

PAYMENT SOLUTIONS, REDEFINED



GHL SYSTEMS BERHAD (293040-D)
INCORPORATED IN MALAYSIA

Annual Report
2011

www.ghl.com

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GHL SYSTEMS. PAYMENT SOLUTIONS, REDEFINED.

CORPORATE PROFILE

Main Market-listed GHL Systems Berhad (“GHL Systems”) is the leading end-to-end payment services enabler in Asia Pacific that deploys world-class payment infrastructure, services, and technology.

GHL 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, Wuhan, Kuala Lumpur and Manila, GHL Systems’ payment solutions are

further recognized, accredited and certified by international organizations 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, GHL 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, GHL Systems is well positioned to meet the demands of the global economy.

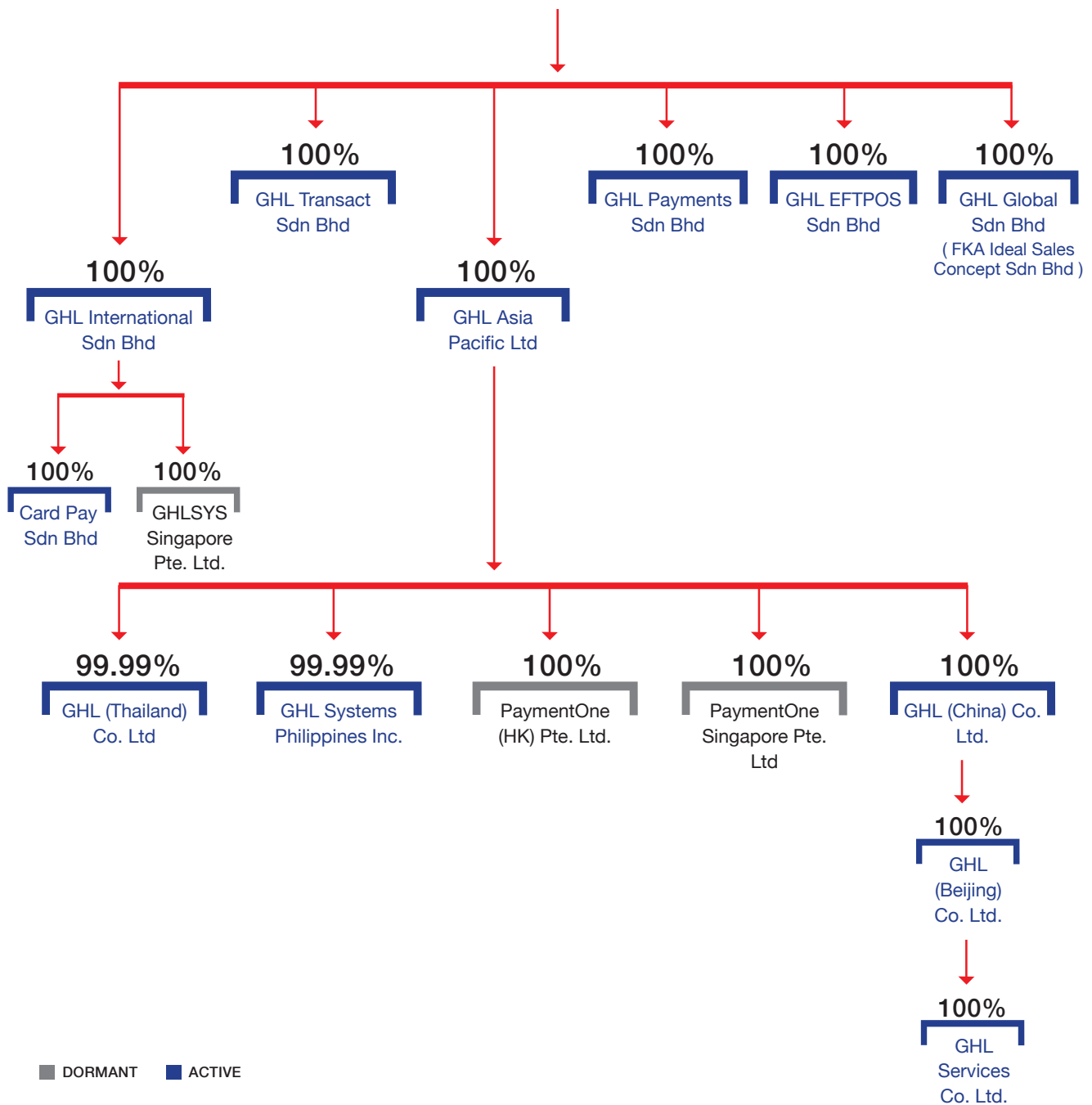


VISION AND MISSION

To be the leading end-to-end payment services enabler by deploying world-class payment infrastructure, technology and services

CORPORATE STRUCTURE

AS AT 23 APRIL 2012



CORPORATE INFORMATION

Board Of Directors

Loh Wee Hian (Executive Chairman)
Kanagaraj Lorenz (Chief Executive Officer)
Ng King Kau (Executive Director)
Fong Seow Kee (Independent Non-Executive Director)
Goh Kuan Ho (Non-Independent Non-Executive Director)
Datuk Kamaruddin Bin Taib (Independent Non-Executive Director)

Company Secretary

Wong Wai Foong (MAICSA 7001358)
Lim Poh Yen (MAICSA 7009745)

Audit Committee

Fong Seow Kee (Chairperson)
Goh Kuan Ho
Datuk Kamaruddin Bin Taib

Remuneration Committee

Goh Kuan Ho (Chairperson)
Fong Seow Kee
Datuk Kamaruddin Bin Taib

Nomination Committee

Goh Kuan Ho (Chairperson)
Fong Seow Kee
Datuk Kamaruddin Bin Taib

ESOS Committee

Loh Wee Hian (Chairperson)
Fong Seow Kee
Teoh Sue En

Auditors

UHY (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
Citibank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Berhad

Registrar

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower,
Mid Valley City,
Lingkar Syed Putra,
59200, Kuala Lumpur.

Registered Office

Level 18, The Gardens North Tower,
Mid Valley City,
Lingkar Syed Putra,
59200, Kuala Lumpur.

Legal Advisors

Teh & Lee

Unit A-3-3 & A-3-4, Northpoint Offices,
Mid Valley City,
No. 1 Medan Syed Putra Utara,
59200 Kuala Lumpur

H. H. Goh & Co

36, Jalan Pipit, Off Jalan Ipoh,
Batu 3, 51100 Kuala Lumpur.

Brigitta I. Rahayeo & Syamsuddin

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

DeHeng Law Firm

Level 12, Block B,
Fukai Building,
No.19, Jinrongjie,
Xicheng District, Beijing.

Chalermchat Law Office Co., Ltd.

518/5, Maneeya Center,
16 Floor, Ploenchit Road, Lumpini,
Pathumwan, Bangkok 10330 Thailand.

Fortun Narvasa Salazar Law Offices

23rd Floor Multinational Bancorporation Centre,
6805 Ayala Avenue, 1
226 Makati City Philippines.

Stock Exchange Listing

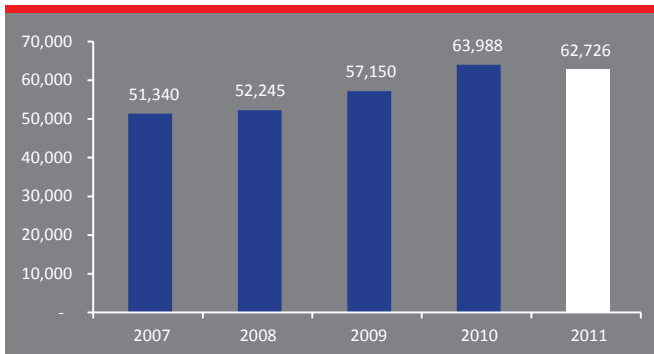
Main Market of Bursa Malaysia Securities Bhd (BMSB)
BMSB Code : 0021
Reuters Code : GHLS.KL
Bloomberg Code : GHLS MK

Website

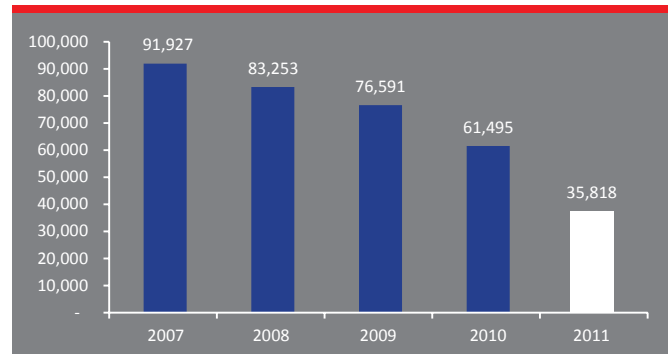
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FINANCIAL HIGHLIGHTS

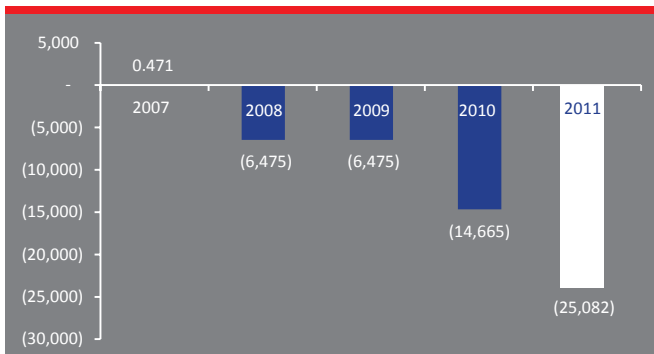
Revenue (RM'000)



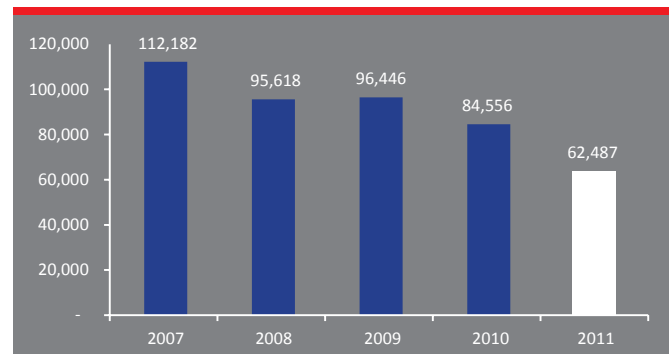
Shareholders' Equity (RM'000)



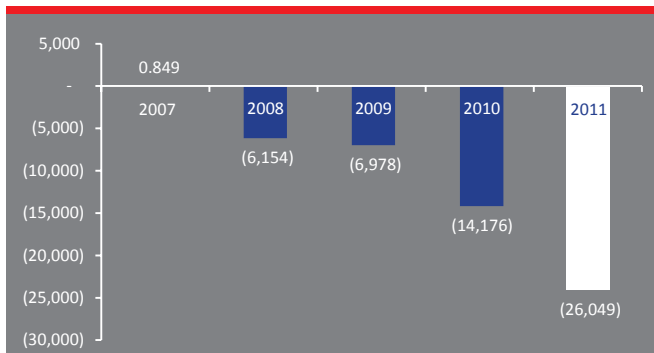
Profit/ (Loss) Before Tax (RM'000)



Total Assets (RM'000)



Net Profit/ (Loss) (RM'000)



Net Tangible Assets per Share (Sen)



KEY PERFORMANCE INDICATORS

Financial Year Ended Actual / Restated	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
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KEY FINANCIALS DATA

INCOME STATEMENT

Revenue	RM'000	51,340	52,245	57,150	63,988	62,726
Gross Profit	RM'000	32,944	35,358	38,593	40,172	42,936
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	RM'000	8,179	2,206	4,490	1,450*	3,213*
Profit / (Loss) Attributable To Equity Holders	RM'000	849	(6,154)	(6,978)	(14,176)	(26,049)

BALANCE SHEET

Share Capital	RM'000	69,431	69,431	69,431	72,901	72,901
Shareholders' Equity	RM'000	91,927	83,253	76,591	61,495	35,818
Net Assets	RM'000	91,927	83,253	76,591	61,495	35,818
Net Tangible Assets	RM'000	90,014	81,340	74,678	60,399	35,818
Total Borrowings	RM'000	9,978	3,833	3,093	3,373	4,469
Cash And Bank Balances	RM'000	25,485	12,697	14,733	12,693	20,897

CASH FLOW

Net Operating Cash Flow	RM'000	(1,972)	8,525	9,873	4,395	13,481
Cash And Cash Equivalents	RM'000	22,659	11,149	13,616	10,729	19,468

RATIO ANALYSIS

PER SHARE DATA

Basic Earnings Per Share	sen	0.61	(4.44)	(5.04)	(9.96)	(18.04)
Net Cash Per Share	sen	11.17	6.38	8.38	6.45	11.27
Net Assets Per Share	RM	0.66	0.60	0.55	0.43	0.25
Net Tangible Assets Per Share	RM	0.65	0.59	0.54	0.42	0.25

PROFITABILITY

Gross Profit Margin	%	64.17	67.68	67.53	62.78	68.45
EBITDA Margin	%	15.93	4.22	7.86	2.27	5.12
Net Profit Margin	%	1.67	(11.80)	(12.24)	(22.15)	(41.53)

GROWTH RATES

Revenue Growth	%	7.17	1.76	9.39	11.96	(1.97)
Gross Profit Growth	%	(9.04)	7.33	9.15	4.09	6.88

GEARING

Gearing Ratio	times	0.11	0.05	0.04	0.05	0.12
Net Gearing Ratio	times	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

VALUATION

Market Capitalisation	RM'000	56,934	27,772	56,934	61,237	42,283
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Note:

* EBITDA exclude the exceptional items.



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of GHL Systems Berhad ("GHL Systems"), I hereby present the 2011 Annual Report and the audited accounts of the Group and the Company for the financial year ended 31 December 2011 ("FY2011").

In last years' Chairman Statement, I asked for your patience as the current management undertook the mammoth task of turning around the Group which had been incurring losses for 3 consecutive years. It is with personal regret that despite our efforts, we were unable to return the Group to profitability in FY2011. Despite being profitable in the first 3 quarters of FY2011, the Group made a provision in Quarter 4 resulting from irregular transactions uncovered in our China operations that had taken place since 2009, prior to the oversight of the current management. In addition, management also took a prudent view and wrote down the value of certain assets in its books. As a result of these two items, the Group incurred a loss of RM26.05 million for FY2011.

Despite this loss, the Group's financial position remains sound. Our balance sheet as at the end of FY2011 remained healthy. Our gearing remains low and our cash position has improved significantly compared to the end of FY2010. Our underlying business continues to be strong as reflected by our gross profit increase

of RM2.8 million despite revenue being marginally down from FY2010. It should be noted that excluding the provisions for our China operations and the write down of assets, the Group would have shown a profit, albeit small, underscoring the progress we have made in turning the Group around. These are strong positives for us as we enter FY2012.

While global factors such as the European crisis and the slowdown in China's growth have continued to create an uncertain global outlook, the outlook for the industry in which we operate, the payments industry, remains positive not just in Malaysia but in the countries we operate in such as Philippines and Thailand. The Group operates in markets where there is still a high percentage of cash transactions and where there is a clear trend by the respective central banks to actively encourage the use of electronic payments because of the benefits in terms of efficiency and transparency.

We believe the next 5 years will see rapid changes in the payments

industry in our markets and corresponding opportunities for the Group. According to the Financial Sector Blueprint 2011-2020 issued by Bank Negara Malaysia ("BNM") in December 2011, the growth in e-payments has been encouraging with notable growth registered across all e-payment methods. BNM said measures would be undertaken to encourage switching from paper-based payments to e-payments and facilitating wider outreach of e-payments infrastructure, such as point-of-sale terminals and mobile phone banking. BNM further stated that "The Bank will continue to provide the necessary regulatory environment to drive the migration to e-payments agenda, enhance efficiency including initiatives that will derive cost savings for the country as a whole and contribute to the payment system stability". As the leading payment solutions provider in Malaysia, the Group is well positioned to play an active role in this transformation including providing vital infrastructure and solutions.



FY2011 Financial Highlights

Our Group revenue decreased slightly to RM62.69 million in FY2011 from RM63.99 million in FY2010. Despite being profitable in the first three quarters, we made a loss of RM26.05 million for the year due to certain non-recurring charges that we took in Quarter 4 arising from irregular transactions in our Beijing operations. We also wrote-down the residual value of some of our Electronic Data Capture (“EDC”) terminal assets in Malaysia to better reflect current market conditions.

Group borrowings remained modest at RM4.47 million as at the end of FY2011 from RM3.37 million previously. Cash and cash equivalents amounted to RM20.87 million as at end FY2011, sharply up from RM12.69 million previously. The Group remained in a net cash position as at end FY2011.

CHAIRMAN'S STATEMENT

Cont'd

Corporate Developments

Irregular Transactions

In November 2011, the Board was made aware of potential irregular transactions in our Beijing office. Subsequently, Crowe Horwath was appointed to undertake an independent investigation into the matter and its findings were announced in February 2012. As a result of these findings, the Group made a provision of RM5.5 million resulting from these irregular transactions.

Arising from this, the Board has engaged external parties to undertake internal control reviews for the Group to ensure similar incidents do not reoccur.

Employee Share Option Scheme (“ESOS”)

On 31 October 2011, the Group held an EGM for the proposed amendments to the By-Laws of the Company's Employee Share Option Scheme (“ESOS”) as well as approved the granting of ESOS to Mr. Kanagaraj Lorenz, Ms. Goh Kuan Ho, Mr. Fong Seow Kee, Mr. Ng King Kau, Mr. Herve Alfieri, Mr. Rey Maria R. Chumacera, and Mr. Chan Chun Fee.



Business Strategies

Despite the challenges faced in FY 2011, there is much that suggests we are on the right track. As noted above, our financial position and underlying business remains sound and we have made considerable progress in streamlining and reprioritizing our business, improving efficiencies and refocusing on our core strengths. We will continue with this process in FY 2012.

For the FY 2012, we will continue to grow our higher value-added Solutions and Transaction Payment Acquisition (“TPA”) businesses. At the same time, we will invest in infrastructure to widen our lead in the Shared Services business by providing higher service levels and cost effective solutions to our customers. With these measures in place, we believe that the outlook for 2012 will be a positive one.

The Board undertook a comprehensive review of the Group's operations with the objectives of streamlining our business model and realigning our energies to re-engineer the Group's transformation from the inside out. I am pleased to say that we have a well-rounded management team that complements each other and works to each other's strengths, moving towards what will fit the Company best.



Corporate Social Responsibility (“CSR”)

GHL Systems has always maintained a strong stand in upholding CSR as one of our key principles.

During the recent floods in Thailand, the GHL Systems team in Thailand provided support to the flood victims, by delivering donations to charity organisations and helping them pack relief supplies for the flood victims.

Initiatives such as these enable GHL Systems to contribute to the welfare and development of the larger community.

Corporate Identity Change

As you can see from the cover of our Annual Report, we have a new corporate identity which was unveiled in 2012. We believe it is timely to make this change to reflect the ‘new GHL’ going forward.

The new logo conveys the Company’s essential strengths such as progressiveness and dynamism. It reflects a simpler and more straightforward approach, indicative of the way the Company works. This is the concept behind the font based design. The blue box on the left denotes a ‘think-out-of-the-box’ attribute that states what we are; an innovative payment company within the industry.

Corporate Governance

The Board is committed to adhering to the best Corporate Governance practices throughout the Group. We believe our shareholders and business partners expect no less from us. It is a crucial step to achieving long term business sustainability and building and maintaining shareholder value.

In line with this, the Board undertook in early 2012, a comprehensive review of the Company’s Corporate Governance practice to ensure continued compliance including the Malaysian Code of Corporate Governance 2012. The findings of this review will be gradually adopted during 2012. Some of the measures undertaken by the Board to maintain our corporate governance are highlighted in the Corporate Governance Statement in this Annual Report.



CHAIRMAN'S STATEMENT Cont'd

Board and Management



2011 was a year of transition in the Board and management of the Company.

In April 2011, Mr Tay Beng Lock, Group Managing Director, and Mr Yeng Fook Ho, Deputy Group Managing Director, resigned as Directors and subsequently relinquished all executive positions in the Company. In October 2011, Mr Chin Fook Kheong, Group Finance Director, also left the Company.

During the year, we also saw the resignations of Ms Yen Siw Kuin, Mr Angus Eugenio Campos and Encik Mohd Rafi Daud as Independent Non-Executive Directors.

On behalf of the Board, we welcome Mr Kanagaraj (Raj) Lorenz, Mr Ng King Kau (KK) and Datuk Kamaruddin Bin Taib as Board members.

Raj was appointed as Chief Executive Officer in September 2011 and as Board member in November 2011. Raj comes with extensive experience in the payment industry, having served as Managing Director of eNets Pte Ltd, a wholly owned subsidiary of NETS, a leading payment systems company in Singapore. eNETS is the dominant operator of a wide range of Internet payment products both in Singapore and Asia. A Chartered Accountant, Raj also worked with Citibank in Malaysia and Australia, including as Head of Marketing and Financial Controller.

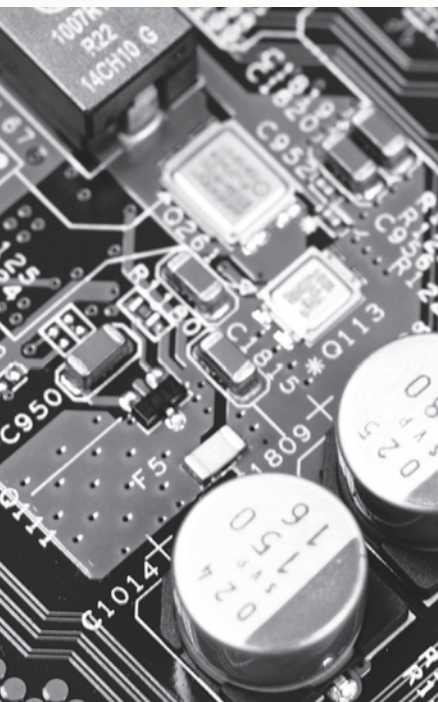
KK joined the Board in April 2011 as Independent Non-Executive Director but was subsequently re-designated as Executive Director in November 2011. KK is a veteran in the payment and loyalty card industry in Asia, having over

CHAIRMAN'S STATEMENT

Cont'd



Board and Management



30 years of experience in building, operating and turning around payment and loyalty card businesses with companies such as American Express, where his last position was Vice President, Business Development for Asia Pacific Australia Division and the MBf Group of Companies.

Datuk Kamaruddin Bin Taib joined the Board in April 2012 as Independent Non-Executive Director. He sits on the Boards of several listed companies including Iris Corporation Bhd and Great Eastern Life Assurance (Malaysia) Bhd. Datuk Kamaruddin Bin Taib has also been appointed to the Audit Committee as well as other Board Committees.

The appointment of the above Directors was made after long and careful deliberation. We strongly believe that the success of any company is founded on having the right people. Apart from experience and knowledge, these individuals must also have commitment, integrity and credibility.

We are very fortunate that we have been able to convince these individuals of our vision for GHL and I am pleased that they have all agreed to take up the challenge of working with us to take the GHL Group to greater heights. We now have a Board that has a diverse mix of talent, deep domain knowledge and experience which will be invaluable to us as we move forward.

CHAIRMAN'S STATEMENT Cont'd



Appreciation

On behalf of the Board, I would like to convey my deepest appreciation and gratitude to my fellow Directors, management and staff for their continued efforts and for persevering through the challenging times over the past year.

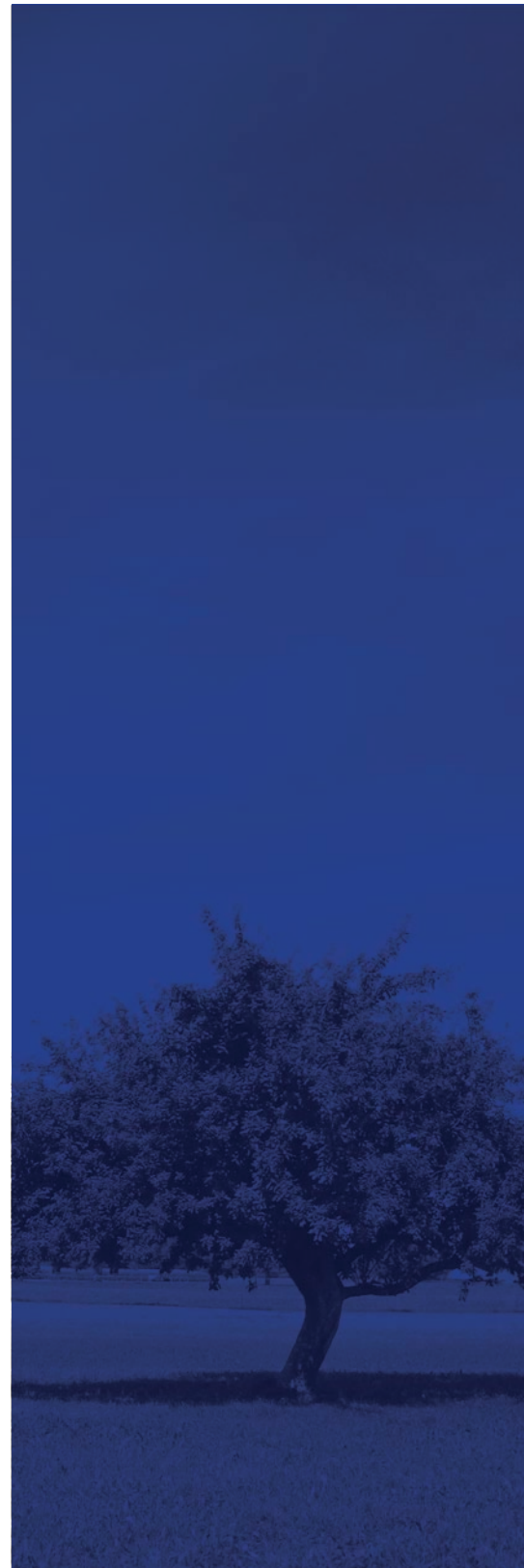
To our customers and business partners, thank you for your continued patience and confidence in us as we strive to make ourselves better in order to serve you better.

And finally, to our valued shareholders, I would like to take this opportunity to thank you for your continued support and trust in us. Change is never easy but I am convinced we are moving in the right direction and that we will see the fruits of our efforts in the near future.

On a personal note, I look forward to meeting as many of you as possible at our Annual General Meeting not only to renew our partnership but to share in our vision going forward. Most importantly, it will give you the opportunity to meet with our new Board members and management team.

Thank you.

Loh Wee Hian
Executive Chairman
30 April 2012



MANAGEMENT REVIEW

Core Business Activities

Starting 4Q, 2011, the Group reorganised itself into business divisions representing each of its core businesses, which comprises of; Shared Services, Solutions Services and Transaction Payment Acquisition. The activities within each of these core businesses are explained below:-

Shared Services comprises revenue derived from the provision of support and other outsourced sales services to banks and merchants. The principal activities consist of Electronic Data Capture (EDC) terminal rental and maintenance, sale of EDC Terminals, sale of credit card payment services to merchants on behalf of banks under “Affiliation Programmes” and the production of Credit/Debit, ATM and loyalty cards for banks and merchants.

Solutions Services comprises revenue derived from the provision of value-added services to merchants and banks. The principal activities consist of network device and software sales and rentals in respect of payment network solutions, consumer loyalty products, prepaid solutions, internet payment processing and, the development of various special purpose, back-end merchant applications.

Transaction Payment Acquisition (“TPA”) comprises revenue derived from the provision of non-credit card payment processing services to merchants. In Malaysia, the company provides e-Debit services (an ATM PIN based payment) to merchants under a contractual arrangement with Malaysian Electronic Clearing Corporation Sdn Bhd (“MyClear”), the owner and operator of the service. MyClear is a wholly owned subsidiary of Bank Negara Malaysia.

Local Operations

The domestic market remained the Group’s largest revenue contributor, amounting to RM43.9 million or 70% of total Group sales in FY2011, as opposed to RM39.9 million or 62% in the preceding year. This was principally due to growth in Shared Services (1%), Solutions Services (42%) and TPA (20%). The expansion in Shared Services was moderate, as the increase in EDC Terminal Rental and Maintenance (4%) was offset by a decline in Card Production (24%).

While Malaysian operations showed significant improvement in its results at an operating level, the full year results were nevertheless adversely impacted by a material non-recurring charge incurred in the 4Q of 2011. This non-recurring charge, amounting to RM20.9 million, was caused by the diminution in asset value of certain EDC terminal assets due to technological obsolescence and changes in security standards. Under current market circumstances, the Directors felt it prudent to recognise the impact of the impairment in asset value in 2011. This has resulted in the Balance Sheet better reflecting market conditions and will enable the Group to move forward into 2012 on a proper footing. It should be noted however, that while this charge has reduced the value of EDC Fixed Assets in the Balance Sheet, it has had no bearing in terms of the company’s cash position. As shown in our Cash Flow statement, our cash generated from operations increased significantly to RM13.9 million from RM4.4 million in the preceding year, reflecting the strength of our underlying annuity revenue streams.

As noted the Group’s strategic partnership with MyClear, a wholly-owned subsidiary of Bank Negara Malaysia will enable the Group to continue to play an active role in developing Malaysia’s Payment infrastructure.

At the macro level, although the payment infrastructure in Malaysia is well-developed with a reasonable level of credit card acceptance, over 80% of the population is ineligible to apply for credit cards. The Company is presently working closely with MyClear and the Banks to address this sizeable market, via the usage of debit cards. This presents a potentially large future growth opportunity for the Group.

