



Corporate Milestones

- **8 March 05**
FY2005 Fund Managers and Analysts' Briefing



- **17 March 05**
CardPay and MEPS "Pay&Win" grand prize presentation & donation to Spastic Association of Federal Territory and Selangor



* Oriental Daily

- **23 July 05**
SAGEM-Monetel new product demonstration



- **3 August 05**
Underwriting ceremony on 3-for-5 Rights Issue



* StarBiz

- **14 December 05**
Official opening of new corporate office at Bandar Sri Damansara



- **23 November 05**
Launch of MR.Kiosk



* Berita Harian



The Management Review

“As the saying goes, there is no time like the present. We at GHL Systems are always on the lookout to create and provide innovative solutions to enhance the payment landscape for our customers...”

Continuing on our track record, GHL Systems exceeded the previous year's performance in all business segments.

EDC Pool

The EDC Pool segment, consisting of rental, maintenance and transaction fee revenue from EDC merchants, contributed RM19.60 million in the year under review, representing 42.7% growth in FY2005, compared with RM13.73 million previously. We registered significant growth rates in merchant-transaction fees in FY2005, under the aggregator program of merchant acquiring with a leading bank.

The larger contribution from this segment was the direct result of the increasing number of terminals in the EDC pool, including those deployed by the country's largest merchant-acquiring bank; as well as merchants' confidence in fraud-mitigation now that transactions are made in a secure EMV environment. There were also higher numbers of transactions recorded at merchants' premises nationwide, indicating that more consumers are opting for alternative methods payment besides cash.

Payment Solutions

Contribution from the Payment Solutions division amounted to RM31.40 million, or 61.6%, of group revenue, thus continuing to be the largest income contributor in the year under review. In comparison with RM30.05 million achieved in FY2004, the Payment Solutions division has not wavered from its upward revenue trend.

Sales of the higher-margin Payment Solutions – NetAccess, NetMatrix and NetMerchant – positively enhanced our product mix and registered strong growth in the local market and beyond. Regionally, we recorded significant sales of more than USD1.5 million to major banks in Indonesia, Thailand and Philippines.

Specifically, we secured deals to implement NetAccess Payment Network Infrastructure in banks in Indonesia and Philippines. Effectively, this means that NetAccess has been accepted in a total of 4 countries in the region since its launch in 2004: Indonesia, Taiwan, Bangladesh and Philippines. The NetMatrix-TLE (Terminal Line Encryption) application enjoyed similarly positive response in Thailand, where 4 of the 8 acquiring banks purchased the solution to prevent fraud through telephone line wire-tapping.

GHL Systems launched a new payment solution in the year under review: the in-house developed contactless readers utilizing 13.56MHz RFID (Radio Frequency Identification) technology, in response to demand for hassle-free micro-payment. These contactless readers have been certified for Visa Wave, and are now undergoing certification for MasterCard Pay Pass. The readers were deployed in 2 leading banks in Malaysia, and garnered a substantial portion of revenue in FY2005.

We also successfully completed a RM19.9 million project to supply Bank Simpanan Nasional, Malaysia's national savings bank with EMV cards and corresponding payment facilities.

Card Pay (Bankcard e-Debit)

Our 52% subsidiary, Card Pay Sdn Bhd, primarily involved in third-party MEPS merchant-acquiring activities for the Bankcard e-Debit program, marked a significant highlight in the year under review, as the number of e-Debit facilities deployed nationwide increased 120% to 4,400 from 2,000 last year.

Average merchants' transaction volume doubled up to RM2 million in FY2005 from RM1 million monthly in FY2004; indicating the greater level of acceptance of the Bankcard e-Debit payment method in the Malaysian community.

Amidst this encouraging trend, in November 2005, Card Pay launched MR.Kiosk, the Bankcard e-Debit facility uniquely designed for highly-frequented food and beverage (“F&B”) outlets, beginning with neighborhood “mamak” restaurants. In addition to offering consumers the Bankcard e-Debit payment option, MR.Kiosk facilitates the purchase of prepaid reloads, such as mobile prepaid top-ups, International Direct Dialing (“IDD”) cards and prepaid Internet access cards. To date, more than 150 units of MR.Kiosk have been deployed in high-traffic areas in the Klang Valley, and recorded more than 20 transactions on a daily average.



The Management Review (Cont'd)

Nevertheless, Card Pay has yet achieved a critical mass of deployment for profitability. The management is optimistic that this segment would see positive growth rates as the general public gradually builds its awareness and gains acceptance of the Bankcard e-Debit as a viable option for payment.

Launching into the Next Growth Phase

Events on the local and regional fronts in early 2006, such as higher interest rates, increased petrol prices and threats of social epidemics could adversely impact the business environment in which we operate. Notwithstanding this, the management is confident of GHL Systems' growth prospects moving forward.

The local EDC market has much room for growth, particularly in line with the fraud-mitigation measures in place and wider acceptance of alternative non-cash based payment methods. By aligning GHL Systems with key players in the banking industry and undertaking merchant-acquiring activities, we are confident that our growth will be sustained in FY2006 and thereon.

The Bankcard e-Debit segment, driven by the innovative MR. Kiosk facility and ongoing awareness-creation efforts, is anticipated to record greater acceptance among the masses and help generate a steady income stream for the Group. Our target is to deploy 1,000 units of MR.Kiosk nationwide by the end of this year.

We are also encouraged by the recent awarding of the second phase of the BSN contract to supply EMV cards and chip-based infrastructure, due to begin in May this year. This is further proof to the quality of our products and services, as well as the high levels of customer satisfaction we have achieved.

On the regional basis, in view of our success in EMV migration in Malaysia, we are seeking to leverage on this expertise by replicating this achievement in various countries that are seriously considering migration onto the EMV platform, such as Philippines, Indonesia, Thailand, Singapore and the People's Republic of China. We are confident that our track record as the leading EMV player in the region would be a good credential in our bid to secure these projects.

In response to the increasing demand for our payment solutions and to gain a firm footing in the regional market, we have set up an international sales team to focus on growing our business in four targeted countries, namely in Philippines, Thailand, Indonesia and Singapore. The team's main tasks are to understand the markets closely, and thereafter provide GHL Systems' range of end-to-end Payment Solutions and implement the EDC Pool program in the countries where viable.

Furthermore, the management is exploring options to set up a direct presence overseas in order to serve the markets effectively. For instance, GHL China, in which we have a 30% stake, is well-positioned to tap into the vast potential in North Asia. The management is also considering other agreements to set up joint venture companies in other countries, such as Thailand, Indonesia and Singapore, in line with our regional expansion strategy.

The management would also continue to place great importance on the development of new solutions through aggressive R&D pursuits. In the pipeline are payment solutions such as the employee benefits card for the automation of healthcare benefits program within an organization. This program would prove to be beneficial for large organizations to effectively provide and keep track of healthcare benefits to all its employees.

As the saying goes, there is no time like the present. We at GHL Systems are always on the lookout to create and provide innovative solutions to enhance the payment landscape for our customers. We believe that by capitalizing on these opportunities, we will continue to achieve commendable growth rates in the years to come.



Directors' Profile

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



Tay Beng Lock
*Group Managing Director,
Executive Director*



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



Chin Fook Kheong
*Group Finance Director,
Executive Director*



Tajuddin bin Atan
Non-Executive Director



Goh Kuan Ho
Non-Executive Director



Yen Siw Kuin
Independent Non-Executive Director



Chong Teck Foh
Independent Non-Executive Director



Mohd Ariffin Bin Marzuki
Alternate Director to Tajuddin bin Atan





Directors' Profile (Cont'd)

Tunku Dato' Abdul Malek Bin Tunku Kassim

Independent Non-Executive Chairman

Tunku Dato' Abdul Malek Bin Tunku Kassim, a Malaysian aged 71, was appointed to the Board on 30 May 2002. He is also a member of the Audit Committee of the Company. He graduated from Queen's University of Belfast, United Kingdom, in 1959 with a Bachelor of Science (Economics) Degree and subsequently obtained a Master Degree in Arts from Vanderbilt University, USA, in 1973. He was admitted as a Fellow member of the Institute of Bankers Malaysia in 1992.

Tunku Dato' Abdul Malek started his career as an administrator with the Kedah Civil Service from 1959 to 1962. From there, he joined the Malaysian Civil Service where he was posted to the Treasury, Ministry of Finance as an officer in the Economic and Tax Divisions from 1962 to 1974. He was seconded to the International Monetary Fund ("IMF") in Washington DC as an adviser to an Executive Director in the IMF's Board of Directors from 1975 to 1976.

Upon his return to Kuala Lumpur to resume service with the Ministry of Finance, he was appointed Head of the Tax Division and later the Finance Division. In 1983, he was appointed to the Board of the Asian Development Bank ("ADB") in Manila as an Executive Director. Upon his return to Malaysia after his stint with the ADB in 1987, Tunku Dato' Abdul Malek became an Executive Director of Kewangan Usaha Bersatu Berhad ("KUBB") from 1987 until 1993. During his tenure at KUBB, he was also a Chairman of the Association of Finance Companies, a director of Cagamas Berhad, as well as a Council Member of the Institute of Bankers Malaysia. He was in retirement from 1993 to 1995. Between 1995 and 1999, he was on the Boards of Directors of Commerce Asset-Holding Berhad, Commerce International Merchant Bankers Berhad and CIMB Securities Sdn Bhd.

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

Tay Beng Lock

Group Managing Director, Executive Director

Tay Beng Lock, a Malaysian aged 45, was appointed to the Board on 26 January 1999. 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 specialized 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 in late 1997 was seconded to GHL Technologies Sdn Bhd ("GHL Technologies"). He later became the Managing Director of GHL Technologies, as well as GHL Transact Sdn Bhd and GHL Payments Sdn Bhd. 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 22 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 49, was appointed to the Board on 26 January 1999. 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.

Chin Fook Kheong

Group Finance Director, Executive Director

Chin Fook Kheong, a Malaysian aged 42, was appointed to the Board on 31 May 2003. He is a fellow member of the Chartered Institute of Management Accountant (CIMA) and a member of the Malaysian Institute of Accountants (MIA). He obtained his Master's degree in Business Administration (MBA) from the University of Nottingham in January 2004.

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

In 1990, he joined Mulpha International Berhad, a company listed on the 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 as a General Manager of Finance, responsible for its finance division and corporate affairs. He left Jac Malaysia in 2000 and later joined GHL as a General Manager of Finance and Administration. He was responsible for the finance division, credit control and corporate affairs of the GHL Group. In June 2002, he was promoted to the Group Finance Director of GHL.



Directors' Profile (Cont'd)

Tajuddin bin Atan

Non-Independent Non-Executive Director

Tajuddin bin Atan, a Malaysian aged 47, was appointed to the Board on 22 March 2006. He holds a Bachelor of Science in Agribusiness from Universiti Putra Malaysia and obtained a Masters in Business Administration from Ohio University. He began his career in 1983 as an Assistant Accountant in the Foreign Exchange and Money Market Department of Bank Bumiputra (M) Berhad (BBMB). His last position in BBMB, now known as Bumiputra Commerce Bank Berhad was Senior Vice President, Treasury Division. He then began his stint in the corporate management sector in March 2000 as the Senior General Manager of Corporate Finance, Treasury and Operations in Penang Shipbuilding and Construction Berhad until April 2001. He subsequently joined Actacorp Holdings Berhad as Group Executive Director until June 2001. He was then appointed as the Managing Director of Chase Perdana Berhad and Advisor to Sitt Tatt Berhad for three years until September 2004. He is currently the General Manager / Chief Executive Officer of Bank Simpanan Nasional, as well as Chairman of BSNC Corporation Berhad, and holds directorships in BSNC Corporation Berhad, Avenue Capital Resources Berhad and Global Carriers Berhad.

Goh Kuan Ho

Non-Independent Non-Executive Director

Goh Kuan Ho, a Malaysian aged 42, was appointed to the Board on 29 March 1994. 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.

Yen Siw Kuin

Independent Non-Executive Director

Yen Siw Kuin, a Malaysian aged 49, was appointed to the Board on 15 January 2003. She is also Chairperson of the Audit Committee 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 is also the Company Secretary and a member of the Audit Committee of Khee San Berhad, and holds directorships in several private limited companies. She is a member of the Institute of Chartered Accountants in England and Wales as well as the Malaysian Institute of Accountants.

Chong Teck Foh

Non-Independent Non-Executive Director

Chong Teck Foh, a Malaysian aged 49, was appointed to the Board on 15 January 2003. He is also a member of the Audit Committee of the Company. He has extensive experience in sales, general management and support, and a strong technical background. He obtained his Master's Degree in Very Large Scale Integration Systems Design at the University of West London, United Kingdom in 1982. He is currently the Managing Director of Hewlett-Packard (M) Sdn Bhd ("HPSM") as well as Country General Manager of HP's Technology Solutions Group for Malaysia. As an IT activist in the local market, he is a member of the Association of the Computer and Multimedia Industry of Malaysia (PIKOM), a self-funding association representing the IT industry in Malaysia. He is also a member of the American Malaysian Chamber of Commerce (AMCHAM) in Malaysia. Under his leadership, HP was reported by International Data Corporation (IDC) as the No. 1 selling PC Vendor in Malaysia in 2002, 2003 and 2004. Mr. Chong resigned as an Independent Non-Executive Director on 13 April 2005 and was re-appointed on 22 April 2005.

Mohd Ariffin bin Marzuki

Alternate Director to Tajuddin bin Atan

Mohd Ariffin bin Marzuki, a Malaysian aged 56, was appointed to the Board on 22 March 2006 as Alternate Director to Tajuddin bin Atan. He graduated with the Association of Chartered Certified Accountants (ACCA) from the London School of Accountancy in 1980. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants (MIA). In 1980, he was an Assistant Finance Manager of Bank Pembangunan and Infrastruktur Malaysia Berhad, and joined Bank Simpanan Nasional (BSN) in 1986. He had served with Bank Simpanan Nasional for almost 19 years, from GIRO Manager to Finance Manager and Risk Management Director. His last post before leaving BSN was Finance Director. He is currently the Chief Operating Officer for BSNC Corporation Berhad, and holds directorships in Computer Infobase System Berhad, Global Carriers Berhad and MOL AccessPortal Berhad.



Corporate Governance Statement

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

THE BOARD OF DIRECTORS

i) Duties

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

The Board is responsible for the following:-

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, determining the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations 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 eight (8) members; comprising one (1) Independent Non-Executive Chairman, three (3) Executive Directors, two (2) Non-Executive Directors, 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 one (1) Independent Non-Executive Chairman, two (2) Executive Directors, one (1) Non-Executive Director, and two (2) Independent Non-Executive Directors.

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

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

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)

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 2005 is as follows:

Directors	Number of Board Meetings	
	Held	Attended
Tunku Dato' A. Malek Bin Tunku Kassim	4	4
Tay Beng Lock	4	4
Yeng Fook Hoo	4	3
Chin Fook Kheong	4	4
Goh Kuan Ho	4	4
Mohamad Isa Bin Abdullah (resigned on 22 March 2006)	4	3
Chong Teck Foh	4	4
Yen Siw Kuin	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 had appointed the Remuneration Committee ("RC") comprising one (1) Independent Non-Executive Chairman, one (1) Non-Executive Director, one (1) 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 2005, a total sum of RM1,572,163 was paid to the Directors of the Company. The breakdown of the directors' remuneration and the number of directors in the remuneration bands are as follows:-

	Executive	Non-Executive	Grand Total
Fee	RM72,000	RM144,000	
Salaries & Benefits-in-Kind	RM1,218,847	-	
Employee Provident Fund	RM137,316	-	
Allowances & Bonus	-	-	
Total	RM1,428,163	RM144,000	RM1,572,163

Remuneration Band (RM)	Number of Directors	
	Executive	Non-Executive
0 - 50,000	-	5
50,001 - 200,000	-	-
200,001 - 300,000	-	-
300,001 - 400,000	1	-
400,001 - 500,000	0	-
500,001 - 600,000	2	-

vii) Number of Directorships in Other Public Companies

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

Name of Director	Name of Company
Tunku Dato' Abdul Malek bin Tunku Kassim	UBB (Malaysia) Trustee Berhad
Mohamad Isa bin Abdullah (resigned on 22 March 2006)	Global Carriers Berhad
Yen Siw Kuin	Khee San Berhad
Tajuddin bin Atan (appointed on 22 March 2006)	Avenue Capital Resources Berhad BSNC Corporation Berhad Global Carriers Berhad
Mohamad Arrifin bin Marzuki (appointed on 22 March 2006) (Alternate director to Tajuddin bin Atan)	Computer Infobase System Berhad Global Carriers Berhad MOL AccessPortal Berhad



Corporate Governance Statement (Cont'd)

viii) 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.

BOARD COMMITTEES

The Board has established the following committees:-

i) The Audit Committee

Terms and reference as well as further information on the Audit Committee are set out on pages 23 to 24 of this Annual Report.

ii) The Remuneration Committee

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

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

iii) The Nomination Committee

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

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

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

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

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

The ESOS Committee's responsibilities are as follows:-

- To administer the ESOS in accordance with the Bye-Laws of the ESOS and, in such manner, as it shall at its discretion deem fit and, within such powers and duties as are conferred upon it by the Board; and
- To review and amend, at any time and from time to time, any provisions of the ESOS and the Bye-Laws, provided that the amendments are not prejudicial to the eligible employees and with the prior approval of the shareholders of the Company. Such modification/variation shall be subject to the approvals of the Board and the relevant authorities.



Corporate Governance Statement (Cont'd)

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

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

- To select employees of the Company and its eligible subsidiary companies who are eligible to participate in the initial offer and subsequent offers of the ESOS and, determine the number of new shares to be allocated to the eligible employees according to the grading of employees and each band of years of service;
- To determine the number of options exercisable by the eligible employees for each year during the duration of the ESOS, the date of the initial offer and subsequent offers and the exercise price for each offer at which the eligible employees are entitled to subscribe under an option and, the period during which the option may be exercised; and
- To formulate guidelines/procedures for the administration of the ESOS.

ACCOUNTABILITY AND AUDIT

i) Internal Audit

Details of the Internal Control system are stated in the Statement of Internal Control on page 25.

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 MESDAQ Market, 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.

iv) Relationship with Auditors

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

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The importance of keeping shareholders informed of developments concerning the Group is high on the agenda. In this respect, the Board has always maintained an active and constructive shareholder communication policy. The minority shareholders are kept abreast of all corporate developments concerning the Group through the distribution of the information via the Bursa Malaysia website (www.bursamalaysia.com), as well as via the Investor Relations Channel of the Company's corporate website (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 MESDAQ Market, 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.



Corporate Governance Statement (Cont'd)

THE ANNUAL GENERAL MEETING

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

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

EMPLOYEE SHARE OPTION SCHEME (ESOS) COMMITTEE

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 for a period of three (3) years.

Term of Reference

1. Constitution

The Board resolved to establish a committee of the Board to be known as the ESOS Committee on 11 February 2003. The current ESOS shall be in force for a duration of three (3) years from 28 October 2005 to 27 October 2008.

2. Composition

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

- a. Members of the Committee will only be entitled to hold office during the period of their service with the Company.
- b. Where the Members of the Committee are reduced to less than three (3) for any reasons whatsoever, the Board shall, as soon as practicable thereafter, appoint such additional number of Members as may be required to make up the minimum of three (3). Unless the minimum number of three (3) Members are appointed, the Committee shall not be entitled to exercise any discretion under the ESOS Bye-Laws.
- c. The Board may, from time to time and in its absolute discretion, revise the composition of the Committee and the roles and responsibilities of the Committee.

3. Chairman of the ESOS Committee

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

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

4. Meetings of the ESOS Committee

Frequency

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

Quorum

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

Secretary of the ESOS Committee

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



Corporate Governance Statement (Cont'd)

5. Authority of the ESOS Committee

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

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

6. Grant of Options

- 6.1 No offer shall be made to any Executive Director of the Company unless such offer and the related allotment of shares have previously been approved by the shareholders of the Company in a general meeting.
- 6.2 The Committee may grant Options at anytime within the duration of the ESOS, provided always that no Member of the Committee shall participate in any deliberation or decision in respect of Options to be granted to himself.
- 6.3 The Committee may in its absolute discretion make more than one (1) offer to an eligible employee provided that the aggregate number of Options offered to an eligible employee throughout the entire duration of the ESOS does not exceed the eligible employee's Maximum Entitlement as set out in Bye-Law 6. The Committee shall not be obliged in any way to offer to an eligible employee all of the specified Maximum Entitlement. The decision of the Committee shall be final and binding.
- 6.4 In exercising its discretion, in determining the number of Options to be offered to an eligible employee, the Committee shall take into consideration the seniority and length of service of each eligible employee.
- 6.5 The grant of Options to any Eligible Employee by the Committee shall be made by the issuance of a Letter of Offer to an eligible employee on the date of offer.

7. Acceptance of the Offer

- 7.1 A written offer made by the Committee to an eligible employee in the manner provided in Bye-Law 7 ("Offer") shall be valid for a period of fourteen (14) days from the date of Offer ("Offer Period").
- 7.2 An Offer shall be accepted by an eligible employee within the Offer Period by written notice to the Company accompanied by a payment to the Company of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only for the grant of the Options.

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

8. Responsibility

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

9. Duties And Scope Of Work

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

- 9.1 To monitor the progress of the ESOS;
- 9.2 To review and report to the Board on a regular basis to ensure compliance with the ESOS Bye-Laws; and
- 9.3 Without limiting the generality of Bye-Law 21.1, the Committee may, for the purpose of administering the ESOS, do all acts and things, rectify any errors in Offers, execute all documents and delegate any of its powers and duties relating to the ESOS as it may in its discretion consider to be necessary or desirable for giving effect to the ESOS.

10. Decision Making

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



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;



Audit Committee Report (Cont'd)

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

- (k) All related-party transactions and potential conflict of interest situations; and
- (l) All other matters delegated by the Board.

The Audit Committee shall:-

- (a) Have explicit authority to investigate any matters within its terms of reference;
- (b) Have the resources which it needs to perform its duties;
- (c) Have full access to any information which it requires in the course of performing its duties;
- (d) Have unrestricted access to the Managing Director and the Finance Director;
- (e) Have direct communication channels with the external auditors and internal auditors;
- (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 once 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

INTRODUCTION

The Malaysia Code on Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The Bursa Malaysia Securities Berhad's ("Bursa Securities") Revamped Listing Requirements require directors of listed companies to include a statement in their annual reports on the state of their internal controls. The Bursa Securities' Statement on Internal Control: Guidance for Directors of Public Listed Companies (Guidance) provides guidance for compliance with these requirements. Set out below is the Board's Internal Control Statement which has been prepared in accordance with the Guidance.

RESPONSIBILITY

The Board recognizes the importance of a sound system of internal controls to good corporate governance, and acknowledges its primary responsibility to ensure that risks related to the Group are identified, measured, managed with appropriate system of internal controls, and reviewed for effectiveness, adequacy and integrity on an ongoing basis. The Board also acknowledges that a sound system of internal controls reduces, but cannot eliminate, the possibility of poor judgment in decision making; human error; breakdown in control due to collusion; control processes being deliberately circumvented by employees and others; management overriding controls and occurrence of unforeseeable circumstances. A sound system of internal controls therefore provides reasonable, but not absolute, assurance that the Group will not be hindered in achieving its business objectives.

INTERNAL CONTROL SYSTEMS

The principal features of the Group's system of internal controls can be summarized as follow:

- Definition of authorization procedures and clear line of accountability, with strict authorization, responsibility levels, approval and control procedures within which management operates. Well-documented Group wide policies, procedures and standards are currently being established to bolster the internal controls environment, and kept updated in accordance with changes in operating environment.
- Comprehensive management development plan that includes formal training both inside and outside the Group;
- Review of quarterly and interim financial results by the Audit Committee and approval by the Board upon recommendation of the Audit Committee before submission to Bursa Malaysia. The full year financial results and analyses of the Group's state of affairs are disclosed to shareholders after review and audit by the external auditor;
- Monitoring of compliance with the internal financial controls through management reviews and reports which are internally reviewed by key personnel. Updates of internal policies and procedures are undertaken to reflect changing risks or resolve operational deficiencies.
- Regular reporting of financial, legal and environmental developments to the Board by all divisions of the Group.

RISK MANAGEMENT FRAMEWORK

The Board recognizes its responsibility over the principal risks of various aspects of the Group's business. The risk assessment process involves risk identification, prioritization and formulation of action plans to enhance the internal controls system and better controls through formulation of action plans to be implemented and championed by identified members of the management. The risk assessment has assisted the management in developing a formalized risk management framework for the Group to facilitate the management of high impact at various levels within the Group. The risk management framework facilitates the continuous identification of significant risks and ensures that instituted controls are appropriately applied by the management to achieve the risk exposure levels acceptable to the Board.

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to an independent internal audit service provider to review the adequacy and integrity of the internal control systems of the business units. The risk assessment workshops held for the Group provided a baseline to determine new audit areas for the Group. The identified audit areas had been incorporated into risk based internal audit plan and were approved by the Audit Committee. In particular, Internal Audit appraises and contributes towards improving the Group's risk management and control systems, and reports to the Audit Committee on a quarterly basis.

INTERNAL CONTROL ISSUES

As the development of a sound system of internal controls is an ongoing process, the Board and the Management maintain an ongoing commitment and continue to take appropriate measures to strengthen the internal controls environment of the Group to safeguard shareholders' investments and the Group's assets.

This statement is made in accordance with a resolution of the Board of Directors dated 12 April 2006.