	656,647
Bonus issue		6,295,717	-	-	(6,295,717)	-
Net profit for the financial year		-	-	-	4,372,819	4,372,819
Share based payment		-	232,554	-	-	232,554
At 31 December 2007		<u>69,431,108</u>	<u>576,521</u>	-	<u>25,096,302</u>	<u>95,103,931</u>
At 1 January 2008		69,431,108	576,521	-	25,096,302	95,103,931
Shares purchased during the financial year held as treasury shares		-	-	(444,292)	-	(444,292)
Dividends	27	-	-	439,825	(439,825)	-
Realisation of ESOS reserves on issue of shares		-	(576,521)	-	-	(576,521)
Net profit for the financial year		-	-	-	381,661	381,661
At 31 December 2008		<u>69,431,108</u>	-	<u>(4,467)</u>	<u>25,038,138</u>	<u>94,464,779</u>

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

# CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Cash Flows From Operating Activities</b>				
(Loss)/Profit before taxation	(6,475,447)	470,899	403,273	4,397,880
Adjustment for:				
Allowance for doubtful debts	2,868,511	-	1,261,180	-
Amortisation of prepaid lease payments	16,415	16,414	16,415	16,414
Bad debts written-off	-	908,404	-	882,696
Depreciation of property, plant and equipment	8,451,037	7,391,113	2,637,482	2,525,158
Gain on disposal of an associated company	-	(2,522,699)	-	(4,068,688)
Impairment loss on other investment	465,438	-	465,438	-
Impairment loss of goodwill	-	342,329	-	-
Interest income	(319,509)	(499,109)	(89,914)	(199,994)
Interest expense	213,945	300,539	182,440	194,119
Loss/(Gain) on disposal of property, plant and equipment	15,803	71,440	(56,410)	(15,000)
Negative goodwill written off	(21,793)	-	-	-
Property, plant and equipment written off	337	6,387	-	-
Reversal of allowance for doubtful debts no longer required	(288,304)	(882,696)	(181,556)	(882,696)
Share based payment	-	232,554	-	232,554
Unrealised loss/(gain) on foreign exchange	44,644	(232,501)	(120,897)	-
Operating profit before working capital changes	4,971,077	5,603,074	4,517,451	3,082,443
Decrease/(Increase) in working capital				
Inventories	70,902	(4,260,910)	(815,843)	(496,464)
Trade and other receivables	6,358,527	371,374	4,005,028	4,379,069
Trade and other payables	(1,274,165)	(3,920,510)	(787,190)	(3,926,482)
Amount owing by/(to) subsidiary companies	-	-	(4,474,040)	(86,330)
	5,155,264	(7,810,046)	(2,072,045)	(130,207)
Cash generated from/(used in) operations	10,126,341	(2,206,972)	2,445,406	2,952,236
Interest received	319,509	499,109	89,914	199,994
Interest paid	(213,945)	(300,539)	(182,440)	(194,119)
Tax paid	(94,847)	(105,719)	(31,812)	(41,097)
Tax refunded	100,223	-	24,344	27,063
Exchange fluctuation adjustment	(1,712,698)	142,357	120,897	-
	(1,601,758)	235,208	20,903	(8,159)
Net cash from/(used in) operating activities	8,524,583	(1,971,764)	2,466,309	2,944,077

The accompanying notes form an integral part of the financial statements

## CASH FLOW STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>Cash Flows From Investing Activities</b>					
Purchase of property, plant and equipment	28	(15,897,189)	(10,073,125)	(616,033)	(2,464,580)
Purchase of other investment		-	-	-	(553,688)
Purchase of marketable securities		-	16,259	-	-
Proceeds from disposal of property, plant and equipment		1,717,435	5,573,459	80,000	15,000
Additional investment in a subsidiary company		21,793	-	-	-
Acquisition of subsidiary companies		-	(387,872)	-	(10,459,988)
Proceeds from disposal of an associated company		-	7,030,000	-	7,583,688
Net cash (used in)/from investing activities		(14,157,961)	2,158,721	(536,033)	(5,879,568)
<b>Cash Flows From Financing Activities</b>					
Repurchase of shares		(444,292)	-	(444,292)	-
Proceeds from issue of shares		-	656,647	-	656,647
Realisation of ESOS reserves on issue of shares		(576,521)	-	(576,521)	-
Dividend paid	27	-	(629,576)	-	(629,576)
Decreased in fixed deposits pledged		1,778,499	681,590	2,000,000	700,000
Net change in letter of credit		(5,695,503)	5,695,503	(3,005,825)	3,005,825
Repayment of hire purchase payables		(124,531)	(170,824)	-	-
Repayment of bank borrowings		(814,115)	(874,014)	(204,115)	(206,814)
Net cash (used in)/from financing activities		(5,876,463)	5,359,326	(2,230,753)	3,526,082
<b>Net (decrease)/increase in cash and cash equivalents</b>		(11,509,841)	5,546,283	(300,477)	590,591
<b>Cash and cash equivalents at beginning of financial year</b>		22,659,127	17,112,844	2,917,642	2,327,051
<b>Cash and cash equivalents at end of financial year</b>		11,149,286	22,659,127	2,617,165	2,917,642
<b>Cash and cash equivalents at end of financial year comprises:</b>					
Cash and bank balances		9,345,502	11,999,225	2,002,548	1,950,579
Fixed deposits with licensed banks		3,351,989	13,486,240	864,617	3,217,063
Bank overdraft		(500,366)	-	-	-
		12,197,125	25,485,465	2,867,165	5,167,642
Less : Fixed deposits pledged to licensed banks		(1,047,839)	(2,826,338)	(250,000)	(2,250,000)
		11,149,286	22,659,127	2,617,165	2,917,642

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Corporate Information

The principal activities of the Company are those of developing and selling in-house software programmes, sale and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance.

The principal activities of the subsidiary companies are stated in Note 5 to the financial statements.

The Company is a public limited liability company, incorporated under the Companies Act, 1965 and domiciled in Malaysia, and is listed on Main Board of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 11.05B, Level 11, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at Unit L8 C-G-15, Block C, Jalan Dataran SD 1, Dataran SD PJU 9, Bandar Sri Damansara, 52200 Kuala Lumpur.

## 2. Basis of Preparation and Significant Accounting Policies

### (a) Basis of accounting

The financial statements of the Group and of the Company have been prepared on the historical cost convention except as disclosed in the notes to the financial statements and in compliance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

During the financial year, the Group and the Company has adopted the following applicable Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board that are mandatory for current financial year:

Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The revised FRSs and amendment to FRS are either not applicable to the Group and to the Company or the adoptions did not result in significant changes in accounting policies of the Group and the Company and did not have significant impact on the Group and on the Company.

The Group and the Company have not adopted the following new FRSs which have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

		Effective date for financial periods beginning on or after
FRS 8	Operating Segments	1 July 2009
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 139	Financial Instruments : Recognition and Measurement	1 January 2010

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Basis of Preparation and Significant Accounting Policies (cont'd)

### (a) Basis of accounting (cont'd)

#### (i) FRS 8 Operating Segments

This new standard replaces FRS 114<sub>2004</sub> Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

#### (ii) FRS 7 Financial Instruments: Disclosures

This new standard requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which an entity is exposed and how these risks are managed. This standard requires both qualitative disclosures describing management's objectives, policies and processes for managing those risks, and quantitative disclosures providing information about the extent to which an entity is exposed to risk, based on information provided internally to the entity's key management personnel.

#### (iii) FRS 139 Financial Instruments: Recognition and Measurement

This new standard establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. The impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 103AB of FRS 139.

FRS 4 is not relevant to the Group's and to the Company's operations. The possible impacts of applying FRS 7, FRS 8 and FRS 139 on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

### (b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Group's and the Company's functional currency.

### (c) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

#### (i) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group and of the Company are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the plant and equipment as disclosed in Note 2(e)(iii). These are common life expectancies applied in the industry. Changes in the expected level of usage could have impact the useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of the Group's and of the Company's property, plant and equipment at 31 December 2008 are disclosed in Note 3 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Basis of Preparation and Significant Accounting Policies (cont'd)

### (c) Significant accounting estimates and judgements (cont'd)

#### (ii) Amortisation of prepaid lease payments

The costs of prepaid lease payments of the Group and of the Company are amortised on a straight-line basis over the useful lives of the assets. The lease terms of the prepaid lease payments are disclosed in Note 4 to the financial statements. These are common life expectancies applied in the industry. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future amortisation charges could be revised. The carrying amounts of the Group's and of the Company's prepaid lease payments at 31 December 2008 are disclosed in Note 4 to the financial statements.

#### (iii) Estimation of fair value of properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; or
- (b) recent prices of similar properties based on less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

#### (iv) Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis, in accordance with the accounting policy disclosed in Note 2(m). This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill on consolidation at 31 December 2008 is disclosed in Note 7 to the financial statements.

#### (v) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### (vi) Employees' Share Option Scheme

The fair value of share options granted during the financial year was estimated by the management using the Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted. The fair value of share options was measured at Grant Date. The principal assumption used in the fair value estimation is disclosed in Note 30 to the financial statements.

### (d) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies and its associated companies through equity accounting, which are made up to the end of the financial year.

In the Company's separate financial statements, investments in subsidiary companies and investment in associated companies are stated at cost less impairment losses in accordance with Note 2(m). On disposal of these investments, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Basis of Preparation and Significant Accounting Policies (cont'd)

### (d) Basis of consolidation (cont'd)

#### (i) Subsidiary companies

Subsidiary companies are those companies in which the Group has long term equity interest and has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

The purchase method of accounting is used to account for the acquisition of subsidiary companies. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation as appropriate. The accounting policy on goodwill on acquisition of subsidiary companies is set out in Note 2(h). Reserve on consolidation is recognised immediately in income statement.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unimpaired balance of goodwill which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the fair value of identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are attributed to the equity holders of the Company.

#### (ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority shareholders for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority shareholders for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

### (e) Property, plant and equipment

#### (i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2(m).

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Basis of Preparation and Significant Accounting Policies (cont'd)

### (e) Property, plant and equipment (cont'd)

#### (i) Recognition and measurement (cont'd)

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

#### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

#### (iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Computer equipments	3 years
EDC equipments	5 years
Computer software	10 years
Motor vehicles	5 years
Furniture, fittings and office equipments	10 years
Renovation	2 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at each financial year end.

Upon disposal of an asset, the difference between the net disposal proceeds and the carrying amount of the assets is charged or credited to the income statement. On disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred to distribution reserve.

### (f) Prepaid lease payments

Leasehold land that normally has an indefinite economic life and its title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that is amortised over the lease term except for leasehold land classified as investment property. The land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (g) Other investments

Other investments are long term investments stated at cost and allowance is made where, in the opinion of the Directors, there is a permanent diminution in value. Permanent diminution in the value of investment is recognised as an expense in the financial year in which the diminution is identified.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement.

#### (h) Goodwill on consolidation

Goodwill acquired in a business combination is initially measured at cost, represents the excess of the purchase price over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequently when there is objective evidence that the carrying value may be impaired, in accordance with Note 2(m).

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### (i) Inventories

Inventories are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories.

Cost is determined using the first in, first out method. The cost of raw materials comprises the original cost of purchase plus the cost of bringing the stocks to its present location and condition.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

#### (j) Trade and other receivables

Trade and other receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts. Doubtful debts are provided based on specific review of the receivables. Bad debts are written off when identified.

#### (k) Trade and other payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

#### (l) Leases and hire purchase

A lease is recognised as a finance lease if it transfers substantially to the Group and the Company all the risks and rewards incident to ownership. All other leases are treated as operating leases.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Basis of Preparation and Significant Accounting Policies (cont'd)

### (l) Leases and hire purchase (cont'd)

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheets as liabilities. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Group's or the Company's incremental borrowing rate is used.

Lease and hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charges on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment which are owned.

Lease rental under operating lease is charged to the income statements on a straight line basis over the term of the relevant lease.

### (m) Impairment of assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, recoverable amount is estimated at each reporting date or more frequently when indications of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement in the period in which it arises. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units (groups of units) and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

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

An impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the borrowings are made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawn down from that borrowings.

When the borrowings are made generally, and used for the purpose of obtaining a qualifying asset, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Company's borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of acquiring another qualifying asset.

Borrowing costs which are not eligible for capitalisation are recognised as an expense in the income statement in the period in which they are incurred.

#### (o) Cash and cash equivalents

Cash and cash equivalent consist of cash in hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalent are presented net of bank overdrafts and pledged deposits.

#### (p) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the income statement.

When shares are repurchased, the amount of consideration paid, including directly attributable costs, is measured at cost and set off against equity. Shares repurchased and not cancelled are classified as treasury shares. Where treasury shares are reissued by re-sale in the open market, the difference between the sale consideration and the carrying amount is recognised in equity.

Dividends on ordinary shares, when declared or proposed by the Directors of the Company are disclosed in the notes to the financial statements. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial year in which the dividends are paid.

#### (q) Foreign currencies

##### (i) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as financial assets held for trading held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the exchange fluctuation reserve in the equity.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Basis of Preparation and Significant Accounting Policies (cont'd)

### (q) Foreign currencies (cont'd)

#### (ii) Foreign operations

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiary companies are treated as assets and liabilities and translated at the rates of exchange ruling at the transaction dates.

The closing exchange rates used for each unit of the main foreign currencies in the Group and in the Company are:

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Hong Kong Dollar (HK\$)	0.4470	0.4392
United States Dollar (US\$)	3.4640	3.3115
Singapore Dollar (S\$)	2.4070	2.2817
Thailand Baht (THB)	0.0994	0.0996
Chinese Yuan Renminbi (RMB)	0.5076	0.4518
Philippines Peso (PHP)	0.0728	0.0748
Sterling Pound (GBP)	4.9989	6.8650
Euro (EUR)	4.8759	4.8711

### (r) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the revenue can be measured reliably, on the following bases:

#### (i) Goods sold and services rendered

Revenue from sales of goods and services is recognised when significant risk and rewards have been transferred to the buyer, if any, or on performance of services, net of sales taxes and discounts.

#### (ii) Rental income

Rental income is recognised on an accruals basis unless ability to collect is in doubt.

#### (iii) Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (s) Employee benefits

##### (i) Short term employee 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 the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date.

##### (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 in the period to which they relate.

##### (iii) Accrued annual leave

Employee entitlements to annual leave are recognised 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) Employees' Share Option Scheme

The GHL Systems Berhad's Employees' Share Option Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Company and its subsidiary companies' employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. Basis of Preparation and Significant Accounting Policies (cont'd)

#### (t) Income taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base at the balance sheet date. 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 future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the income statements, 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 to 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.

#### (u) Financial instruments

Financial instruments carried on the balance sheets include cash and bank balances, deposits, receivables, payables and borrowings. Financial instruments are recognised in the balance sheets when the Group and the Company has become a party to the contractual provisions of the instrument.

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

The particular recognition method adopted for financial instruments recognised on the balance sheets is disclosed in the individual accounting policy statements associated with each item.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 3. Property, Plant and Equipment

	Long term leasehold buildings RM	Computer equipments RM	EDC equipments RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipments RM	Renovation RM	Total RM
<b>2008</b>								
<b>Group</b>								
<b>Cost</b>								
At 1 January 2008	3,250,000	5,293,490	42,508,983	17,033,678	2,362,392	3,673,340	2,023,898	76,145,781
Additions	-	492,978	11,220,510	341,201	-	3,619,421	223,079	15,897,189
Disposals	-	-	(1,814,294)	-	(141,542)	(4,121)	(50,526)	(2,010,483)
Written off	-	-	-	-	-	(491)	(470)	(961)
Reclassification	-	(255,030)	255,030	-	-	-	-	-
Exchange difference	-	(63,647)	17,739	-	(7,398)	133,325	7,765	87,784
At 31 December 2008	3,250,000	5,467,791	52,187,968	17,374,879	2,213,452	7,421,474	2,203,746	90,119,310
<b>Accumulated depreciation</b>								
At 1 January 2008	65,656	3,438,094	13,452,773	5,578,767	1,382,242	773,904	1,480,865	26,172,301
Charge for the financial year	32,828	808,265	4,176,072	1,851,590	454,315	819,088	308,879	8,451,037
Disposals	-	-	(146,437)	-	(117,952)	(904)	(11,358)	(276,651)
Written off	-	-	-	-	-	(232)	(381)	(613)
Reclassification	-	(9,844)	9,844	-	-	-	-	-
Exchange difference	-	(17,528)	(919)	-	(1,704)	34,585	21,577	36,011
At 31 December 2008	98,484	4,218,987	17,491,333	7,430,357	1,716,901	1,626,441	1,799,582	34,382,085
<b>Carrying amount</b>								
At 31 December 2008	3,151,516	1,248,804	34,696,635	9,944,522	496,551	5,795,033	404,164	55,737,225
<b>2007</b>								
<b>Group</b>								
<b>Cost</b>								
At 1 January 2007								
- As previously stated	4,875,000	4,095,164	43,009,003	14,800,183	2,199,614	2,545,323	1,884,360	73,408,647
- Effect of adopting FRS 117	(1,625,000)	-	-	-	-	-	-	(1,625,000)
- As restated	3,250,000	4,095,164	43,009,003	14,800,183	2,199,614	2,545,323	1,884,360	71,783,647
Additions	-	1,202,375	5,317,397	2,233,495	382,778	1,138,097	145,386	10,419,528
Disposals	-	(495)	(5,817,417)	-	(220,000)	(5,500)	(2,940)	(6,046,352)
Written off	-	(5,126)	-	-	-	(4,580)	(2,908)	(12,614)
Exchange difference	-	1,572	-	-	-	-	-	1,572
At 31 December 2007	3,250,000	5,293,490	42,508,983	17,033,678	2,362,392	3,673,340	2,023,898	76,145,781
<b>Accumulated depreciation</b>								
At 1 January 2007								
- As previously stated	49,242	2,764,822	9,795,793	3,899,289	1,138,204	391,523	1,166,409	19,205,282
- Effect of adopting FRS 117	(16,414)	-	-	-	-	-	-	(16,414)
- As restated	32,828	2,764,822	9,795,793	3,899,289	1,138,204	391,523	1,166,409	19,188,868
Charge for the financial year	32,828	675,366	3,836,968	1,679,478	464,038	385,523	316,912	7,391,113
Disposals	-	(172)	(179,988)	-	(220,000)	-	(1,293)	(401,453)
Written off	-	(1,922)	-	-	-	(3,142)	(1,163)	(6,227)
At 31 December 2007	65,656	3,438,094	13,452,773	5,578,767	1,382,242	773,904	1,480,865	26,172,301
<b>Carrying amount</b>								
At 31 December 2007	3,184,344	1,855,396	29,056,210	11,454,911	980,150	2,899,436	543,033	49,973,480

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. Property, Plant and Equipment (cont'd)

	Long term leasehold buildings RM	Computer equipments RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipments RM	Renovation RM	Total RM
<b>2008</b>							
<b>Company</b>							
<b>Cost</b>							
At 1 January 2008	3,250,000	2,214,658	16,332,983	1,825,768	1,688,191	384,676	25,696,276
Additions	-	183,116	335,801	-	58,887	38,229	616,033
Disposal	-	-	-	(141,542)	-	-	(141,542)
At 31 December 2008	3,250,000	2,397,774	16,668,784	1,684,226	1,747,078	422,905	26,170,767
<b>Accumulated depreciation</b>							
At 1 January 2008	65,656	1,821,333	5,256,121	1,254,389	397,470	378,594	9,173,563
Charge for the financial year	32,828	276,246	1,781,160	350,999	173,114	23,135	2,637,482
Disposal	-	-	-	(117,952)	-	-	(117,952)
At 31 December 2008	98,484	2,097,579	7,037,281	1,487,436	570,584	401,729	11,693,093
<b>Carrying amount</b>							
At 31 December 2008	3,151,516	300,195	9,631,503	196,790	1,176,494	21,176	14,477,674

	Long term leasehold buildings RM	Computer equipments RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipments RM	Renovation RM	Total RM
<b>2007</b>							
<b>Company</b>							
<b>Cost</b>							
At 1 January 2007							
- As previously stated	4,875,000	2,016,100	14,123,483	2,045,768	1,631,669	384,676	25,076,696
- Effect of adopting FRS 117	(1,625,000)	-	-	-	-	-	(1,625,000)
- As restated	3,250,000	2,016,100	14,123,483	2,045,768	1,631,669	384,676	23,451,696
Additions	-	198,558	2,209,500	-	56,522	-	2,464,580
Disposal	-	-	-	(220,000)	-	-	(220,000)
At 31 December 2007	3,250,000	2,214,658	16,332,983	1,825,768	1,688,191	384,676	25,696,276
<b>Accumulated depreciation</b>							
At 1 January 2007							
- As previously stated	49,242	1,539,504	3,644,383	1,090,902	230,746	330,042	6,884,819
- Effect of adopting FRS 117	(16,414)	-	-	-	-	-	(16,414)
- As restated	32,828	1,539,504	3,644,383	1,090,902	230,746	330,042	6,868,405
Charge for the financial year	32,828	281,829	1,611,738	383,487	166,724	48,552	2,525,158
Disposal	-	-	-	(220,000)	-	-	(220,000)
At 31 December 2007	65,656	1,821,333	5,256,121	1,254,389	397,470	378,594	9,173,563
<b>Carrying amount</b>							
At 31 December 2007	3,184,344	393,325	11,076,862	571,379	1,290,721	6,082	16,522,713

- (a) Included in the property, plant and equipment of the Group are motor vehicles acquired under hire purchase with carrying amounts of RM248,556 (2007: RM408,771).
- (b) The long term leasehold buildings of the Group and of the Company have been pledged to a licensed bank as security for banking facilities granted to the Company as disclosed in Note 17 to the financial statements. The remaining period of the long term leasehold buildings is 94 years (2007: 95 years).

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 3. Property, Plant and Equipment (cont'd)

- (c) Included in the EDC equipment (2007: computer software) of the Group and of the Company are staff costs capitalised during the financial year as follows:

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Staff costs	31	966,105	1,200,000	-	1,200,000

### 4. Prepaid Lease Payments

	Group/Company	
	2008 RM	2007 RM
<b>Cost</b>		
At 1 January/At 31 December		
- As previously stated	1,625,000	-
- Effect of adopting FRS 117	-	1,625,000
- As restated	1,625,000	1,625,000
<b>Accumulated amortisation</b>		
At 1 January	32,828	16,414
Charge for the financial year	16,415	16,414
At 31 December	49,243	32,828
<b>Carrying amount</b>	<u>1,575,757</u>	<u>1,592,172</u>

- (a) The land titles of the long term leasehold land and buildings of the Company are still in the process of being registered in the name of the Company.
- (b) The remaining period of lease term is 94 years (2007: 95 years).
- (c) The prepaid lease payments have been pledged to a licensed bank as security for banking facilities granted to the Company as disclosed in Note 17 to the financial statements.

### 5. Investment in Subsidiary Companies

- (a) Investment in subsidiary companies

	Company	
	2008 RM	2007 RM
Unquoted shares, at cost		
In Malaysia	4,400,000	4,400,000
Outside Malaysia	10,459,995	10,459,995
	<u>14,859,995</u>	<u>14,859,995</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 5. Investment in Subsidiary Companies (cont'd)

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

Name of company	Country of incorporation	Effective interest		Principal activities
		2008 %	2007 %	
<b>Direct holding:</b>				
GHL Transact Sdn. Bhd.	Malaysia	100	100	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance
GHL Payments Sdn. Bhd.	Malaysia	100	100	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance
GHL Eftpos Sdn. Bhd.	Malaysia	100	100	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance
GHL International Sdn. Bhd.	Malaysia	100	100	Investment holding, sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance
GHL Asia Pacific Limited	Labuan	100	100	Investment holding
<b>Indirect holding:</b>				
Subsidiary company of GHL International Sdn. Bhd.				
Card Pay Sdn. Bhd.	Malaysia	100	100	Third party acquirer for e-debit and MEPS cash transactions, sales and rental of EDC equipment and its related software & services, inclusive of installation, training and maintenance.
* GHLSYS Singapore Pte. Ltd.	Singapore	100	100	Dormant
Subsidiary company of GHL Asia Pacific Limited				
* PaymentOne (HK) Pte. Ltd.	Hong Kong	100	100	Payment enabler supplying infrastructure and related equipment
* PaymentOne Singapore Pte. Ltd.	Singapore	100	100	Development and sale of in-house software programmes, sale and rental of EDC equipment and related services
* GHLSYS Philippines Inc.	Philippines	99.99	99.99	Provision of end-to-end payment services and solutions through the deployment of payment infrastructure, technology and services

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 5. Investment in Subsidiary Companies (cont'd)

(b) The subsidiary companies and shareholdings therein are as follows: (cont'd)

Name of company	Country of incorporation	Effective interest		Principal activities
		2008 %	2007 %	
<b>Indirect holding: (cont'd)</b>				
* GHL (Thailand) Co. Ltd.	Thailand	99.99 <sup>^</sup>	99.99 <sup>^</sup>	Sale, maintenance, installation and rental of card and non-card based payment processing systems and services, and relevant infrastructure including hardware and software for all kinds of payment solution systems
* GHL (China) Co. Ltd.	Hong Kong	100	100	Engaged in provision of terminal software development and maintenance services.
Subsidiary company of GHL (China) Co. Ltd.				
* GHL (Beijing) Co. Ltd.	People's Republic of China	100	100	Development and sale of in-house software solutions, and sale and rental of EDC equipment and related services
Subsidiary company of GHL (Beijing) Co. Ltd.				
* GHL Services Co. Ltd.	People's Republic of China	100	-	Development and sale of in-house software solutions, and sale and rental of EDC equipment and related services
* Subsidiary company not audited by UHY Diong				
<sup>^</sup> Preferred shares with 99.99% of voting rights.				

### 6. Other Investment

	Group/Company	
	2008 RM	2007 RM
<b>Quoted shares outside Malaysia</b>		
<b>Cost</b>		
At 1 January	553,688	-
Addition	-	553,688
At 31 December	553,688	553,688
<b>Accumulated impairment losses</b>		
At 1 January	-	-
Impairment loss recognised in income statement	465,438	-
At 31 December	465,438	-
<b>Carrying amount</b>		
At 31 December	88,250	553,688
<b>At market value</b>	88,250	1,201,154

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 7. Goodwill on Consolidation

	Group	
	2008 RM	2007 RM
<b>Cost</b>		
At 1 January	2,255,434	1,869,146
Acquisition of subsidiary companies	-	386,288
At 31 December	2,255,434	2,255,434
<b>Accumulated impairment loss</b>		
At 1 January	342,329	-
Impairment loss during the financial year	-	342,329
At 31 December	342,329	342,329
Goodwill on consolidation	1,913,105	1,913,105

(a) Impairment test for goodwill on consolidation

Goodwill on consolidation has been allocated for impairment testing purposes to the individual entities which is also the cash-generating units ("CGUs") identified.

(b) Key assumptions used to determine recoverable amount

The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by the Directors covering a five-year period. A pre-tax discount rate of 10.01% per annum was applied to the cash flow projections, after taking into consideration the Group's cost of borrowings, the expected rate of return and various risks relating to the CGU.

(c) Impairment loss recognised during the financial year

The Group recognised an impairment loss of Nil (2007: RM342,329) during the financial year in respect of the goodwill arising on consolidation.

### 8. Inventories

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
EDC equipments	5,832,895	6,197,095	-	-
Others	3,653,983	3,360,685	2,751,682	1,935,839
	9,486,878	9,557,780	2,751,682	1,935,839

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 9. Trade Receivables

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade receivables				
- Related party	469,930	839,202	469,930	839,202
- Third parties	16,552,205	20,539,062	4,091,677	6,960,049
	17,022,135	21,378,264	4,561,607	7,799,251
Allowance for doubtful debts	(4,971,979)	(2,391,850)	(1,845,063)	(765,439)
	12,050,156	18,986,414	2,716,544	7,033,812

The Group's and the Company's normal trade credit terms range from 30 to 180 days and 30 to 60 days (2007: 30 to 180 days and 30 to 60 days) respectively. Other credit terms are assessed and approved on a case to case basis.

Movements in allowance for doubtful debts are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At 1 January	2,391,850	3,756,569	765,439	1,662,828
Allowance made	2,868,511	-	1,261,180	-
Reversal of allowance of doubtful debts no longer required	(288,304)	(1,364,719)	(181,556)	(897,389)
Exchange difference	(78)	-	-	-
At 31 December	4,971,979	2,391,850	1,845,063	765,439

### 10. Other Receivables

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Other receivables	354,590	955,255	13,551	698,498
Deposits	418,514	728,767	102,759	467,462
Prepayments	1,157,933	2,294,135	663,904	381,638
	1,931,037	3,978,157	780,214	1,547,598

### 11. Amount Owing by Subsidiary Companies

The amount owing by subsidiary companies represents unsecured interest free advances with no fixed term of repayment except for an amount of RM42,924,797 (2007: RM39,205,927) which represents trade transactions.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 12. Fixed Deposits with Licensed Banks

Included in the above is an amount of RM1,047,839 and RM250,000 (2007: RM2,826,338 and RM2,250,000) pledged to licensed banks as securities for credit facilities granted to the subsidiary company and the Company respectively as disclosed in Note 17 to the financial statements.

The Group's and the Company's weighted average effective interest rates and maturities of deposits are as follows:

	Group		Company	
	2008	2007	2008	2007
Interest rates (%)	3.0 - 3.67	2.56 - 3.5	3.67	2.56
Maturities (days)	30 - 365	30 - 365	30 - 365	30 - 365

### 13. Share Capital

	Group/Company	
	2008 RM	2007 RM
Ordinary shares of RM0.50 each:		
<b>Authorised</b>	100,000,000	100,000,000
<b>Issued and fully paid</b>		
At 1 January	69,431,108	62,478,744
Issue of shares pursuant to ESOS	-	656,647
Bonus issue	-	6,295,717
At 31 December	69,431,108	69,431,108

Of the total 138,862,216 issued and fully paid ordinary shares, 13,965 (2007: Nil) ordinary shares are held as treasury shares by the Company. At 31 December 2008, the number of ordinary shares in issue after deducting treasury shares held is 138,848,251 (2007: 138,862,216) ordinary shares of RM0.50 each.

### 14. Reserves

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Non-distributable:</b>				
ESOS reserves	-	576,521	-	576,521
Foreign exchange reserves	(1,256,993)	241,943	-	-
<b>Distributable:</b>				
Retained profits	15,083,429	21,677,072	25,038,138	25,096,302
	13,826,436	22,495,536	25,038,138	25,672,823

The movements in the reserves are reflected in the statement of changes in equity.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 15. Treasury Shares

	Note	Group/Company	
		2008 RM	2007 RM
At 1 January		-	-
Share purchased during the financial year		444,292	-
Distributed as share dividend	27	(439,825)	-
At 31 December		<u>4,467</u>	-

During the financial year, the Company purchased a total of 1,388,700 (2007: Nil) ordinary shares of its issued share capital from the open market at a total cost of RM444,292 (2007: Nil). The average price paid for the shares purchased was RM0.320 (2007: Nil) per share.

During the financial year, a total of 1,374,735 treasury shares were distributed to the entitled shareholders in relation to the distribution of share dividend of one treasury share for every one hundred existing ordinary shares of RM0.50 each held in the Company. As at 31 December 2008, the total number of treasury shares held by the Company is 13,965 ordinary shares.

The repurchase transactions were financed by internally generated funds. The repurchased shares were being held as treasury shares and carried at cost in accordance with the requirements of section 67A of the Companies Act, 1965. Treasury shares had no rights to voting, dividends and participation in other distribution.

### 16. Hire Purchase Payables

	Group	
	2008 RM	2007 RM
(a) Minimum hire purchase payments		
Within one year	58,358	126,945
Between one and five years	48,774	140,931
	<u>107,132</u>	<u>267,876</u>
Less: Future finance charges	(21,102)	(45,542)
Present value of hire purchase liabilities	<u>86,030</u>	<u>222,334</u>
(b) Present value of hire purchase liabilities		
Within one year	51,244	130,203
Between one and five years	34,786	92,131
	<u>86,030</u>	<u>222,334</u>
Analyse as:		
Repayable within twelve months	51,244	130,203
Repayable after twelve months	34,786	92,131
	<u>86,030</u>	<u>222,334</u>

The weighted average effective interest rate of the Group at the balance sheet date is 4.1% (2007: 4.5%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 17. Bank Borrowings

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Secured</b>				
Term loans	3,246,481	3,450,596	3,246,481	3,450,597
Bank overdraft	500,366	-	-	-
Letter of credit	-	5,695,503	-	3,005,825
	3,746,847	9,146,099	3,246,481	6,456,422
<b>Unsecured</b>				
Term loans	-	610,000	-	-
<b>Total bank borrowings</b>	<b>3,746,847</b>	<b>9,756,099</b>	<b>3,246,481</b>	<b>6,456,422</b>
<b>Analysed as:</b>				
<b>Repayable within twelve months</b>				
<b>Secured</b>				
Term loans	163,896	202,338	163,896	202,338
Bank overdraft	500,366	-	-	-
Letter of credit	-	5,695,502	-	3,005,825
	664,262	5,897,840	163,896	3,208,163
<b>Unsecured</b>				
Term loans	-	610,000	-	-
	664,262	6,507,840	163,896	3,208,163
<b>Repayable after twelve months</b>				
<b>Secured</b>				
Term loans	3,082,585	3,248,259	3,082,585	3,248,259
	3,746,847	9,756,099	3,246,481	6,456,422

The credit facilities obtained from licensed banks are secured by the following:

- fixed charge over the Company's long term leasehold land and buildings as disclosed in Notes 3 and 4 to the financial statements; and
- pledge of fixed deposits of the Company and its subsidiary companies as disclosed in Note 12 to the financial statements.

The term loans are repayable by monthly instalment over 13 years.

The weighted average effective interest rate of the Group and of the Company for the above facilities are 5.4% and 5.4% (2007: 5.6% and 5.5%) per annum respectively.

The maturity of borrowings is as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Within one year	664,262	6,507,840	163,896	3,208,163
Between one and two years	174,872	202,161	174,872	202,161
Between two and five years	598,075	829,405	598,075	829,405
After five years	2,309,638	2,216,693	2,309,638	2,216,693
	3,746,847	9,756,099	3,246,481	6,456,422

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 18. Deferred Taxation

	Group	
	2008 RM	2007 RM
At 1 January	497,457	987,811
Recognised in income statement	(497,457)	(468,972)
Relating to change of tax rate	-	(18,423)
Over provision in prior year	-	(3,080)
Exchange difference	-	121
At 31 December	-	497,457
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	-	6,298,857
Deferred tax assets	-	(5,801,400)
	-	497,457

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

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Total RM
At 1 January 2008	6,298,857	6,298,857
Recognised in income statement	(6,298,857)	(6,298,857)
At 31 December 2008	-	-
At 1 January 2007	6,743,341	6,743,341
Recognised in income statement	(441,525)	(441,525)
Under provision in prior year	(3,080)	(3,080)
Exchange difference	121	121
At 31 December 2007	6,298,857	6,298,857

Deferred tax assets of the Group:

	Unutilised capital allowances RM	Total RM
At 1 January 2008	(5,801,400)	(5,801,400)
Recognised in income statement	5,801,400	5,801,400
At 31 December 2008	-	-
At 1 January 2007	(5,755,530)	(5,755,530)
Recognised in income statement	(45,870)	(45,870)
At 31 December 2007	(5,801,400)	(5,801,400)

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 18. Deferred Taxation (cont'd)

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Group	
	2008 RM	2007 RM
Unused tax losses	5,957,017	2,176,495
Unutilised capital allowances	26,571,885	1,780,030
Allowance for doubtful debts	3,103,701	-
Accelerated capital allowances	(26,789,713)	(587,414)
	8,842,890	3,369,111

The unused tax losses and unutilised capital allowance are available indefinitely for offset against future taxable profits of the companies in which those items arose.

### 19. Trade Payables

The Group's and the Company's normal trade credit terms range from 30 to 90 days and 30 to 60 days (2007: 30 to 90 days and 30 to 60 days) respectively. Other credit terms are assessed and approved on a case to case basis.

### 20. Other Payables

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Other payables	813,424	2,002,516	266,828	335,879
Deposits	5,711,569	3,853,654	1,879	1,879
Accruals	925,615	1,716,780	31,395	682,313
	7,450,608	7,572,950	300,102	1,020,071

### 21. Revenue

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Rental of EDC equipment	16,367,990	17,400,401	-	-
Sales of value-added solutions	35,876,862	33,939,831	23,329,597	21,505,214
	52,244,852	51,340,232	23,329,597	21,505,214

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 22. Other Operating Income

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Bad debts recovered	-	482,023	-	14,693
Gain on foreign exchange				
- Realised	84,199	259,702	35,286	-
- Unrealised	120,897	232,501	120,897	-
Gain on disposal of an associated company	-	2,522,699	-	4,068,688
Gain on disposal of property, plant and equipment	58,039	15,000	56,410	15,000
Fixed deposit interest	259,164	374,068	74,885	108,271
Negative goodwill written off	21,793	-	-	-
Reversal of allowance for doubtful debts no longer required	288,304	882,696	181,556	882,696
Other interest income	60,345	125,041	15,029	91,723
Others	73,346	55,685	200	6,455
	966,087	4,949,415	484,263	5,187,526

### 23. Finance Costs

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Term loan interest	201,285	253,964	182,440	194,119
Hire purchase interest	12,660	36,645	-	-
Bank overdraft interest	-	9,930	-	-
	213,945	300,539	182,440	194,119

### 24. (Loss)/Profit before Taxation

(Loss)/Profit before taxation is derived after charging:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Auditors' remuneration				
- Current year	89,970	74,956	15,000	15,000
- Over provision for prior year	-	(2,000)	-	(2,000)
Allowance for doubtful debts	2,868,511	-	1,261,180	-
Amortisation of prepaid lease payments	16,415	16,414	16,415	16,414
Bad debts written-off	-	908,404	-	882,696
Directors' remuneration	2,186,141	2,452,064	1,958,124	2,030,590
Depreciation of property, plant and equipment	8,451,037	7,391,113	2,637,482	2,525,158
Impairment loss of goodwill	-	342,329	-	-
Impairment loss on other investment	465,438	-	465,438	-
Loss on disposal of property, plant and equipment	73,842	86,440	-	-
Loss on foreign exchange				
- Realised	113,251	420,012	-	407,525
- Unrealised	165,541	-	-	-
Property, plant and equipment written off	337	6,387	-	-
Rental of premises	1,318,871	993,035	285,945	301,887
Share based payment	-	232,554	-	232,554
	-	232,554	-	232,554

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 24. (Loss)/Profit before Taxation (cont'd)

#### Directors' remuneration

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Company's Directors</b>				
<b>Executive Directors</b>				
Fees	108,000	108,000	108,000	108,000
Salaries and other emoluments	1,561,591	1,574,700	1,561,591	1,574,700
EPF	187,404	188,890	187,404	188,890
<b>Non Executive Directors</b>				
Fees	101,129	159,000	101,129	159,000
	1,958,124	2,030,590	1,958,124	2,030,590
<b>Other Directors</b>				
Salaries and other emoluments	228,017	421,474	-	-
	2,186,141	2,452,064	1,958,124	2,030,590

### 25. Taxation

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Current tax provision				
- Malaysia income tax	26,800	25,000	20,000	25,000
- Foreign tax	131,985	77,801	-	-
	158,785	102,801	20,000	25,000
Under provision in prior year	26,696	38	1,612	61
	185,481	102,839	21,612	25,061
Deferred tax:				
Relating to origination and reversal of temporary differences	(497,457)	(468,972)	-	-
Relating to change in tax rate	-	(18,423)	-	-
Over provision in prior financial years	-	(3,080)	-	-
	(497,457)	(490,475)	-	-
	(311,976)	(387,636)	21,612	25,061

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the financial year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26% effective from year of assessment 2009. Therefore, the computation of deferred tax as at 31 December 2008 has reflected these changes. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 25. Taxation (cont'd)

	Group	
	2008 RM	2007 RM
(Loss)/Profit before taxation	(6,475,447)	470,899
Taxation at statutory tax rate of 26% (2007: 27%)	(1,683,616)	127,143
Tax incentive for small and medium scale companies at 20% tax rate	(2,040)	-
Reduction in income tax rate	10,528	(18,423)
Pioneer status tax incentive	(312,130)	(1,588,366)
Expenses not deductible for tax purposes	354,059	959,509
Income not subject to tax	(12,357)	(42,367)
Deferred tax assets not recognised	1,494,602	177,910
Under provision of taxation in respect of prior year	26,696	38
Over provision of deferred taxation in respect of prior year	(187,718)	(3,080)
	<u>(311,976)</u>	<u>(387,636)</u>
	<b>Company</b>	
	2008 RM	2007 RM
Profit before taxation	403,273	4,397,880
Taxation at statutory tax rate of 26% (2007: 27%)	104,851	1,187,428
Pioneer status tax incentive	(312,130)	(1,588,366)
Expenses not deductible for tax purposes	227,279	425,938
Under provision of taxation in respect of prior year	1,612	61
	<u>21,612</u>	<u>25,061</u>

The Group has unused tax losses and unutilised capital allowances amounting to approximately RM32,528,902 and Nil (2007: RM2,176,495 and RM1,780,030) respectively available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

The Company was granted pioneer status for a period of five (5) years commencing from 1 June 1999. The pioneer status was renewed upon application by the Company prior to 1 June 2004 for a further period of five (5) years. The Company has obtained approval for another five (5) years extension for the pioneer status from 1 June 2004 to 31 May 2009, vide letters from Multimedia Development Corporation Sdn Bhd dated 21 June 2004 and Ministry of International Trade and Industry, Malaysia dated 15 September 2004.

### 26. Earnings Per Share

#### (a) Basic earnings per share

The earnings per share has been calculated based on the consolidated (loss)/profit after taxation for the financial year attributable to equity holders of the parent for the Group and the adjusted weighted average number of ordinary shares in issue during the financial year as follow:

	Group	
	2008 RM	2007 RM
Net (loss)/profit for the financial year attributable to the equity holders of the parent	(6,153,818)	848,916
Weighted number of ordinary shares issue	138,862,215	138,598,898
Adjusted for :		
Treasury shares	(345,868)	-
	<u>138,516,347</u>	<u>138,598,898</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 26. Earnings Per Share (cont'd)

(b) Fully diluted earnings per share

Fully diluted earnings per share has been calculated based on the consolidated (loss)/profit after taxation for the financial year attributable to equity holders for the Group and the adjusted weighted average number of ordinary shares issued and issuable during the financial year as follow;

	Group	
	2008 RM	2007 RM
Net (loss)/profit for the financial year	(6,153,818)	848,916
Weighted number of ordinary shares issue	138,862,215	138,598,898
Adjusted for :		
Treasury shares	(345,868)	-
Assumed exercise of ESOS at no consideration	-	2,323,642
	138,516,347	140,922,540

### 27. Dividends

	Note	Group/Company	
		2008 RM	2007 RM
First and final share dividend on the basis of one ordinary share for every one hundred existing ordinary shares on 137,473,515 ordinary shares of RM0.50 each in respect of the financial year ended 31 December 2007	15	439,825	-
Final tax-exempt dividend on the basis of one ordinary share for every one hundred existing ordinary shares on 125,915,200 ordinary shares of RM0.50 each in respect of the financial year ended 31 December 2006		-	629,576

At the forthcoming Annual General Meeting, a first and final share dividend on the basis of one ordinary share for every one hundred existing ordinary shares held by the entitled shareholders on an entitlement date in respect of the financial year ended 31 December 2008 by way of utilisation of the retained profits will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend which will be accrued as a liability in the financial year ending 31 December 2009 when approved by shareholders.

### 28. Purchase of Property, Plant and Equipment

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Aggregate cost	15,897,189	10,419,528	616,033	2,464,580
Less: Hire purchase financing	-	(346,403)	-	-
Cash payment	15,897,189	10,073,125	616,033	2,464,580

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 29. Section 108 Tax Credit and Tax Exempt Income

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from the year of assessment 2008. Under the single tier system, the tax on a company's profit is a final tax and the dividends distributed to its shareholders would be exempted from tax. Unutilised Section 108 balances as at 31 December 2007 will be available until such time the tax credit is fully utilised or upon expiry of the 6 years transitional period on 31 December 2013, whichever is earlier.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income under Promotion of Investments Act, 1986 as at 31 December 2008 to distribute cash dividend out of its entire retained profits as no election has been made to disregard the Section 108 as at todate by the Company.

### 30. Employees' Share Option Scheme

The GHJ Systems Berhad ESOS was approved by shareholders at the EGM on 30 May 2005 and became effective on 6 September 2005 for a period of 3 years, and lapsed on 5 September 2008.

The salient features of the ESOS are as follows:

- (a) Eligible employees comprise confirmed full time employees, including executive Directors of the Company and its eligible subsidiary companies, subject to 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 GHJ 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; and
  - (iv) 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) ESOS scheme currently implemented by any company within the Group.
- (c) The maximum number of new ordinary shares which may be available under the ESOS scheme shall not exceed 15% of the total issued and paid-up share capital of the Company at any point in time during the tenure of the ESOS.
- (d) The ESOS shall come into force for duration of three (3) years from effective date, 6 September 2005 subject however to any extension of the ESOS for a further period of up to seven (7) years at the discretion of the Option Committee. The date of expiry of the ESOS shall be at the end of the three (3) 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 is based on the weighted average market price of the shares for the five (5) market days immediately preceding the date of offer on which the shares were traded, with a discount of not more than ten per centum (10%) or such other percentage of discount as may be permitted by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time during the duration of the ESOS.
- (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 30. Employees' Share Option Scheme (cont'd)

Details of share options outstanding at end of the financial year are as follows:

Share Options	Exercise prices RM	Exercise Period
<b>2008</b>		
Sixth Grant	* 0.500	06.09.2005 - 05.09.2008
Seventh Grant	* 1.050	08.11.2006 - 05.09.2008
Eighth Grant	0.775	25.06.2007 - 05.09.2008
<b>2007</b>		
Sixth Grant	* 0.500	06.09.2005 - 05.09.2008
Seventh Grant	* 1.050	08.11.2006 - 05.09.2008
Eighth Grant	0.775	25.06.2007 - 05.09.2008

Movements in the number of share options outstanding and their related weighted average exercise prices ("WAEP") are as follows:

	No. of Share Option							Outstanding at 31 December	Exercisable at 31 December
	Outstanding at 1 January	Effect of consolidation	Granted	Bonus issue	Exercised	Lapsed	Outstanding at 31 December		
← Movement during the financial year →									
<b>2008</b>									
Sixth Grant	7,487,289	-	-	-	-	7,487,289	-	-	-
Seventh Grant	2,229,414	-	-	-	-	2,229,414	-	-	-
Eighth Grant	1,155,800	-	-	-	-	1,155,800	-	-	-
Total	10,872,503	-	-	-	-	10,872,503	-	-	-
WAEP	0.64	-	-	-	-	0.64	-	-	-
<b>2007</b>									
Sixth Grant	43,371,070	34,696,856	-	931,842	1,248,954	869,813	7,487,289	7,487,289	
Seventh Grant	15,723,000	12,578,400	-	308,026	64,340	1,158,872	2,229,414	2,229,414	
Eighth Grant	-	-	1,496,500	-	-	340,700	1,155,800	1,155,800	
Total	59,094,070	47,275,256	1,496,500	1,239,868	1,313,294	2,369,385	10,872,503	10,872,503	
WAEP	0.13	-	0.78	-	0.53	0.81	0.64	0.64	

Fair value of share options granted during the financial year

The fair value of share options granted during the financial year was estimated by the management using Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted. The fair value of share options were measured at Grant Date and the assumptions are as follows:

Grant dates	25.06.2007	08.11.2006	06.09.2005
Fair value of share options (RM)	0.118	* 0.220	* 0.095
Weighted average share price (RM)	0.770	* 1.075	* 0.455
Weighted average exercise price (RM)	0.775	* 1.050	* 0.500
Expected volatility	29%	29%	29%
Expected option life (years)	1.352	1.973	3.000
Risk-free interest rate, p.a.	3.88%	3.88%	4.17%
Expected dividend yield (%)	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 30. Employees' Share Option Scheme (cont'd)

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur in the future. The expected volatility is based on the historical volatility, adjusted for unusual or extraordinary volatility arising from certain economic or business occurrences which is not reflective of its long term average level. While the expected volatility is assumed to be indicative of future trends, it may not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

\* the changes due to the Company have consolidated every five (5) ordinary shares of RM0.10 each held in the Company into one (1) ordinary share of RM0.50 each.

A new ESOS scheme of up to 15% of the issued and paid-up share capital of GHL Systems Berhad at any point in time through out the duration of the scheme (three (3) years) was approved during the EGM on 15 May 2008 by the shareholders. As at todate, no grant is made to eligible employees.

### 31. Staff Costs

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Staff costs (excluding Directors) comprise:					
Charged to income statements		18,132,354	13,955,760	6,043,587	5,328,021
Capitalised in property, plant and equipment	3	966,105	1,200,000	-	1,200,000
<b>Total staff costs for the financial year</b>		<b>19,098,459</b>	<b>15,155,760</b>	<b>6,043,587</b>	<b>6,528,021</b>

Included in the staff costs (excluding Directors) are contributions made to the Employees Provident Fund under a defined contribution plan of the Group and of the Company amounting to RM1,232,186 and RM628,964 (2007 : RM812,160 and RM584,914) respectively.

### 32. Segmental Reporting

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

Segment revenue, results, assets and liabilities include items directly attributable to a segment and those where a reasonable basis of allocation exists. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

The accounting policies of the segments are consistent with the accounting policies of the Group.

#### (a) Business segments

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

#### (b) Geographical segments

In determining the geographical segments of the Group, segment revenue is based on the geographical location of customers. Segment assets and segment capital expenditure are based on geographical location of assets.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 32. Segmental Reporting (cont'd)

(b) Geographical segments (cont'd)

(i) Revenue by geographical market

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Malaysia	28,840,600	31,673,470
Philippines	3,097,085	7,912,030
Thailand	7,457,253	7,310,123
Hong Kong	(128)	818,548
Singapore	3,649,475	965,298
China	7,504,167	1,253,603
Sri Lanka	(67,880)	59,120
Nepal	-	71,832
Indonesia	-	2,520
Taiwan	12,775	941,546
Japan	-	101,454
Brunei	-	230,688
United States	3,350	-
United Kingdom	6,412	-
Qatar	380,646	-
Romania	1,130,089	-
Australia	122,885	-
Slovakia	4,732	-
New Zealand	103,391	-
	<u>52,244,852</u>	<u>51,340,232</u>

(ii) Segment assets and additions to capital expenditure by geographical location of assets

	<b>Segment assets</b>		<b>Additions to capital expenditure</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Malaysia	136,937,995	80,632,119	10,502,612	6,504,575
Philippines	3,430,473	9,027,483	1,157,686	1,050,508
Thailand	9,406,526	9,561,770	838,497	2,175,629
Hong Kong	18,546,857	4,781,543	3,398,394	688,816
Labuan	11,658,491	7,995,042	-	-
Singapore	48,060	184,307	-	-
	<u>180,028,402</u>	<u>112,182,264</u>	<u>15,897,189</u>	<u>10,419,528</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 33. Significant Events

During the financial year, the following significant events took place for the Company and its subsidiary companies:

(a) GHL Systems Berhad ("the Company")

- (i) During the financial year end, the Company made the following share buy-back of its own shares from the open market:

Date	No. of ordinary shares	Average price per share RM	Total cost RM
17.03.2008	505,600	0.320 - 0.325	164,976
04.04.2008	19,300	0.295 - 0.295	5,741
07.04.2008	16,400	0.295 - 0.300	4,914
08.04.2008	10,000	0.295 - 0.295	2,994
09.04.2008	3,200	0.300 - 0.300	1,001
10.04.2008	20,000	0.300 - 0.300	6,048
11.04.2008	442,200	0.300 - 0.320	141,491
02.06.2008	203,100	0.300 - 0.320	64,382
03.06.2008	77,500	0.300 - 0.310	23,717
04.06.2008	53,500	0.320 - 0.320	17,246
05.06.2008	13,600	0.290 - 0.300	4,091
06.06.2008	24,300	0.310 - 0.315	7,691
	1,388,700		444,292

The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares and carried at cost in accordance with the requirements of Section 67A of the Companies Act, 1965.

- (ii) On 14 April 2008, the Company had proposed establishment of a new Employees' Share Option Scheme ("ESOS") of up to fifteen percent (15%) of the issued and paid-up share capital of GHL at any point in time throughout the duration of the scheme which was duly approved by its shareholders in the EGM on 15 May 2008.

(b) GHL Asia Pacific Limited ("GHL AP")

- (i) On 25 January 2008, GHLSYS Philippines Inc. ("GHLSYS Philippines") increased its issued and paid-up capital from P10,628,000 to P38,666,300 by the issue of 386,663 ordinary shares of P100 each at par for cash. Accordingly, GHL AP had subscribed for the issued and paid-up share capital of GHLSYS Philippines.
- (ii) On 2 June 2008, GHL (Beijing) Co. Ltd., a wholly owned subsidiary of GHL (China) Co. Ltd., which is a wholly owned subsidiary of GHL AP, had acquired 100% equity interest in GHL Services Co. Ltd. ("GHL Services") comprising 100,000 fully paid up ordinary shares of Chinese Yuan One (CY1.00) each, for a cash consideration of Chinese Yuan One Hundred Thousand (CY100,000).

### 34. Subsequent Events

Subsequent to the financial year end, the following subsequent events took place for the Company's subsidiary company, GHL Asia Pacific Limited ("GHL AP"):

- (i) On 31 March 2009, GHL (Thailand) Co. Ltd. ("GHL Thailand") intend to increase its issued and paid-up capital from THB20,000,000 to THB21,800,000 by the issue of 18,000 ordinary shares of THB100 each at par for cash. Accordingly, GHL AP has subscribed for the issued and paid-up share capital of GHL Thailand.
- (ii) On 31 March 2009, GHL (China) Co. Ltd. ("GHL China") intended to increase its issued and paid-up capital from HKD1,200,000 to HKD1,560,000 by the issue of 360,000 ordinary shares of HKD1 each at par for cash. Accordingly, GHL AP has subscribed for the issued and paid-up share capital of GHL China.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 35. Contingent Liabilities

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Limit of guarantees</b>				
Corporate guarantees given to licensed banks for credit facilities granted to				
- subsidiary companies	-	-	200,000	5,900,000
<b>Amount utilised</b>				
Banker's guarantee in favour of third parties				
- secured	234,500	-	234,500	-
Corporate guarantees given to licensed banks for term loans facility granted to				
- subsidiary companies	-	-	-	610,000
	234,500	-	234,500	610,000

On 7 August 2007, two letters of demand were issued against MobilityOne Sdn Bhd ("MobilityOne"). The first claim were made by GHL Systems demanding MobilityOne to pay GHL Systems RM591,426 which comprises fees for servers hosting, rental of EDC terminals and other miscellaneous matters. The second claim were made by GHL Transact Sdn Bhd ("GHL Transact") demanding MobilityOne to pay RM375,241 which comprises fees for maintenance and rental of EDC terminals and other miscellaneous matters. MobilityOne has made partial payments to these claims.

Thereafter, MobilityOne via their solicitors Messrs Gan Rao & Chuah's letter dated 27 December 2007 made three claims against GHL Systems. They are summarised as follows:

- (i) A claim for refund of excess payment amounting to RM1,737,895 made to GHL Systems for the purchase of prepaid soft pin from GHL Systems. Based on records from GHL Systems, GHL Systems has delivered all prepaid soft pin MobilityOne paid for. GHL Systems is of the view that MobilityOne misconstrued the quantity of the staggered delivery of prepaid soft pin by telecommunication companies against their inventory count. GHL Systems has a good defence against the claim.
- (ii) A claim for refund of RM520,000 being payment made to GHL Systems for the installation of lightning arrestors and voltage regulators on MobilityOne's EDC terminals. MobilityOne claimed that they have not requested for the services and the services were never rendered. The Directors of GHL Systems are of the view that the Company has a good defence because MobilityOne recognised this contract in their Admission Document for listing in AIM Market of the London Stock Exchange. GHL Systems's record showed the services were rendered.
- (iii) A claim for refund of interest paid to GHL Systems from year 2005 to 2007 amounting to RM269,330. MobilityOne paid interests to GHL Systems for loan advanced. MobilityOne claimed that interest payments were unlawful and illegal. The Directors of GHL Systems are of the view that the Company has a good defence because MobilityOne had earlier recognised the payment of interest and had never disputed the payment.

As of to date, GHL Systems and GHL Transact (collectively "GHL") has not been served with any writ of summons or originating process that indicate MobilityOne has commenced legal proceedings on the three claims.

Meanwhile representatives of both GHL and MobilityOne had met on several occasions to attempt to resolve the matters amicably. However, no settlement has been achieved as at todate. Due to the ongoing settlement negotiations, GHL has withheld legal proceedings for the remainder sum that MobilityOne has not paid to GHL.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 36. Non-Cancellable Operating Lease Commitments

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Future minimum rentals payables:		
Within one year	351,439	332,150
Between one and five years	422,084	237,945
	773,523	570,095

Operating lease payments represents rentals payable by the Group in respect of land and buildings.

### 37. Related Party Disclosures

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year.

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Subsidiary Companies:</b>				
* Sales of EDC Equipment	-	-	-	1,362,528
* Sales of software	-	-	1,538,400	-
* Sales of other hardware	-	-	2,560,093	-
* Rental and license fee	-	-	9,956,980	9,447,800
* Hosting services	-	-	240,000	249,600
Settlement of liabilities by the Company on behalf of the subsidiary companies	-	-	7,413,855	7,230,313
Settlement of liabilities by the subsidiary companies on behalf of the Company	-	-	168,212	284,861
<b>Related Party:</b>				
* Supply of EuroPay				
- MasterCard-Visa chip-based cards and/or data preparation and personalisation of chip-based cards and installation of EDC equipment to Bank Simpanan Nasional <sup>^</sup> ("BSN")	1,161,044	3,538,485	1,161,044	3,538,485

<sup>^</sup> BSN is a substantial shareholder of BSNC Corporation Berhad ("BSNC") and BSNC is a substantial shareholder of the Company.

\* The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

- (b) Information regarding outstanding balances arising from related party transactions as at 31 December 2008 is disclosed in Notes 9 and 11 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 37. Related Party Disclosures (cont'd)

(c) Information regarding the compensation of key management personnel is as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Short-term employee benefits	5,817,847	5,247,047	4,564,685	4,292,505
Share based payment	-	110,993	-	110,993

Executive directors of the Group and the Company and other members of key management have been granted the following number of options under the ESOS:

	No. of Share Option							Outstanding at 31 December	Exercisable at 31 December
	Outstanding at 1 January	Effect of consolidation	Movement during the financial year				Outstanding at 31 December		
			Granted	Bonus issue	Exercised	Lapsed			
<b>2008</b>									
Sixth Grant	4,803,003	-	-	-	-	4,803,003	-	-	
Seventh Grant	129,008	-	-	-	-	129,008	-	-	
Eighth Grant	257,200	-	-	-	-	257,200	-	-	
Total	5,189,211	-	-	-	-	5,189,211	-	-	
WAEP	0.53	-	-	-	-	0.53	-	-	
<b>2007</b>									
Sixth Grant	27,820,620	22,256,496	-	485,943	1,055,102	191,962	4,803,003	4,803,003	
Seventh Grant	586,400	469,120	-	11,728	-	-	129,008	129,008	
Eighth Grant	-	-	327,500	-	-	70,300	257,200	257,200	
Total	28,407,020	22,725,616	327,500	497,671	1,055,102	262,262	5,189,221	5,189,211	
WAEP	0.10	-	0.78	0.51	0.50	0.57	0.53	0.53	

The share options were granted on the same terms and conditions as those offered to other employees of the Group as disclosed in Note 30 to the financial statements.

### 38. Material Litigation

GHL International Sdn Bhd ("GHLI"), GHLSYS Singapore Pte. Ltd. ("GHLSYS") and Privilege Investment Holdings Pte. Ltd. ("Privilege") had entered into a shareholders' agreement dated 31 October 2005 ("Agreement") for the purpose of a joint venture. Subsequently, the parties mutually agreed to terminate the Agreement via a termination agreement dated 3 March 2006 with a view of entering into a new joint venture subject to further discussions on the terms of such new joint venture. However, the new joint venture did not eventuate, as the parties were unable to reach an agreement on its final terms. Consequently, a dispute has since arisen in respect of the termination of the Agreement.

On 1 April 2006, the Indonesian lawyers acting on behalf of Privilege ("Privilege Lawyers") have via their letter ("Allegation Letter") to GHL Systems Berhad ("GHL Systems"), GHLI and GHLSYS (collectively "GHL Entities") alleged various matters against the GHL Entities and certain representatives of the GHL Entities ("GHL Representatives"), including amongst others, fraud and misrepresentation in respect of the termination of the Agreement, unlawful repudiation of obligations under the Agreement, violation of various Indonesian laws and regulations as specified therein, and defamation.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 38. Material Litigation (cont'd)

In this connection, the GHL Entities and GHL Representatives have engaged a firm of Indonesian lawyers, Brigitta I. Rahayoe & Syamsuddin ("GHL Lawyers"), to represent and advise them on this matter. In their letter dated 3 April 2006 and subsequently on 6 July 2006, the GHL Lawyers have replied to the allegations made in the Allegation Letter by informing the Privilege Lawyers that the GHL Entities and GHL Representatives have categorically denied all the allegations in the Allegation Letter.

Subsequently, PT Multi Adiprakarsa Manunggal ("PT MAM") had in its letter dated 13 February 2007 addressed to the GHL Entities and the GHL Representatives referred to the Allegation Letter dated 1 April 2006 and alleged that it was an intended beneficiary of the Shareholders Agreement and a direct contracting party to all contracts arising out of the Shareholders Agreement and it was injured by the unlawful conduct of the GHL Entities. PT MAM also claimed an amount of USD3 million in damages to be payable by or before 20 February 2007, failing which PT MAM deemed itself free to file litigation in Malaysia, Singapore and/or Indonesia and that the GHL Entities's reporting of accounts receivable in its financial statements may constitute fraudulent misrepresentation as the amount claimed were provided by the GHL Entities as equity contributions to a proposed joint venture company in Indonesia ("PT MAM Threat"). GHLI had in its letter dated 21 February 2007 replied to PT MAM requesting them to refer to the letter dated 6 July 2006 issued by GHL Lawyers to Privilege Lawyers and that GHLI remained open to meeting with PT MAM to resolve matters amicably.

The matter has yet to proceed to Court and the GHL Entities and GHL Representatives hope to negotiate with Privilege and/or PT MAM to settle the matter amicably. The GHL Lawyers had expressed that they were not aware of any doctrine of intended beneficiary under Indonesian law in respect of the PT MAM Threat. The GHL Lawyers are of the view that there are legal grounds for the GHL Entities to defend both the Privilege Threat and the PT MAM Threat in the event that litigation is commenced in the Courts of the Republic of Indonesia. However, the GHL Lawyers have qualified all such views by expressing that the Indonesian judiciary is sometimes unpredictable in its decision-making process and that a decision may not necessarily be based on the merits of a case.

However, as no calculation of a claim for damages has been submitted by Privilege or its Indonesian lawyers and the PT MAM's claim for USD3 million was not quantified, the GHL Lawyers are not able to opine fully on the financial consequences to the GHL Entities. The Directors of GHL are of the opinion that should this matter go to court, the GHL Entities will vigorously defend its position.

The matter has yet to proceed to litigation or arbitration and the GHL Entities and GHL Representatives are in negotiations with Privilege to settle the matter amicably. The ultimate outcome of the abovementioned claims cannot presently be determined, therefore, no provision for any liability that may result has been made in the financial statements.

### 39. Financial Instruments

#### (a) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and of the Company's operations whilst managing its financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity risk and cash flow risk.

The Group and the Company operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

#### (b) Interest rate risk

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's and the Company's borrowings and deposits. The Group and the Company monitors the interest rates constantly although the prevailing interest rates are low.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 39. Financial Instruments (cont'd)

(c) Credit risk

The Group's and the Company's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via management reporting procedure and action is taken to recover debts when due.

At balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk for the Group and the Company is the carrying amount of the financial assets shown in the balance sheet.

(d) Foreign currency exchange risk

The Group and the Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily US dollars, Sterling pound, Hong Kong dollars, Singapore dollars, Thailand baht, Philippines dollars and Euro. The Group and the Company maintains a natural hedge that minimises the foreign exchange exposure by matching foreign currency income with foreign currency costs.

The net unhedged financial assets and financial liabilities of the Group and the Company that are not denominated in their functional currencies are as follows:

Functional Currency	Net Financial Assets/(Liabilities) Held in Non-Functional Currency							Total RM
	United States Dollar RM	Sterling Pound RM	Singapore Dollar RM	Thailand Baht RM	Hong Kong Dollar RM	Philippines Peso RM	Yuan Renminbi RM	
<b>Group</b>								
<b>2008</b>								
<b>Inventories</b>								
Sterling Pound	-	1,681,711	-	-	-	-	-	1,681,711
Hong Kong Dollar	-	-	-	-	-	-	866,734	866,734
Philippines Peso	-	-	-	-	-	522,959	-	522,959
Thailand Baht	-	-	-	1,964,588	-	-	-	1,964,588
<b>Trade receivables</b>								
Hong Kong Dollar	-	-	-	-	639,600	-	67,077	706,677
Philippines Peso	-	-	-	-	-	413,105	-	413,105
Thailand Baht	-	-	-	3,526,348	-	-	-	3,526,348
<b>Other receivables</b>								
Sterling Pound	-	93,147	-	-	-	-	-	93,147
Hong Kong Dollar	-	-	-	-	-	-	255,598	255,598
Philippines Peso	-	-	-	-	-	226,149	-	226,149
Thailand Baht	-	-	-	176,390	-	-	-	176,390
<b>Cash and bank balances</b>								
Sterling Pound	20,055	5	-	-	-	-	-	20,060
Hong Kong Dollar	-	-	-	-	803,376	1,963,759	-	2,767,135
Philippines Peso	-	-	-	-	-	566,712	-	566,712
Thailand Baht	-	-	-	598,413	-	-	-	598,413
<b>Trade payables</b>								
Hong Kong Dollar	-	-	-	-	-	-	83,613	83,613
Philippines Peso	-	-	-	-	-	53,225	-	53,225
Thailand Baht	-	-	-	160,324	-	-	-	160,324

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 39. Financial Instruments (cont'd)

(d) Foreign currency exchange risk (cont'd)

Functional Currency	Net Financial Assets/(Liabilities) Held in Non-Functional Currency							Total RM
	United States Dollar RM	Sterling Pound RM	Singapore Dollar RM	Thailand Baht RM	Hong Kong Dollar RM	Philippines Peso RM	Yuan Renminbi RM	
<b>Group (cont'd)</b>								
<b>2008</b>								
<b>Other payables</b>								
Sterling Pound	-	35,734	-	-	-	-	-	35,734
Hong Kong Dollar	-	-	-	-	148,882	-	2,037,052	2,185,934
Philippines Peso	-	-	-	-	-	217,440	-	217,440
Thailand Baht	-	-	-	828,411	-	-	-	828,411
<b>Company</b>								
<b>2008</b>								
<b>Inventories</b>								
Ringgit Malaysia	1,766,223	-	-	-	-	-	-	1,766,223
<b>Trade receivables</b>								
Ringgit Malaysia	838,886	-	-	-	-	-	-	838,886
<b>Trade payables</b>								
Ringgit Malaysia	304,057	-	-	-	-	-	-	304,057
<b>Amount owing by related companies</b>								
Ringgit Malaysia	10,549,384	-	96,632	-	22,500	-	-	10,668,516
<b>Amount owing to related companies</b>								
Ringgit Malaysia	-	-	15,159	-	-	-	-	15,159

Functional Currency	Net Financial Assets/(Liabilities) Held in Non-Functional Currency							Total RM
	United States Dollar RM	Sterling Pound RM	Singapore Dollar RM	Thailand Baht RM	Hong Kong Dollar RM	Yuan Renminbi RM		
<b>Group</b>								
<b>2007</b>								
<b>Inventories</b>								
Sterling Pound	1,390,444	-	-	-	-	-	-	1,390,444
<b>Trade receivables</b>								
Ringgit Malaysia	1,432,997	-	20,170	-	-	127,260	-	1,580,427
<b>Other receivables</b>								
Ringgit Malaysia	-	-	-	-	-	33,165	-	33,165
Philippines Peso	808	-	-	-	-	-	-	808
<b>Cash and bank balances</b>								
Philippines Peso	3,391	-	-	-	-	-	-	3,391
<b>Trade payables</b>								
Ringgit Malaysia	5,896,888	-	-	2,056,114	-	-	-	7,953,002
Thailand Baht	2,926,135	-	-	-	-	-	-	2,926,135
<b>Other payables</b>								
Ringgit Malaysia	-	6,068	13,416	-	5,094	-	-	24,578
Sterling Pound	935,908	-	-	-	-	-	-	935,908

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 39. Financial Instruments (cont'd)

- (d) Foreign currency exchange risk (cont'd)

Functional Currency	Net Financial Assets/(Liabilities) Held in Non-Functional Currency						Total RM
	United States Dollar RM	Sterling Pound RM	Singapore Dollar RM	Thailand Baht RM	Hong Kong Dollar RM	Yuan Renminbi RM	
<b>Company</b>							
<b>2007</b>							
<b>Trade receivables</b>							
Ringgit Malaysia	174,914	-	-	-	-	-	174,914
<b>Amount owing by related companies</b>							
Ringgit Malaysia	1,001,860	-	-	-	-	-	1,001,860

- (e) Liquidity and cash flow risks

The Group and 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 Group's and the Company's ability to repay and/or refinance.

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

- (f) Fair values

The carrying amounts of financial liabilities of the Group and the Company at the balance sheet date approximated their fair values except for the following: The aggregate fair values of the other financial assets and liabilities are as follows:

	2008		2007	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Group</b>				
<b>Financial Assets</b>				
Other investment	88,250	88,250	553,688	1,201,154
<b>Financial liabilities</b>				
Hire purchase payables	34,786	33,914	92,131	88,978
Borrowings	3,082,585	3,018,122	3,248,259	2,691,881
<b>Company</b>				
<b>Financial liabilities</b>				
Borrowings	3,082,585	3,018,122	3,248,259	2,691,881
Contingent liabilities	-	-	610,000	@

@ It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, cost and eventual outcome.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 39. Financial Instruments (cont'd)

(f) Fair values (cont'd)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

- (i) The carrying amounts of cash and cash equivalents, trade and other receivables/payables and short term borrowings approximate fair values due to the relatively short term maturity of these financial instruments.
- (ii) The fair value of quoted unit trusts are determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date
- (iii) The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

### 40. Comparative Figures

The financial statements of the previous financial year which are presented for comparative purposes were examined and reported on by another firm of auditors.

Certain comparative figures have been reclassified where necessary to conform with the current financial year's presentation as follows:

	As previously stated RM	Reclassified RM	As restated RM
<b>Group</b>			
<b>Balance Sheets</b>			
Marketable securities	591,685	(591,685)	-
Cash and bank balances	11,407,540	591,685	11,999,225
<b>Cash Flow Statements</b>			
Purchase of marketable securities	(575,426)	(591,685)	16,259
Cash and cash equivalents at beginning of the financial year	11,407,540	591,685	11,999,225
<b>Company</b>			
<b>Balance Sheets</b>			
Marketable securities	510,705	(510,705)	-
Cash and bank balances	1,439,874	510,705	1,950,579
<b>Cash Flow Statements</b>			
Purchase of marketable securities	(510,705)	(510,705)	-
Cash and cash equivalents at beginning of the financial year	1,439,874	510,705	1,950,579

### 41. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 31 March 2009.

# SHAREHOLDING STATISTICS

AS AT 31 MARCH 2009

Authorised Share Capital	:	RM100,000,000.00
Issued and Fully Paid-up Capital	:	RM69,431,107.50
Class of Shares	:	Ordinary shares of 50 sen each fully paid
Voting Rights	:	One vote per 50 sen share

## BREAKDOWN OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
Less than 100	1,060	12.89	29,838	0.02
100 – 1,000 shares	1,066	12.96	548,585	0.39
1001 – 10,000 shares	4,396	53.46	16,005,370	11.53
10,001 – 100,000 shares	1,579	19.20	39,848,813	28.70
100,001 to less than 5% of issued shares	121	1.47	47,113,117	33.93
5% and above of issued shares	2	0.02	35,316,492	25.43
Total	8,224	100	138,862,215	100

## SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2009

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	%
Mayban Nominees (Tempatan) Sdn Bhd Amanahraya- JMF Asset Management Sdn. Bhd. For BSNC Corporation Berhad (C262-240124)	17,759,581	12.79	-	-
Goh Kuan Ho	17,556,911	12.64	-	-

## DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2009

Name of Directors	Note	No. of Shares Held			
		Direct Interest	%	Indirect Interest	%
Goh Kuan Ho		17,556,911	12.64	-	-
Tay Beng Lock		6,162,817	4.44	-	-
Yeng Fook Hoo	1	3,011,554	2.17	-	-

### Notes:

1) 1,571,944 held under Bumiputra- Commerce Nominees (Tempatan) Sdn Bhd.

## STATEMENT OF SHAREHOLDINGS THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 31 MARCH 2009

No. Shareholders	Holdings	%
1. Mayban Nominees (Tempatan) Sdn Bhd Amanahraya- JMF Asset Management Sdn. Bhd. For BSNC Corporation Berhad (C262-240124)	17,759,581	12.79
2. Goh Kuan Ho	17,556,911	12.64
3. Tay Beng Lock	6,162,803	4.44

## SHAREHOLDING STATISTICS (CONT'D)

AS AT 31 MARCH 2009

No.	Shareholders	Holdings	%
4.	Ambank (M) Berhad Pledged Securities Account For Fang Kok Leong @ Phang Soon Fook (SMART)	2,872,945	2.07
5.	Citigroup Nominees (Asing) Sdn Bhd PII For Robotti Global Fund LLC	2,217,657	1.60
6.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Loh Wee Hian (PB)	2,202,600	1.59
7.	Goh Heng Loo	1,583,469	1.14
8.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yeng Fook Hoo (36315 Peta)	1,571,944	1.13
9.	Yeng Fook Hoo	1,439,610	1.04
10.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Wong Yee Hui (8054215)	1,361,480	0.98
11.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng Hoo Kui	1,176,628	0.85
12.	Tey Choon Siang	1,042,719	0.75
13.	Ong Boey Hwa	850,000	0.61
14.	Lim Peng Kwee	670,640	0.48
15.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Sii Lik Kung (E-CST)	643,874	0.46
16.	Ang Kok Seong	620,645	0.45
17.	Tee Chee Chiang	600,800	0.43
18.	HSBC Nominees (Asing) Sdn Bhd Exempt An For Credit Suisse (SG BR-TST-ASING)	577,720	0.42
19.	Jerneh Asia Capital Sdn Bhd	570,280	0.41
20.	Ong Yek Yek	529,543	0.38
21.	Chew Chee Seng	528,836	0.38
22.	Lim Chai Ong	521,059	0.38
23.	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ong Seng Sze	497,936	0.36
24.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Boon Seng (E-SPI)	421,669	0.30
25.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Goh Chu Boon	400,097	0.29
26.	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad For ASBI Dana Al- Mubin (940160)	383,067	0.28
27.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng Kok Sing	380,206	0.27
28.	Associated Abrasives Sdn Bhd	362,893	0.26
29.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Susy Ding (471873)	349,500	0.25
30.	Ng Bee Yean	336,855	0.24

### LIST OF PROPERTY

Title/Location	Description/ Existing Use	Registered Owner	Age of Building (Years)	Land Area	Tenure	Net Book Value as at 31.12.2008 (RM)	Original Cost (RM)
4 1/2-storey shop office at Unit L 7,8 & 9, C-G-15, Block C, Jalan Dataran SD1, Dataran SD PJU 9, Bandar Sri Damansara, 52200 Kuala Lumpur	Office space	GHL Systems Berhad	4	570 sq m	Leasehold Expired on 27 Aug 2102	3,151,516	4,875,000

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Fifteenth Annual General Meeting of GHL SYSTEMS BERHAD (“**GHL**” or “**Company**”) will be held at Level 3A, Unit L8 C-G-15, Block C, Jalan Dataran SD1, Dataran SD PJU 9, Bandar Sri Damansara, 52200 Kuala Lumpur on Friday, 8 May 2009 at 9.00 a.m. for the purpose of transacting the following businesses:

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 together with the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To approve a first and final Share Dividend of one (1) ordinary share for every one hundred (100) existing ordinary shares held in the Company for the financial year ended 31 December 2008. (Resolution 2)
3. To re-elect the following Directors who retire pursuant to Article 127 of the Company’s Articles of Association:-
  - (a) Mr. Tay Beng Lock (Resolution 3)
  - (b) Mr. Chin Fook Kheong (Resolution 4)
4. To approve the payment of Directors’ fees of RM209,129.02 for the financial year ended 31 December 2008. (Resolution 5)
5. To re-appoint Messrs. UHY Diong as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

### **As Special Business:**

To consider and, if thought fit, to pass the following Ordinary Resolutions:

6. **Authority to Directors to Allot and Issue Shares** (Resolution 7)

“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.”
7. **Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“Proposed Renewal of RRPTs”)** (Resolution 8)

“THAT, subject always to the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Company and/or its subsidiaries be and is hereby mandated to enter into the recurrent transactions of a revenue nature with Bank Simpanan Nasional (“**BSN**”) as specified in Part A, Section 2.2 of the Circular to shareholders dated 16 April 2009 subject to the following:-

  - (a) that the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders of the Company;
  - (b) that the transactions are made on arms length basis and on normal commercial terms;
  - (c) that disclosure will be made in the annual report of the Company, providing the breakdown of the aggregate value of recurrent related-party transactions (“**RRPTs**”) conducted pursuant to the Proposed Renewal of RRPTs during the financial year based on the types of transaction and the names of the related parties involved and their relationships with the Company where:-
    - (i) the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1 million; or
    - (ii) any one of the percentage ratios of such aggregated transactions is equal to or exceeds 1%, whichever is higher; and

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- (d) that such approval shall only continue to be in force until:-
- (i) the conclusion of the next AGM of the Company following the general meeting at which the Proposed Renewal of RRPTs was passed, at which time the Proposed Renewal of RRPTs will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (ii) the expiration of the period within which the next AGM of the Company after the date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (iii) revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is earlier."

### 8. Proposed Renewal of Authority for The Purchase By GHL of Its Own Shares ("Proposed Renewal of Share Buy-Back Authority") (Resolution 9)

"THAT, subject to the Act, Listing Requirements of Bursa Securities, and the Memorandum and Articles of Association of the Company and all applicable laws, regulations and guidelines and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to purchase up to ten percent (10%) of the enlarged issued and paid-up share capital and an amount not exceeding the Company's total retained profits and/or share premium account be allocated by the Company for the purpose of the Proposed Renewal of Share Buy-Back Authority AND THAT the Directors of the Company be and are hereby authorised to decide in their absolute discretion deal with any GHL Shares so purchased by the Company ("Purchased GHL Shares") in the following manner:-

- (i) the Purchased GHL Shares could be cancelled; or
- (ii) the Purchased GHL Shares could be retained as treasury shares for distribution as dividends and/or re-sale through the Bursa Securities in accordance with the relevant rules of Bursa Securities and/or cancellation subsequently; or
- (iii) the Purchased GHL Shares could in part be retained as treasury shares and the remainder be cancelled.

AND FURTHER THAT the Directors of the Company be and hereby empowered immediately upon the passing of this resolution which shall continue to be in force until:-

- (i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed, at which time the authority it shall lapse unless renewed by ordinary resolution past at meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first and to take all steps as are necessary and/or to do all such acts and things as the Directors of the Company deem fit and expedient in the interest of the Company to give full effect to the aforesaid Proposed Renewal of Share Buy-Back Authority with full powers to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed by the relevant authorities."

9. To transact any other business of the Company for which due notice shall have been given.

### NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS HEREBY GIVEN THAT**, subject to the approval of the shareholders at the Fifteenth Annual General Meeting of the Company, the Share Dividend of one (1) new ordinary share for every one hundred (100) existing ordinary shares held in the Company for the financial year ended 31 December 2008 will be distributed on 21 July 2009 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 9 July 2009.

A Depositor shall qualify for entitlement only in respect of :-

- (a) shares transferred into the Depositors' Securities Account before 4.00 p.m. on 9 July 2009 in respect of ordinary transfers; and
- (b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

Tan Tong Lang (MAICSA 7045482)  
Chin Fook Kheong (MIA 12596)  
Company Secretaries

Kuala Lumpur

Date: 16 April 2009

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

## NOTES ON APPOINTMENT OF PROXY

1. A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its attorney duly authorised in writing.
4. If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
5. The Form of Proxy or other instruments of appointment must be deposited at Suite 11.05B, Level 11, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur at least 48 hours before the time fixed for holding the meeting or any adjournment thereof, or in the case of a poll, at least 24 hours before the time appointed for the taking of the poll.

## EXPLANATORY NOTES ON SPECIAL BUSINESS

### Ordinary Resolution 7: Authority to Directors to Allot and Issue Shares

The Proposed Ordinary Resolution 7, if passed, will enable the Directors to issue shares up to an amount not exceeding 10% of the issued share capital of the Company 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.

### Ordinary Resolution 8: Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of RRPTs")

The Proposed Ordinary Resolution 8, if passed, will enable the Company and / or its subsidiaries to enter into recurrent related party transaction of a revenue or trading nature, particulars of which are set out in Part A, Section 2.2 of the Circular to Shareholders of the Company dated 16 April 2009 dispatched together with the Company's Annual Report 2008. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next annual general meeting of the Company.

### Ordinary Resolution 9: Proposed Renewal of Authority for The Purchase By GHL of Its Own Shares ("Proposed Renewal of Share Buy-Back Authority")

The proposed Ordinary Resolution 9, if passed, will empower the Directors to purchase the Company's shares of up to ten percent (10%) of the issued and paid up capital of the Company by utilizing the funds allocated out of the retained profits and the share premium account of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next annual general meeting of the Company.

For further information, please refer to the Circular to Shareholders of the Company dated 16 April 2009 which is dispatched together with the Company's Annual Report 2008.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

- |                           |             |                |
|---------------------------|-------------|----------------|
| (i) Mr. Tay Beng Lock     | Article 127 | (Resolution 3) |
| (ii) Mr. Chin Fook Kheong | Article 127 | (Resolution 4) |

The profile of the above Directors are set out on pages 16 and 17 of the Annual Report 2008. The details of the interest of the above Directors in the securities of the Company or its related corporations are disclosed in the Directors report on page 34 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 22 of the Annual Report 2008.

The Fifteenth Annual General Meeting of the Company will be held at Level 3A, Unit L8 C-G-15, Block C, Jalan Dataran SD1, Dataran SD PJU 9, Bandar Sri Damansara, 52200 Kuala Lumpur on Friday, 8 May 2009 at 9.00 a.m.



# GHL SYSTEMS BERHAD

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

No. of Shares held

## FORM OF PROXY FOR ANNUAL GENERAL MEETING

I/We\* (Name & NRIC/Company\* No.) \_\_\_\_\_  
(in capital letters)

of \_\_\_\_\_  
(full address)

being a Member/Members\* of **GHL SYSTEMS BERHAD**, do hereby appoint  
(Name & NRIC No.) \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ and/or\*  
(Name & NRIC 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 Fifteenth Annual General Meeting of the Company to be held at Level 3A, Unit L8 C-G-15, Block C, Jalan Dataran SD1, Dataran SD PJU 9, Bandar Sri Damansara, 52200 Kuala Lumpur on Friday, 8 May 2009 at 9.00 a.m. and at any adjournment thereof.

The proportion of my/our\* holding to be represented by my/our\* proxies are as follows:-

First Proxy (1)  Second Proxy (2)

My/our\* proxy is to vote as indicated below:-

No.	Resolution	For	Against
<b>As Ordinary Business</b>			
1.	To receive the Financial Statements and Reports for the financial year ended 31 December 2008.		
2.	To approve a first and final Share Dividend of one (1) ordinary share for every one hundred (100) existing ordinary shares held in the Company for the financial year ended 31 December 2008.		
3.	To re-elect Mr. Tay Beng Lock as Director.		
4.	To re-elect Mr. Chin Fook Kheong as Director.		
5.	To approve the payment of Directors' fees for the financial year ended 31 December 2008.		
6.	To re-appoint Messrs UHY Diong as Auditors of the Company.		
<b>As Special Business</b>			
7.	To approve the authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
8.	Proposed Renewal of RRPTs		
9.	Proposed Renewal of Share Buy-Back Authority		

**(Please indicate with an "X" in the spaces provided whether you wish your vote to be casted for or against the resolution. In the absence of specific instructions, your proxy will vote or abstain as he thinks fit.)**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2009

\_\_\_\_\_  
Signature/Common Seal\* of Shareholder(s)

\* Delete if not applicable

**Notes on appointment of proxy:**

1. A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its attorney duly authorised in writing.
4. If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
5. The Form of Proxy or other instruments of appointment must be deposited at Suite 11.05B, Level 11, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur at least 48 hours before the time fixed for holding the meeting or any adjournment thereof, or in the case of a poll, at least 24 hours before the time appointed for the taking of the poll.

*Fold this flap for sealing*

AFFIX  
STAMP

**THE COMPANY SECRETARY**

GHL Systems Berhad (Company No. 293040-D)  
Suite 11.05B, Level 11, The Gardens South Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur

*2<sup>nd</sup> fold here*

*1<sup>st</sup> fold here*