

## 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 seven (7) members; comprising one (1) Independent Non-Executive Chairman, three (3) Executive Directors, two (2) Non-Independent Non-Executive Directors, and one (1) Independent Non-Executive Director. 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) Independent Non-Executive Director, 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)

### 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 2006 is as follows:

Directors	Number of Board Meetings	
	Held	Attended
Tunku Dato' Abdul Malek Bin Tunku Kassim	4	4
Tay Beng Lock	4	4
Yeng Fook Hoo	4	4
Chin Fook Kheong	4	4
Goh Kuan Ho	4	3
Mohamad Isa Bin Abdullah (resigned with effect from 22 Mar 2006)	1	1
Chong Teck Foh (resigned with effect from 31 August 2006)	3	3
Yen Siw Kuin	4	4
Mohd Ariffin bin Marzuki	1	1
Tajuddin bin Atan	2	2

### 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 one (1) Independent Non-Executive Chairman, one (1) Non-Independent 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 2006, a total sum of RM2,026,634 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	RM138,000	
Salaries & Benefits-in-Kind	RM1,635,446	-	
Employee Provident Fund	RM181,188	-	
Allowances & Bonus	-	-	
<b>Total</b>	<b>RM1,888,634</b>	<b>RM138,000</b>	<b>RM2,026,634</b>

Remuneration Band (RM)	Number of Directors	
	Executive	Non-Executive
0 - 50,000	-	6
50,001 - 200,000	-	-
200,001 - 300,000	-	-
300,001 - 400,000	-	-
400,001 - 500,000	1	-
500,001 - 600,000	2	-

## corporate governance statement (cont'd)

### 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 with effect on 22 March 2006)	Global Carriers Berhad
Yen Siw Kuin	Khee San Berhad
Tajuddin bin Atan (appointed on 22 March 2006)	BSNC Corporation Berhad Global Carriers Berhad Permodalan BSN Berhad Prudential BSN Takaful Berhad
Mohamad Arrifin bin Marzuki (appointed on 22 March 2006)	BSNC Corporation Berhad Global Carriers Berhad MOL AccessPortal Berhad

### 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.

## 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 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 Employee 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:-

## corporate governance statement (cont'd)

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

- 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 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.

### **E. 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. 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. These ESOS options will expire on 27 October 2008.

#### **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.

## corporate governance statement (cont'd)

### 4. Meetings of the ESOS Committee

- **Frequency**

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

- **Quorum**

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

- **Secretary of the ESOS Committee**

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

### 5. Authority of the ESOS Committee

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

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

### 6. Grant of Options

- 6.1 No offer shall be made to any Executive Director of the Group 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.

## corporate governance statement (cont'd)

### 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.

## ADDITIONAL COMPLIANCE INFORMATION

### 1. Material Contract

Save as disclosed below, neither the Company nor any of its subsidiary companies had entered into any material contract which involved Directors' interests, either still subsisting at the end of the financial year, or which were entered into since the end of the previous financial year:-

Two letters of award dated 9 February 2006 and 14 April 2006, and a purchase order dated 3 May 2006 to supply to Bank Simpanan Nasional ("BSN") EMV chip-based cards and/or data preparation and personalization of chip-based cards.

### 2. Non-Audit Fees

The non-audit fees of RM10,650 were paid by the Group to the external auditors during the financial year.

### 3. Revaluation Policy on Landed Properties

The Company did not adopt any revaluation policy on landed properties.

## 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 from amongst its directors and shall consist of no less than 3 members, the majority of whom shall be independent non-executive directors.

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

- A registered 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.

The Audit Committee held four (4) meetings during the year. The details of the attendance of the Audit Committee members are as follows:

Directors	Number of Board Meetings	
	Held	Attended
Yen Siw Kuin (Independent Chairperson)	4	4
Tunku Dato’ Abdul Malek Bin Tunku Kassim (Independent)	4	4
Chong Teck Foh (Independent) (resigned with effect from 31 August 2006)	4	3
Chin Fook Kheong (Non-Independent) (appointed with effect from 2 October 2006)	4	4*

\* Attended 3 meetings under invitation

##### 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;

## audit committee report (cont'd)

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

- (j) All areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
- (k) All related-party transactions and potential conflict of interest situations; and
- (l) All other matters delegated by the Board.

The Audit Committee shall:-

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

### 9. Summary of Activities

The Audit Committee's activities during the financial year ended 31 December 2006 encompassed review of the following:

- (a) Financial reporting i.e. quarterly and annual financial statements before recommending to the Board for approval;
- (b) External Auditors' report and significant findings and areas for improvement, if any;
- (c) Internal Auditors' Annual Audit Plan, scope of audits and their internal audit report;
- (d) Quarterly status reports of the activities performed by the Internal Auditors;
- (e) ESOS allocation is in accordance with the ESOS Bye-Laws and compliance with the criteria as approved by the Option Committee;
- (f) Other such matters as the Audit Committee considers appropriate or as such authorized by the Board.

## statement of internal control

### INTRODUCTION

This statement is in line with the Listing Requirements of Bursa Malaysia Securities Berhad which require directors of listed companies to include a statement in their annual reports on the state of their internal controls.

### RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of internal controls covering not only financial controls but also controls relating to operational compliance and risk management to safeguard shareholders' investments and the Group's assets. The Board has established an on-going process for identifying, evaluating, monitoring and managing significant risks faced by the Group and this process includes reviewing and updating the internal controls system when there are changes to business environment or regulatory guidelines. However, such a system is designed to manage the Group's risk within an acceptable risk profile rather than eliminate risk of failure to achieve business objectives of the Group. Accordingly, the system can only provide reasonable assurance, but not absolute assurance against material misstatement of management and financial information and records or against financial losses and fraud.

### INTERNAL CONTROL SYSTEMS

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

- The Standard Operational Manuals are being established to uphold the internal controls of the Group, and kept updated in accordance with changes in operating environment;
- 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 by the external auditor;
- Monitoring of compliance with the internal financial controls through budgets which are internally reviewed by key personnel;
- 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 management framework has been established by the Board which involves risk identification, prioritization and formulation of action plans to enhance the internal controls system through formulation of action plans to be implemented by risk management committee. 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 audit areas for the Group. The identified risk 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.

### CONCLUSION

The Board is of the view that the existing system of internal control is sound and adequate and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report. Notwithstanding this, the reviews of all the control procedures are continuously been carried out to ensure that effective, efficient and economical systems of internal control are in place to safeguard the shareholders' investments and the Group's assets.

This statement is made in accordance with a resolution of the Board of Directors dated 6 April 2007.



> FORGING AHEAD

## financial statements

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## 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 2006.

### 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 and associated companies are stated in Note 4 and Note 5 respectively to the financial statements.

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

### Financial Results

	Group RM	Company RM
Profit before taxation	9,176,510	9,311,374
Taxation	<u>(94,024)</u>	<u>(19,592)</u>
Net profit for the financial year	<u>9,082,486</u>	<u>9,291,782</u>
Attributable to:		
Equity holders of the Company	9,073,677	9,291,782
Minority interests	<u>8,809</u>	<u>-</u>
	<u>9,082,486</u>	<u>9,291,782</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 except for the effects arising from the changes in accounting policies due to the adoption of the new and revised FRSs as disclosed in Note 30 to the financial statements.

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 the Group and of the Company for the current financial year.

### Dividends

At the forthcoming Annual General Meeting, a final tax-exempt dividend of 1% on 125,743,629 the issue and paid-up ordinary shares as at 30 March 2007, amounting to a total dividend of RM628,718 in respect of the financial year ended 31 December 2006 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 2007 when approved by shareholders.

No dividend has been paid or declared by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the current financial year under review.

### Reserves and Provisions

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

## directors' report (cont'd)

### Share Capital and Debentures

During the financial year, the Company increased its issued and paid-up share capital from RM54,459,376 to RM62,478,744 by issuance of :

- (a) 24,053,680 new ordinary shares of RM0.10 each pursuant to the exercise of options granted under GHL Systems Berhad Employee Share Option Scheme ("ESOS") at the exercise price of RM0.10 each; and
- (b) 56,139,996 new ordinary shares of RM0.10 each pursuant to bonus issue on the basis of one new ordinary share for every ten existing ordinary shares held by way of utilisation of RM5,614,000 from retained profits.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

There were no issue of debentures during the financial year.

### 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 ESOS.

### Employee Share Option Scheme

The GHL Systems Berhad Employee Share Option Scheme ("ESOS") was approved by shareholders at the Extraordinary General Meeting ("EGM") on 30 May 2005 and became effective on 28 October 2005 for a period of 3 years, and shall lapse on 27 October 2008.

The salient features and other terms of the ESOS are disclosed in Note 27 to the financial statements.

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 2,000,000 ordinary shares of RM0.10 each.

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

### Directors

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

Tunku Dato' A Malek Bin Tunku Kassim  
Tay Beng Lock  
Yeng Fook Hoo  
Chin Fook Kheong  
Tajuddin Bin Atan  
Goh Kuan Ho  
Yen Siw Kuin  
Mohd Ariffin Bin Marzuki (alternate Director to Tajuddin Bin Atan)  
Chong Teck Foh (resigned on 31.8.2006)

## directors' report (cont'd)

### Directors' Interests

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

	← No. of ordinary shares of RM0.10 each →				At 31.12.2006
	At 1.1.2006	Bonus issue	Acquired	Disposed	
<b>GHL Systems Berhad</b>					
Direct interest:					
Goh Kuan Ho	86,830,920	7,183,092	-	15,000,000	79,014,012
Tay Beng Lock	27,270,539	2,591,054	2,640,000	4,766,200	27,735,393
Yeng Fook Hoo	16,650,200	1,335,020	-	3,300,000	14,685,220
Chin Fook Kheong	700,000	-	3,640,000	4,340,000	-
Tunku Dato' A Malek Bin Tunku Kassim	46,400	4,640	-	-	51,040
Mohamad Isa Bin Abdullah	90,000	-	-	90,000	-

	← No. of options over ordinary shares of RM0.10 each (ESOS) →			At 31.12.2006
	At 1.1.2006	Bonus issue	Exercised	
<b>GHL Systems Berhad</b>				
Tay Beng Lock	8,000,100	536,010	2,640,000	5,896,110
Yeng Fook Hoo	8,000,100	800,010	-	8,800,110
Chin Fook Kheong	8,000,100	536,010	3,640,000	4,896,110

By virtue of their interest in the share capital of the Company, Goh Kuan Ho, Tay Beng Lock and Yeng Fook Hoo are also deemed to have interest in the shares of the 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 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 Employee Share Option Scheme.

### 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

## directors' report (cont'd)

### Other Statutory Information (Cont'd)

- (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.

### Significant Events

The significant events during the financial year are disclosed in Note 32 to the financial statements.

### Subsequent Events

The subsequent events after the financial year are disclosed in Note 33 to the financial statements.

### Auditors

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

Signed in accordance with a resolution of the Directors.



TAY BENG LOCK



YENG FOOK HOO

KUALA LUMPUR  
06 APR 2007

statement by directors

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

We, TAY BENG LOCK and YENG FOOK HOO, being two of the Directors of GHL SYSTEMS BERHAD., do hereby state that, in the opinion of the Directors, the financial statements set out on pages 34 to 78 are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and of the results of their operations and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors.

*Tay Beng Lock*

TAY BENG LOCK

*Yeng Fook Hoo*

YENG FOOK HOO

KUALA LUMPUR  
06 APR 2007

statutory declaration

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

I, TAY BENG LOCK, being the Director primarily responsible for the financial management of GHL SYSTEMS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 34 to 78 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed TAY BENG LOCK at KUALA LUMPUR )  
in the Federal Territory this 06 APR 2007 )

*Tay Beng Lock*

TAY BENG LOCK

Before me,



Tingkat Bawah Wisma P.K.N.S.  
Jalan Raja Laut,  
50653 KUALA LUMPUR.

COMMISSIONER FOR OATHS

## report of the auditors to the members of GHL System Berhad

We have audited the financial statements set out on pages 34 to 78 of GHL Systems Berhad.

The financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

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

In our opinion:

- (a) the financial statements are properly drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as at 31 December 2006 and of the results of their operations and the cash flows of the Group and of the Company for the financial year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiary companies of which we have not acted as auditors are indicated in Note 4 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' reports thereon.

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

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



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



TEE GUAN PIAN  
Approved Number: 1886/05/08 (J/PH)  
Partner of Firm

KUALA LUMPUR  
06 APR 2007

balance sheets as at 31 december 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>Non-Current Assets</b>					
Property, plant and equipment	3	54,203,365	40,697,294	18,191,877	14,671,079
Investment in subsidiary companies	4	-	2	4,400,007	4,400,000
Investment in associated companies	5	5,060,989	4,367,737	3,515,000	3,800,000
Goodwill on consolidation	6	1,869,146	1,743,593	-	-
		<u>61,133,500</u>	<u>46,808,626</u>	<u>26,106,884</u>	<u>22,871,079</u>
<b>Current Assets</b>					
Marketable securities		16,259	-	-	-
Inventories	7	5,296,870	765,811	1,439,375	-
Trade receivables	8	19,040,227	28,219,513	9,631,937	15,155,445
Other receivables	9	4,088,925	1,902,224	3,328,542	1,331,512
Amount owing by subsidiary companies	10	-	-	53,648,096	39,728,013
Amount owing by associated company		-	220,538	-	220,538
Tax recoverable		71,116	27,452	47,222	26,456
Fixed deposits with licensed banks	11	10,340,015	12,072,069	3,282,087	3,032,087
Cash and bank balances		10,280,757	8,577,299	1,994,964	4,715,457
		<u>49,134,169</u>	<u>51,784,906</u>	<u>73,372,223</u>	<u>64,209,508</u>
<b>Current Liabilities</b>					
Trade payables	12	7,212,751	6,725,988	4,644,104	3,968,603
Other payables	13	6,477,836	4,190,844	706,106	289,390
Amount owing to subsidiary company		-	-	-	122,850
Hire purchase payables	14	41,357	464,379	-	413,424
Borrowings	15	797,103	1,937,291	191,571	370,091
Tax payable		9,794	40,361	-	-
		<u>14,538,841</u>	<u>13,358,863</u>	<u>5,541,781</u>	<u>5,164,358</u>
Net current assets		<u>34,595,328</u>	<u>38,426,043</u>	<u>67,830,442</u>	<u>59,045,150</u>
		<u>95,728,828</u>	<u>85,234,669</u>	<u>93,937,326</u>	<u>81,916,229</u>
<b>Financed By:</b>					
Share capital	16	62,478,744	54,459,376	62,478,744	54,459,376
Reserves	17	28,117,750	24,337,524	27,992,743	24,014,746
Equity attributable to equity holders of the parent		90,596,494	78,796,900	90,471,487	78,474,122
Minority interests		1,618	-	-	-
Total equity		<u>90,598,112</u>	<u>78,796,900</u>	<u>90,471,487</u>	<u>78,474,122</u>
<b>Non-Current Liabilities</b>					
Hire purchase payables	14	5,398	48,305	-	-
Borrowings	15	4,137,507	5,424,907	3,465,839	3,442,107
Deferred tax liabilities	18	987,811	964,557	-	-
		<u>5,130,716</u>	<u>6,437,769</u>	<u>3,465,839</u>	<u>3,442,107</u>
		<u>95,728,828</u>	<u>85,234,669</u>	<u>93,937,326</u>	<u>81,916,229</u>

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

**income statements for the financial year ended 31 december 2006**

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	19	47,906,902	50,991,554	31,202,249	35,885,024
Cost of sales		(11,689,473)	(19,431,343)	(9,179,014)	(17,005,433)
Gross profit		36,217,429	31,560,211	22,023,235	18,879,591
Other operating income	20	1,116,665	245,932	373,822	84,415
Administration expenses		(25,018,328)	(17,329,018)	(10,876,626)	(5,787,752)
Distribution costs		(3,113,594)	(2,522,359)	(1,570,942)	(1,036,823)
Other operating expenses		(595,325)	(334,252)	(399,838)	(297,944)
Finance costs	21	(409,845)	(292,587)	(238,277)	(177,479)
Share of profit in associated companies		979,508	471,345	-	-
Profit before taxation	22	9,176,510	11,799,272	9,311,374	11,664,008
Taxation	23	(94,024)	(82,975)	(19,592)	(34,334)
Net profit for the financial year		9,082,486	11,716,297	9,291,782	11,629,674
Net profit for the financial year attributable to:					
Equity holders of the parent		9,073,677	11,716,297		
Minority interests		8,809	-		
		9,082,486	11,716,297		
Earning per share attributable to equity holders of the parent (sen):					
Basic	24(a)	7.44	12.15		
Diluted	24(b)	7.17	12.00		

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

statements of changes in equity for the financial year ended 31 december 2006

Group	Attributable to Equity Holders of the Parent					Total equity RM	
	Share capital RM	Share premium RM	ESOS reserves RM	Retained profits RM	Total RM		Minority interests RM
At 1 January 2005	33,650,285	391,384	-	16,573,895	50,615,564	-	50,615,564
Issue of shares pursuant to ESOS	386,825	246,650	-	-	633,475	-	633,475
Rights Issue	20,422,266	(638,034)	-	(3,996,420)	15,787,812	-	15,787,812
Net profit for the financial year	-	-	-	11,760,049	11,760,049	-	11,760,049
- As previously stated	-	-	43,752	(43,752)	-	-	-
- effect of adopting FRS 2	-	-	43,752	11,716,297	11,760,049	-	11,760,049
- As restated	-	-	-	-	-	-	-
At 31 December 2005	54,459,376	-	-	24,337,524	78,796,900	-	78,796,900
- As previously stated	-	-	43,752	(43,752)	-	-	-
- effect of adopting FRS 2	54,459,376	-	43,752	24,293,772	78,796,900	-	78,796,900
- As restated	-	-	-	-	-	-	-
Group	Share capital RM	Foreign exchange reserves RM	ESOS reserves RM	Retained profits RM	Total RM	Minority interests RM	Total equity RM
At 1 January 2006	54,459,376	-	-	24,337,524	78,796,900	-	78,796,900
- As previously stated	-	-	43,752	(43,752)	-	-	-
- effect of adopting FRS 2	54,459,376	-	43,752	24,293,772	78,796,900	-	78,796,900
- As restated	-	-	-	-	-	-	-
Arising from acquisition of subsidiary companies	-	-	-	-	-	(7,191)	(7,191)
Foreign exchange differences, representing net gains not recognised in income statement	-	20,334	-	-	20,334	-	20,334
Issue of shares pursuant to ESOS	2,405,368	-	-	-	2,405,368	-	2,405,368
Bonus Issue	5,614,000	-	-	(5,614,000)	-	-	-
Net profit for the financial year	-	-	-	9,073,677	9,073,677	8,809	9,082,486
Share based payment	-	-	300,215	-	300,215	-	300,215
At 31 December 2006	62,478,744	20,334	343,967	27,753,449	90,596,494	1,618	90,598,112

**statements of changes in equity for the financial year ended 31 december 2006 (cont'd)**

<b>Company</b>	<b>Share capital</b>	<b>Non-Distributable</b>		<b>Distributable</b>	<b>Total equity</b>
		<b>Share premium</b>	<b>ESOS reserves</b>	<b>Retained profits</b>	
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At 1 January 2005	33,650,285	391,384	-	16,337,740	50,379,409
Issue of shares pursuant to ESOS	386,825	246,650	-	-	633,475
Rights Issue	20,422,266	(638,034)	-	(3,996,420)	15,787,812
Net profit for the financial year					
- As previously stated	-	-	-	11,673,426	11,673,426
- effect of adopting FRS 2	-	-	43,752	(43,752)	-
- As restated	-	-	43,752	11,629,674	11,673,426
At 31 December 2005					
- As previously stated	54,459,376	-	-	24,014,746	78,474,122
- effect of adopting FRS 2	-	-	43,752	(43,752)	-
- As restated	<u>54,459,376</u>	<u>-</u>	<u>43,752</u>	<u>23,970,994</u>	<u>78,474,122</u>
At 1 January 2006					
- As previously stated	54,459,376	-	-	24,014,746	78,474,122
- effect of adopting FRS 2	-	-	43,752	(43,752)	-
- As restated	<u>54,459,376</u>	<u>-</u>	<u>43,752</u>	<u>23,970,994</u>	<u>78,474,122</u>
Issue of shares pursuant to ESOS	2,405,368	-	-	-	2,405,368
Bonus Issue	5,614,000	-	-	(5,614,000)	-
Net profit for the financial year	-	-	-	9,291,782	9,291,782
Share based payment	-	-	300,215	-	300,215
At 31 December 2006	<u>62,478,744</u>	<u>-</u>	<u>343,967</u>	<u>27,648,776</u>	<u>90,471,487</u>

The accompanying notes form an integral part of the financial statements

cash flow statements for the financial year ended 31 december 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Cash Flows From Operating Activities</b>				
Profit before taxation	9,176,510	11,799,272	9,311,374	11,664,008
Adjustment for:				
Allowance for doubtful debts	3,756,569	-	1,662,828	-
Depreciation of property, plant and equipment	3,894,266	6,368,555	2,045,320	1,406,188
Gain on disposal of associated company	(159,650)	-	(285,000)	-
Gain on deemed disposal of associated company	-	(39,404)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(6,722)	(878)	1,592	-
Interest income	(400,010)	(170,037)	(72,059)	(78,517)
Interest expense	409,845	292,587	238,277	177,479
Property, plant and equipment written off	39,312	7,628	-	-
Reserves on consolidation written off	(65,157)	-	-	-
Share based payment	300,215	43,752	300,215	43,752
Share of profit in associated companies	(979,508)	(471,345)	-	-
Unrealised loss on foreign exchange	53,457	895	121,433	-
Operating profit before working capital changes	16,019,127	17,831,025	13,323,980	13,212,910
Decrease/(Increase) in working capital				
Inventories	(4,531,059)	3,457,358	(1,439,375)	-
Trade and other receivables	3,182,559	2,262,252	1,728,489	909,636
Trade and other payables	2,172,441	(4,697,507)	1,142,298	(2,366,414)
Amount owing by/(to) subsidiary companies	-	-	(14,079,286)	(14,119,531)
Amount owing by associated company	220,538	(220,538)	220,538	(220,538)
	1,044,479	801,565	(12,427,336)	(15,796,847)
Cash generated from/(used in) operations	17,063,606	18,632,590	896,644	(2,583,937)
Interest received	400,010	170,037	72,059	78,517
Interest paid	(409,845)	(292,587)	(238,277)	(177,479)
Tax paid	(145,015)	(59,654)	(40,358)	(51,800)
Exchange fluctuation adjustment	20,348	-	-	-
	(134,502)	(182,204)	(206,576)	(150,762)
Net cash from/(used in) operating activities	16,929,104	18,450,386	690,068	(2,734,699)

**cash flow statements for the financial year ended 31 december 2006 (cont'd)**

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>Cash Flows From Investing Activities</b>					
Purchase of property, plant and equipment	25	(17,447,350)	(23,881,105)	(5,575,460)	(9,199,658)
Purchase of marketable securities		(16,259)	-	-	-
Proceeds from disposal of property, plant and equipment		36,600	436,305	7,750	-
Acquisition of subsidiary companies		-	-	(7)	-
Acquisition of associated companies		-	(3,857,883)	-	(3,800,000)
Proceeds from disposal of associated company		570,000	-	570,000	-
Net cash inflow/(outflow) on acquisition of subsidiary companies	4(d)	387,458	(2)	-	-
Net cash used in investing activities		<u>(16,469,551)</u>	<u>(27,302,685)</u>	<u>(4,997,717)</u>	<u>(12,999,658)</u>
<b>Cash Flows From Financing Activities</b>					
Proceeds from issue of shares		2,405,368	16,421,287	2,405,368	16,421,287
(Increase)/Decrease in fixed deposits pledged		(307,928)	900,000	(250,000)	1,000,000
Drawdown of borrowings		-	7,900,000	-	3,900,000
Repayment of hire purchase payables		(465,929)	(700,156)	(413,424)	(694,416)
Repayment of borrowings		<u>(2,427,588)</u>	<u>(2,037,802)</u>	<u>(154,788)</u>	<u>(1,587,802)</u>
Net cash (used in)/from financing activities		<u>(796,077)</u>	<u>22,483,329</u>	<u>1,587,156</u>	<u>19,039,069</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(336,524)</b>	<b>13,631,030</b>	<b>(2,720,493)</b>	<b>3,304,712</b>
<b>Cash and cash equivalents at beginning of financial year</b>		<u>17,449,368</u>	<u>3,818,338</u>	<u>5,047,544</u>	<u>1,742,832</u>
<b>Cash and cash equivalents at end of financial year</b>		<u>17,112,844</u>	<u>17,449,368</u>	<u>2,327,051</u>	<u>5,047,544</u>
<b>Cash and cash equivalents at end of year comprises:</b>					
Cash and bank balances		10,280,757	8,577,299	1,994,964	4,715,457
Fixed deposits with licensed banks		10,340,015	12,072,069	3,282,087	3,032,087
		<u>20,620,772</u>	<u>20,649,368</u>	<u>5,277,051</u>	<u>7,747,544</u>
Less : Fixed deposits pledged to licensed banks		<u>(3,507,928)</u>	<u>(3,200,000)</u>	<u>(2,950,000)</u>	<u>(2,700,000)</u>
		<u>17,112,844</u>	<u>17,449,368</u>	<u>2,327,051</u>	<u>5,047,544</u>

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 and associated companies are stated in Note 4 and Note 5 respectively 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 the Malaysian Exchange of Securities Dealing & Automated Quotation (MESDAQ) of Bursa Malaysia Securities Berhad.

On 15 February 2007, the Company has successfully transferred its listing status from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 20C, Jalan 1/64, Off Jalan Kolam Air/Jalan Ipoh, 51200 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 the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

During the financial year, the Group and the Company have adopted the following applicable Financial Reporting Standards (“FRSs”) issued by the Malaysian Accounting Standards Boards that are mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The Directors of the Group and of the Company anticipate that the application of the above FRSs does not have a significant impact on the financial statements of the Group and of the Company, except as disclosed in Note 30 to the financial statements.

The Directors of the Group and of the Company anticipate that the application of the following FRSs which are mandatory and will be effective for financial periods as stated below will have no material impact on the financial statements of the Group and of the Company, except as disclosed in Note 31 to the financial statements:

## notes to the financial statements (cont'd)

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

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

		<u>Effective date for financial period beginning on or after</u>
FRS 117	Leases	1 October 2006
FRS 124	Related Party Disclosures	1 October 2006
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119 2004	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007

#### (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 plant and equipment

The costs of plant and equipment of the Group 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 and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's and of the Company's plant and equipment at 31 December 2006 is disclosed in Note 3 to the financial statements.

##### (ii) 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.

##### (iii) Impairment of investment in associated company

The carrying values of investments in associated company and the related goodwill are reviewed for impairment in accordance with FRS 128: Investments in Associates. The carrying amount of the Group's and of the Company's investment in associated company at 31 December 2006 is disclosed in Note 5 to the financial statements.

In the determination of the value in use of the investment, the Group is required to estimate the expected cash flows to be generated by the associated company and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

**2. Basis of Preparation and Significant Accounting Policies (Cont'd)**

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

(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(l). 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 2006 is disclosed in Note 6 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) Employee 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 were measured at Grant Date. The principal assumption used in the fair value estimation is disclosed in Note 27 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. On disposal of these investments, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(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(f). 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.

## 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 (cont'd)

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) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting. Investments in associated companies include goodwill identified on acquisition, net of any accumulated impairment loss in accordance with Note 2(l).

Equity accounting involves recording investments in associated companies initially at cost, and recognising the Group's share of its associated companies' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

##### (iii) 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(l).

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.

## 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)

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. Leased assets are depreciated over the shorter of the lease term and their useful lives.

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) 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(l).

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

## notes to the financial statements (cont'd)

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

#### (g) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived using the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increases or decreases in the carrying amount of marketable securities are credited or charged to the income statements. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statements.

#### (h) Inventories

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

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

#### (i) 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.

#### (j) 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.

#### (k) 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.

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 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.

## notes to the financial statements (cont'd)

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

#### (l) 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 have 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 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.

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 profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

#### (m) 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.

#### (n) 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.

## notes to the financial statements (cont'd)

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

#### (o) 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.

##### (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>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
Hong Kong Dollar (HK\$)	0.4709	0.4868
United States Dollar (US\$)	3.5500	3.7800
Singapore Dollar (S\$)	2.3124	2.2735
Thailand Baht (THB)	0.0970	0.0938
Chinese Yuan Renminbi (RMB)	0.4597	0.4628
Philippines Peso (PHP)	0.0715	0.0689
British Pound	6.9204	6.5232
Euro (EUR)	<u>4.6404</u>	<u>4.4823</u>

## notes to the financial statements (cont'd)

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

#### (p) Revenue recognition

(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 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.

#### (q) 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 to 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.

#### (r) 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.

## notes to the financial statements (cont'd)

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

#### (r) Employee benefits (cont'd)

##### (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) Employee Share Option Scheme

The GHL Systems Berhad Employee 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 profit or loss, 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.

#### (s) 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

Group	Long term leasehold land and buildings	Computer equipments	EDC equipments	Computer software	Motor vehicles	Furniture, fittings and office equipments	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<b>Cost</b>								
At 1.1.2006	4,875,000	2,887,200	33,175,085	10,441,685	2,122,140	1,083,021	1,519,214	56,103,345
Acquisition of subsidiary companies	-	-	-	-	-	17,405	6,897	24,302
Additions	-	1,208,664	9,987,625	4,358,498	77,474	1,455,627	359,462	17,447,350
Disposals	-	(700)	(86,507)	-	-	(9,500)	(725)	(97,432)
Written off	-	-	(67,200)	-	-	-	-	(67,200)
Exchange difference	-	-	-	-	-	(1,230)	(488)	(1,718)
At 31.12.2006	4,875,000	4,095,164	43,009,003	14,800,183	2,199,614	2,545,323	1,884,360	73,408,647
<b>Accumulated depreciation</b>								
At 1.1.2006	-	2,077,117	8,769,890	2,753,527	707,580	166,415	931,522	15,406,051
Acquisition of subsidiary companies	-	-	-	-	-	995	287	1,282
Charge for the financial year	49,242	688,302	1,120,298	1,145,762	430,624	224,873	235,165	3,894,266
Disposals	-	(597)	(66,507)	-	-	(158)	(292)	(67,554)
Written off	-	-	(27,888)	-	-	-	-	(27,888)
Exchange difference	-	-	-	-	-	(602)	(273)	(875)
At 31.12.2006	49,242	2,764,822	9,795,793	3,899,289	1,138,204	391,523	1,166,409	19,205,282
<b>Carrying amount</b>								
At 31.12.2006	4,825,758	1,330,342	33,213,210	10,900,894	1,061,410	2,153,800	717,951	54,203,365
At 31.12.2005	4,875,000	810,083	24,405,195	7,688,158	1,414,560	916,606	587,692	40,697,294
<b>Depreciation charge for the financial year ended 31.12.2005</b>								
	-	583,046	4,462,777	726,454	400,892	54,437	140,949	6,368,555

**notes to the financial statements (cont'd)**
**3. Property, Plant and Equipment (Cont'd)**

Company	Long term leasehold land and buildings	Computer equipments	Computer software	Motor vehicles	Furniture, fittings and office equipments	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM
<b>Cost</b>							
At 1.1.2006	4,875,000	1,718,641	9,813,485	1,968,294	821,062	314,254	19,510,736
Additions	-	297,459	4,309,998	77,474	820,107	70,422	5,575,460
Disposal	-	-	-	-	(9,500)	-	(9,500)
At 31.12.2006	4,875,000	2,016,100	14,123,483	2,045,768	1,631,669	384,676	25,076,696
<b>Accumulated depreciation</b>							
At 1.1.2006	-	1,225,853	2,563,658	688,205	75,982	285,959	4,839,657
Charge for the financial year	49,242	313,651	1,080,725	402,697	154,922	44,083	2,045,320
Disposal	-	-	-	-	(158)	-	(158)
At 31.12.2006	49,242	1,539,504	3,644,383	1,090,902	230,746	330,042	6,884,819
<b>Carrying amount</b>							
At 31.12.2006	4,825,758	476,596	10,479,100	954,866	1,400,923	54,634	18,191,877
At 31.12.2005	4,875,000	492,788	7,249,827	1,280,089	745,080	28,295	14,671,079
<b>Depreciation charge for the financial year ended 31.12.2005</b>							
	-	317,361	663,658	393,658	28,739	2,772	1,406,188

- (a) Included in the property, plant and equipment of the Group and of the Company are motor vehicles acquired under hire purchase with carrying amounts of RM106,543 and Nil (2005: RM1,351,967 and RM1,217,755) respectively.
- (b) 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.
- (c) The long term leasehold land and buildings of the Group and of the Company have been pledged to a licensed bank for term loan facility granted to the Company as disclosed in Note 15 to the financial statements.

The remaining period of the long term leasehold buildings is 96 years (2005: 97 years).

- (d) Included in the property, plant and equipment of the Group and of the Company are staff costs and director remuneration capitalised during the financial year as follows:

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Computer software		3,600,000	3,100,000	3,600,000	3,100,000
EDC equipments		-	1,388,621	-	-
	22 & 28	3,600,000	4,488,621	3,600,000	3,100,000

## notes to the financial statements (cont'd)

### 4. Investment in Subsidiary Companies

(a) Investment in subsidiary companies

	Company	
	2006 RM	2005 RM
Unquoted shares, at cost	4,400,007	4,400,000

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

Name of company	Country of incorporation	Effective interest		Principal activities
		2006 %	2005 %	
<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	-	Investment holding
<b>Indirect holding:</b>				
Subsidiary company of GHL International Sdn. Bhd.				
Card Pay Sdn. Bhd	Malaysia	52	52	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
* PaymentOne (HK) Pte Limited	Hong Kong	100	-	Payment enabler supplying infrastructure and related equipment

notes to the financial statements (cont'd)

4. Investment in Subsidiary Companies (Cont'd)

Name of company	Country of incorporation	Effective interest		Principal activities
		2006 %	2005 %	
* PaymentOne Singapore Pte Ltd	Singapore	100	-	Development and sale of in-house software programmes, sale and rental of EDC equipment and related services
* GHLSYS Philippines Inc	Philippines	99.99	-	Provision of end-to-end payment services and solutions through the deployment of payment infrastructure, technology and services
* GHL (Thailand) Co Ltd	Thailand	49 <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) Company Limited	Hong Kong	51.25	-	Non-exclusive distributor for the GHL Group's products and services and carrying on business related to the supply, leasing and servicing of hardware, software and services in payment and transaction solutions
Subsidiary company of GHL (China) Company Limited				
* GHL Beijing Co Ltd	People's Republic of China	51.25	-	Development and sale of in-house software solutions, and sale and rental of EDC equipment and related services

\* Subsidiary company not audited by Anuarul Azizan Chew & Co.

<sup>^</sup> Preferred shares with 97.96% of voting rights.

# The audited financial statements for the financial year ended 31 December 2006 of this subsidiary company is not available at the date the financial statements of the Company are authorised for issue. As the said subsidiary company is inactive, the Directors are of the opinion that it does not materially affect the financial statements of the Group and therefore the preparation of the consolidated financial statements was based on the management financial statements of this subsidiary company for the financial year ended 31 December 2006.

## notes to the financial statements (cont'd)

### 4. Investment in Subsidiary Companies (Cont'd)

#### (c) Subsidiary company not consolidated

	Company	
	2006 RM	2005 RM
Unquoted shares, at cost	-	2

The financial statements of GHLSYS Singapore Pte. Ltd. has not been consolidated in prior year as in the opinion of the directors, the financial statements of this subsidiary company does not materially affect the financial statements of the Group and the control in this subsidiary company is likely to be temporary.

#### (d) Acquisition of subsidiary companies

The effect of the acquisition as disclosed in Note 32 on the financial results of the Group during the financial year is as follows:

	Group 2006 RM
Turnover	6,679,498
Cost of sales	(5,686,915)
Gross profit	992,583
Other operating income	261,911
Operating expenses	(1,877,065)
Finance costs	(10,041)
Loss before taxation	(632,612)
Taxation	(2,945)
Loss after taxation	(635,557)
Minority interests	(8,809)
Net loss for the financial year	(644,366)

The summary of effects of the acquisition on the financial position of the Group is as follows:

	Group 2006 RM
Property, plant and equipment	6,708,549
Inventories	455,192
Trade and other receivables	2,047,765
Cash and bank balances	5,599,105
Trade and other payables	(14,515,637)
Deferred tax liabilities	(2,959)
Foreign exchange reserves	(20,334)
Goodwill on consolidation	125,553
Minority interest	(1,618)
	395,616

**notes to the financial statements (cont'd)**
**4. Investment in Subsidiary Companies (Cont'd)**
**(d) Acquisition of subsidiary companies (cont'd)**

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiary companies are as follows:

	<b>Group 2006 RM</b>
Net assets acquired:	
Property, plant and equipment	22,177
Cash and bank balances	1,427,440
Trade and other payables	(601,316)
Reserve on consolidation	(65,157)
Goodwill on consolidation	125,553
Minority interests	7,191
	<u>915,888</u>
Investment in associated company	<u>124,094</u>
Discharged by cash	1,039,982
Cash and cash equivalents acquired	<u>(1,427,440)</u>
Cash inflow on acquisition of subsidiary companies	<u>(387,458)</u>

If the acquisition had occurred on 1 January 2006, the contribution to the Group's turnover and net loss for the financial year would have been RM7,290,689 and RM1,117,014 respectively.

**5. Investment in Associated Companies**

	<b>Group</b>		<b>Company</b>	
	<b>2006 RM</b>	<b>2005 RM</b>	<b>2006 RM</b>	<b>2005 RM</b>
Unquoted shares, at cost	3,515,000	3,857,883	3,515,000	3,800,000
Exchange adjustment	-	(895)	-	-
	<u>3,515,000</u>	<u>3,856,988</u>	<u>3,515,000</u>	<u>3,800,000</u>
Share of post acquisition profit	1,671,339	471,345	-	-
	<u>5,186,339</u>	<u>4,328,333</u>	<u>3,515,000</u>	<u>3,800,000</u>
Gain on deemed disposal of associated company's shares	-	39,404	-	-
Effect on disposal of associated company	(125,350)	-	-	-
	<u>5,060,989</u>	<u>4,367,737</u>	<u>3,515,000</u>	<u>3,800,000</u>

## notes to the financial statements (cont'd)

### 5. Investment in Associated Companies (Cont'd)

(a) The associated companies and shareholding therein are as follows:

Name of company	Country of incorporation	Effective interest		Principal activities
		2006 %	2005 %	
<b>Direct holding:</b>				
* MobilityOne Sdn. Bhd.	Malaysia	27.25	29.46	Provision of e-Channel product and services, technology managed services and solution sales and consultancy.
<b>Indirect holding:</b>				
Associated company of GHL International Sdn. Bhd.				
* GHL (China) Company Limited	Hong Kong	-	30	Non-exclusive distributor for the GHL Group's products and services and carrying on business related to the supply, leasing and servicing of hardware, software and services in payment and transaction solutions

\* Associated companies not audited by Anuarul Azizan Chew & Co.

(b) The summarised financial information of the associated companies are as follows:

	Group	
	2006 RM	2005 RM
<b>Assets and liabilities</b>		
Non-current assets	15,800,193	15,647,089
Current assets	15,584,668	6,933,582
Total assets	<u>31,384,861</u>	<u>22,580,671</u>
Non-current liabilities	7,798,559	2,718,880
Current liabilities	1,061,076	141,828
Total liabilities	<u>8,859,635</u>	<u>2,860,708</u>
<b>Results</b>		
Revenue	61,239,494	66,659,805
Net profit for the financial year	<u>4,216,485</u>	<u>1,335,977</u>

**notes to the financial statements (cont'd)**
**6. Goodwill on consolidation**

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
At 1 January	1,743,593	1,743,593
Acquisition of subsidiary companies	125,553	-
At 31 December	<u>1,869,146</u>	<u>1,743,593</u>

**7. Inventories**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
EDC equipments	3,539,338	467,736	-	-
Others	1,757,532	298,075	1,439,375	-
	<u>5,296,870</u>	<u>765,811</u>	<u>1,439,375</u>	<u>-</u>

**8. Trade Receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Trade receivables	22,796,796	28,219,513	11,294,765	15,155,445
Allowance for doubtful debts	(3,756,569)	-	(1,662,828)	-
	<u>19,040,227</u>	<u>28,219,513</u>	<u>9,631,937</u>	<u>15,155,445</u>

The Group's and the Company's normal trade credit terms range from 30 to 180 days and 30 to 60 days (2005: 30 to 60 days and 30 to 60 days) respectively. Other credit terms are assessed and approved on a case to case basis.

**9. Other Receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other receivables	947,149	126,179	701,964	2,590
Deposits	1,514,251	1,243,949	1,242,369	1,162,310
Prepayments	1,627,525	532,096	1,384,209	166,612
	<u>4,088,925</u>	<u>1,902,224</u>	<u>3,328,542</u>	<u>1,331,512</u>

**10. 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 RM36,018,993 (2005: RM2,826,289) which is made up of trade transactions.

## notes to the financial statements (cont'd)

### 11. Fixed Deposits with Licensed Banks

Included in the above is an amount of RM3,507,928 and RM2,950,000 (2005: RM3,200,000 and RM2,700,000) pledged to licensed banks as securities for credit facilities granted to the Group and the Company respectively as disclosed in Note 15 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	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest rates (%)	2.28 - 3.50	2.60 - 3.70	2.28	2.60 - 3.70
Maturities (days)	30 - 365	30 - 365	30 - 365	30 - 365

### 12. Trade Payables

The Group's and the Company's normal trade credit terms range from 30 to 90 days and 30 to 60 days (2005: 30 to 60 days and 30 to 60 days) respectively. Other credit terms are assessed and approved on a case to case basis.

### 13. Other Payables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables	1,660,915	56,886	146,829	47,381
Deposits	3,688,966	3,587,998	1,879	-
Accruals	1,127,955	545,960	557,398	242,009
	<u>6,477,836</u>	<u>4,190,844</u>	<u>706,106</u>	<u>289,390</u>

### 14. Hire Purchase Payables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
(a) Minimum hire purchase payments				
Within one year	43,878	476,862	-	421,278
Between one and five years	5,727	49,604	-	-
	<u>49,605</u>	<u>526,466</u>	<u>-</u>	<u>421,278</u>
Less: Finance charges	(2,850)	(13,782)	-	(7,854)
	<u>46,755</u>	<u>512,684</u>	<u>-</u>	<u>413,424</u>
(b) Present value of hire purchase liabilities				
Within one year	41,357	464,379	-	413,424
Between one and five years	5,398	48,305	-	-
	<u>46,755</u>	<u>512,684</u>	<u>-</u>	<u>413,424</u>
Analyse as:				
Within twelve months	41,357	464,379	-	413,424
After twelve months	5,398	48,305	-	-
	<u>46,755</u>	<u>512,684</u>	<u>-</u>	<u>413,424</u>

The weighted average effective interest rate of the Group and of the Company at the balance sheet date are 5.6% and 4.5% (2005: 5.6% and 5.9%) per annum respectively.

**notes to the financial statements (cont'd)**
**15. Borrowings**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Secured</b>				
Term loans	3,657,410	3,812,198	3,657,410	3,812,198
<b>Unsecured</b>				
Term loans	1,277,200	3,550,000	-	-
	<u>4,934,610</u>	<u>7,362,198</u>	<u>3,657,410</u>	<u>3,812,198</u>
<b>Analysed as:</b>				
<b>Repayable within twelve months</b>				
Term loans	797,103	1,937,291	191,571	370,091
<b>Repayable after twelve months</b>				
Term loans	4,137,507	5,424,907	3,465,839	3,442,107
	<u>4,934,610</u>	<u>7,362,198</u>	<u>3,657,410</u>	<u>3,812,198</u>

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

- fixed charge over the Company's long term leasehold land and buildings; and
- pledge of fixed deposits of the Company and its subsidiary company.

The term loans are repayable by monthly instalment over 1 to 14 years.

The weighted average effective interest rate of the Group and of the Company for the above facilities are 6.7% and 6.1% (2005: 3.4% and 3.5%) per annum respectively.

The maturity of borrowings is as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Within one year	797,103	1,937,291	191,571	370,091
Between one and two years	873,041	1,687,291	201,373	370,091
Between two and five years	571,025	1,775,874	571,025	1,110,274
After five years	2,693,441	1,961,742	2,693,441	1,961,742
	<u>4,934,610</u>	<u>7,362,198</u>	<u>3,657,410</u>	<u>3,812,198</u>

**16. Share Capital**

	Group/Company	
	2006 RM	2005 RM
Ordinary shares of RM0.10 each:		
<b>Authorised</b>		
At 1 January	100,000,000	50,000,000
Created during the financial year	-	50,000,000
At 31 December	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued and fully paid</b>		
At 1 January	54,459,376	33,650,285
Issue of shares pursuant to ESOS	2,405,368	386,825
Rights issue	-	20,422,266
Bonus issue	5,614,000	-
At 31 December	<u>62,478,744</u>	<u>54,459,376</u>

## notes to the financial statements (cont'd)

### 16. Share Capital (Cont'd)

During the financial year, the Company increased its issued and paid-up share capital from RM54,459,376 to RM62,478,744 by issuance of :

- (a) 24,053,680 new ordinary shares of RM0.10 each pursuant to the exercise of option granted under ESOS at the exercise price of RM0.10 each; and
- (b) 56,139,996 new ordinary shares of RM0.10 each pursuant to bonus issue on the basis of one new ordinary share for every ten existing ordinary shares held by utilisation of RM5,614,000 from retained profits.

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

### 17. Reserves

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Non-distributable:</b>				
ESOS reserves	343,967	43,752	343,967	43,752
Foreign exchange reserves	20,334	-	-	-
<b>Distributable:</b>				
Retained profits	27,753,449	24,293,772	27,648,776	23,970,994
	<u>28,117,750</u>	<u>24,337,524</u>	<u>27,992,743</u>	<u>24,014,746</u>

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

### 18. Deferred Tax Liabilities

	Group	
	2006 RM	2005 RM
At 1 January	964,557	964,916
Recognised in income statement	18,626	(359)
Under provision in prior year	4,614	-
Exchange difference	14	-
At 31 December	<u>987,811</u>	<u>964,557</u>

Presented after appropriate offsetting as follows:

Deferred tax liabilities	6,743,341	5,234,657
Deferred tax assets	<u>(5,755,530)</u>	<u>(4,270,100)</u>
	<u>987,811</u>	<u>964,557</u>

## notes to the financial statements (cont'd)

### 18. Deferred Tax Liabilities (Cont'd)

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:

	<b>Accelerated capital allowances</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>
At 1 January 2006	5,234,657	5,234,657
Recognised in income statement	1,504,306	1,504,320
Under provision in prior year	4,364	4,364
Exchange difference	14	-
At 31 December 2006	<u>6,743,341</u>	<u>6,743,341</u>
At 1 January 2005	3,122,539	3,122,539
Recognised in income statement	2,112,118	2,112,118
At 31 December 2005	<u>5,234,657</u>	<u>5,234,657</u>

Deferred tax assets of the Group:

	<b>Unutilised capital allowances</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>
At 1 January 2006	(4,270,100)	(4,270,100)
Recognised in income statement	(1,485,430)	(1,485,430)
At 31 December 2006	<u>(5,755,530)</u>	<u>(5,755,530)</u>
At 1 January 2005	(2,157,623)	(2,157,623)
Recognised in income statement	(2,112,477)	(2,112,477)
At 31 December 2005	<u>(4,270,100)</u>	<u>(4,270,100)</u>

Deferred tax assets/(liabilities) have not been recognised in respect of the following temporary differences:

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
Unused tax losses	2,665,636	1,020,059
Unutilised capital allowances	1,886,820	1,835,744
Accelerated capital allowances	(694,422)	(489,710)
	<u>3,858,034</u>	<u>2,366,093</u>

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.

## notes to the financial statements (cont'd)

### 19. Revenue

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Rental of EDC	22,194,668	19,595,445	7,500	-
Sales of software solutions	25,712,234	31,396,109	31,194,749	35,885,024
	<u>47,906,902</u>	<u>50,991,554</u>	<u>31,202,249</u>	<u>35,885,024</u>

### 20. Other Operating Income

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed deposit interest	349,103	108,934	72,059	78,517
Other interest income	50,907	61,103	-	-
Gain on foreign exchange				
- Realised	276,634	31,395	16,763	5,898
- Unrealised	205,354	-	-	-
Gain on disposal of associated company	159,650	-	285,000	-
Gain on disposal of property, plant and equipment	8,314	878	-	-
Gain on deemed disposal of associated company's shares	-	39,404	-	-
Reserves on consolidation written off	65,157	-	-	-
Others	1,546	4,218	-	-
	<u>1,116,665</u>	<u>245,932</u>	<u>373,822</u>	<u>84,415</u>

### 21. Finance Costs

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Hire purchase interest	397,397	45,360	9,328	45,132
Term loan interest	12,406	247,227	228,949	132,347
Bank overdraft interest	42	-	-	-
	<u>409,845</u>	<u>292,587</u>	<u>238,277</u>	<u>177,479</u>

**notes to the financial statements (cont'd)**
**22. Profit before Taxation**

Profit before taxation is derived after charging:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Auditors' remuneration	86,653	30,500	17,000	12,000
Allowance for doubtful debts	3,756,569	-	1,662,828	-
Directors' remuneration	1,471,599	1,572,163	1,360,970	1,572,163
Depreciation of property, plant and equipment	3,894,266	6,368,555	2,045,320	1,406,188
Loss on disposal of property, plant and equipment	1,592	-	1,592	-
Loss on foreign exchange				
- Realised	5,040	55,732	-	-
- Unrealised	258,811	895	121,433	-
Rental of premises	384,684	779,331	251,656	457,731
Property, plant and equipment written off	39,312	7,628	-	-

**Directors' remuneration**

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>Executive Directors</b>					
Fees		72,000	72,000	72,000	72,000
Salaries and other emoluments		1,635,446	1,650,781	1,524,817	1,650,781
EPF		181,188	137,316	181,188	137,316
<b>Non Executive Directors</b>					
Fees		138,000	144,000	138,000	144,000
Directors' remuneration		2,026,634	2,004,097	1,916,005	2,004,097
Capitalised in property plant and equipment	3	(555,035)	(431,934)	(555,035)	(431,934)
		<u>1,471,599</u>	<u>1,572,163</u>	<u>1,360,970</u>	<u>1,572,163</u>

## notes to the financial statements (cont'd)

### 23. Taxation

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax expense for the financial year:				
Current tax provision				
- Malaysia income tax	75,631	84,000	20,200	35,000
Over provision in prior year				
- Malaysia income tax	(4,847)	(666)	(608)	(666)
	<u>70,784</u>	<u>83,334</u>	<u>19,592</u>	<u>34,334</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	53,793	146,461	-	-
Relating to change in tax rate	(34,667)	-	-	-
Under/(Over) provision in prior financial years	4,114	(146,820)	-	-
	<u>23,240</u>	<u>(359)</u>	<u>-</u>	<u>-</u>
	<u>94,024</u>	<u>82,975</u>	<u>19,592</u>	<u>34,334</u>

Income tax is calculated at the statutory tax rate of 28% of the estimated assessable profit for the financial year. Effective from year of assessment 2007, the statutory tax rate will be reduced to 27% which has been reflected accordingly in the computation of deferred taxation for the current financial year.

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

	Group	
	2006 RM	2005 RM
Profit before taxation	<u>9,176,510</u>	<u>11,799,272</u>
Taxation at statutory tax rate of 28% (2005: 28%)	2,569,423	3,303,796
Tax incentive for small and medium scale companies at 20% tax rate	(22,296)	(32,037)
Effect of different tax rates in other countries	602	-
Reduction in income tax rate	(34,667)	-
Pioneer status tax incentive	(3,162,961)	(4,155,245)
Expenses not deductible for tax purposes	529,111	1,106,373
Income not subject to tax	(333,436)	(149,186)
Deferred tax assets not recognised	548,981	156,760
Over provision of taxation in respect of prior year	(4,847)	(666)
Under/(Over) provision of deferred taxation in respect of prior year	4,114	(146,820)
	<u>94,024</u>	<u>82,975</u>
	Company	
	2006 RM	2005 RM
Profit before taxation	<u>9,311,374</u>	<u>11,664,008</u>
Taxation at statutory tax rate of 28% (2005: 28%)	2,607,185	3,265,922
Pioneer status tax incentive	(3,162,961)	(4,155,245)
Expenses not deductible for tax purposes	575,976	924,323
Over provision of taxation in respect of prior year	(608)	(666)
	<u>19,592</u>	<u>34,334</u>

## notes to the financial statements (cont'd)

### 24. Earnings Per Share

#### (a) Basic earnings per share

The earnings per share has been calculated based on the consolidated profit after taxation of RM9,073,677 (2005: RM11,716,297) for the Group and the weighted average number of ordinary shares in issue during the financial year of 121,891,686 (2005: 96,462,298).

	Group	
	2006 RM	2005 RM
Net profit for the financial year	9,073,677	11,716,297
Weighted number of ordinary shares issue	553,318,435	426,171,496
Adjusted for :		
Share consolidation in the financial year 2007	(487,566,745)	(385,849,194)
Bonus issue	56,139,996	56,139,996
	<u>121,891,686</u>	<u>96,462,298</u>

#### (b) Fully diluted earnings per share

Fully diluted earnings per share has been calculated based on the consolidated profit after taxation of RM9,073,677 (2005: RM11,716,297) for the Group and the adjusted weighted average number of ordinary shares issued and issuable of 126,521,225 (2005: 97,640,012) shares.

	Group	
	2006 RM	2005 RM
Net profit for the financial year	9,073,677	11,716,297
Weighted number of ordinary shares issue	553,068,026	398,993,495
Adjusted for :		
Share consolidation in the financial year 2007	(506,084,900)	(390,560,047)
Bonus issue	56,139,996	56,139,996
Assumed exercise of ESOS at no consideration	23,398,103	33,066,568
	<u>126,521,225</u>	<u>97,640,012</u>

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Aggregate cost	17,447,350	23,986,105	5,575,460	9,199,658
Less: Hire purchase financing	-	(105,000)	-	-
Cash payment	<u>17,447,350</u>	<u>23,881,105</u>	<u>5,575,460</u>	<u>9,199,658</u>

## notes to the financial statements (cont'd)

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

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income under Income Tax (Amendment) Act, 1999 to frank the payment of dividends out of all its retained profits as at 31 December 2006.

### 27. Employee Share Option Scheme

The GHL Systems Berhad ESOS was approved by shareholders at the EGM on 30 May 2005 and became effective on 28 October 2005 for a period of 3 years, and shall lapse on 27 October 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 employee listed in GHL Systems Berhad ESOS Bye-Law 6.1 maximum entitlement and basis of allotment;
  - (iii) An employee must have been confirmed on the date of offer; and

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

- (b) No employee shall participate at any time in more than one (1) 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, 28 October 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)

**27. Employee Share Option Scheme (Cont'd)**

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 1 January	← Movement during the financial year →				Outstanding at 31 December	Exercisable at 31 December
		Granted	Bonus issue	Exercised	Lapsed		
<b>2006</b>							
Sixth Grant	69,807,200	-	5,941,530	24,053,680	8,323,980	43,371,070	20,969,680
Seventh Grant	-	15,723,000	-	-	-	15,723,000	7,726,100
<b>Total</b>	<b>69,807,200</b>	<b>15,723,000</b>	<b>5,941,530</b>	<b>24,053,680</b>	<b>8,323,980</b>	<b>59,094,070</b>	<b>28,695,780</b>
WAEP	0.10	0.21	0.10	0.10	0.10	0.13	0.13
<b>2005</b>							
First Grant	3,731,750	-	-	3,719,250	12,500	-	-
Second Grant	50,000	-	-	50,000	-	-	-
Third Grant	2,267,625	-	-	-	2,267,625	-	-
Fourth Grant	1,310,000	-	-	-	1,310,000	-	-
Fifth Grant	1,539,000	-	-	99,000	1,440,000	-	-
Sixth Grant	-	69,807,200	-	-	-	69,807,200	23,029,400
<b>Total</b>	<b>8,898,375</b>	<b>69,807,200</b>	<b>-</b>	<b>3,868,250</b>	<b>5,030,125</b>	<b>69,807,200</b>	<b>23,029,400</b>
WAEP	0.27	0.10	-	0.16	0.36	0.10	0.10

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

Share Options	Exercise prices	Exercise Period
	RM	
<b>2006</b>		
Sixth Grant	0.100	28.10.2005 - 27.10.2008
Seventh Grant	0.210	08.11.2006 - 27.10.2008
<b>2005</b>		
First Grant	0.160	31.03.2004 - 31.03.2005
Second Grant	0.164	31.05.2004 - 31.03.2005
Third Grant	0.380	22.12.2004 - 31.03.2005
Fourth Grant	0.375	05.07.2004 - 31.03.2005
Fifth Grant	0.305	28.12.2004 - 31.03.2005
Sixth Grant	0.100	28.10.2005 - 27.10.2008

## notes to the financial statements (cont'd)

### 27. Employee Share Option Scheme (Cont'd)

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	08.11.2006	28.10.2005
Fair value of share options (RM)	0.044	0.019
Weighted average share price (RM)	0.215	0.091
Weighted average exercise price (RM)	0.210	0.100
Expected volatility	29%	29%
Expected option life (years)	1.973	3.000
Risk-free interest rate, p.a.	3.88%	4.17%
Expected dividend yield (%)	-	-

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.

### 28. Staff Costs

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Staff costs (excluding Directors) comprise:					
Charged to income statements		9,642,971	5,361,658	2,990,388	862,861
Capitalised in property, plant and equipment	3	3,044,965	4,056,687	3,044,965	2,668,066
Total staff costs for the financial year		<u>12,687,936</u>	<u>9,418,345</u>	<u>6,035,353</u>	<u>3,530,927</u>

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 RM1,052,290 and RM540,426 (2005 : RM802,258 and RM362,492) respectively.

### 29. 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.

## notes to the financial statements (cont'd)

### 29. Segmental Reporting (Cont'd)

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.

(i) Revenue by geographical market

	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
Malaysia	41,227,404	50,991,554
Philippines	4,875,239	-
Thailand	1,367,694	-
Hong Kong	436,565	-
	<u>47,906,902</u>	<u>50,991,554</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>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Malaysia	95,457,058	98,593,532	10,660,375	23,881,105
Philippines	5,465,287	-	241,270	-
Thailand	3,416,829	-	1,488,643	-
Hong Kong	1,108,916	-	260,509	-
Labuan	4,796,560	-	4,796,553	-
Singapore	23,019	-	-	-
	<u>110,267,669</u>	<u>98,593,532</u>	<u>17,447,350</u>	<u>23,881,105</u>

### 30. Effects on Adoption of New and Revised FRSs

The effects on adoption of the following applicable new and revised FRSs in financial year 2006 are set out below:

(a) FRS 2: Share-based Payment

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The main impact of FRS 2 to the Group and to the Company is the recognition of an expense and a corresponding entry to equity account for share options granted to senior executives and general employees. The Company operates an equity-settled, share-based compensation plan for the employees of the Group, the GHL Systems Berhad ESOS.

## notes to the financial statements (cont'd)

### 30. Effects on Adoption of New and Revised FRSs (Cont'd)

#### (a) FRS 2: Share-based Payment (cont'd)

The Group and the Company have applied FRS 2 retrospectively and have taken advantage of the transitional provisions of FRS 2 in respect of equity-settled awards. As a result, the Group and the Company have applied FRS 2 only to equity-settled awards granted after 31 December 2004 that had not vested on 1 January 2006.

Prior to 1 January 2006, no compensation expense was recognised in profit or loss for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity.

The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

Subsequent to the adoption of this FRS, the Group's and the Company's reserves was increased by RM300,215 (2005: RM43,752) with a corresponding increase in its administrative expenses to the income statements.

#### (b) FRS 3: Business Combinations and FRS 136: Impairment of Assets

FRS 3 and FRS 136 require goodwill acquired in a business combination to be measured at cost and subject to impairment. Goodwill is tested for impairment at the cash-generating unit level annually, as well as when there is indication of impairment.

In accordance with FRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises. Subsequent to the adoption of these FRSs, the Group had charged the negative goodwill arising during the financial year amounting to RM38,042 with a corresponding increase in its other operating income to the income statements.

#### (c) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current year's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current year's presentation.

#### (d) FRS 116: Property, Plant and Equipment

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end.

The Group revised the residual values of EDC equipment from zero to a range of RM250 to RM500 per unit with effect from 1 January 2006 based on latest available information and assessment carried out by the management of the Group. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charge of the Group for the current financial year have been reduced by RM2,809,249.

## notes to the financial statements (cont'd)

### 31. New or Revised FRS Not Yet Adopted

Certain new accounting standards and interpretations have been issued and are mandatory for accounting periods as mentioned in Note 2(a) to the financial statements. The Company has assessed those standards and interpretations issued which is applicable to the Company as follows:

FRS 124: Related Party Disclosures

This standard requires the identification of related parties and certain related party disclosures as follows:

- (a) Nature of the related party relationship as well as transactions and outstanding balances with the related party; and
- (b) Key management personnel compensation.

The Company will apply this standard from financial periods beginning on 1 January 2007.

### 32. 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) On 10 March 2006, the issued and the paid-up share capital of the Company was increased from RM54,459,376 to RM55,148,086 by the issue of 6,887,100 ordinary shares of RM0.10 each at par for cash pursuant to the exercise option granted under GHL System Berhad ESOS at an exercise price of RM0.10.
  - (ii) On 29 September 2006, the Company has entered into a Sale and Purchase of Shares Agreement to dispose 38,000,000 ordinary shares of RM0.10 representing 29.46% equity interest in MobilityOne Berhad for a cash consideration of RM5,700,000.

The Company has entered into Deed of Revocation to rescind Share Sale Agreement dated 29 September 2006, and at the same time, entered into a new Share Sale Agreement with a third party dated 22 December 2006, to sell 2,850,000 units of ordinary share of RM0.10 each in MobilityOne Sdn Bhd for a cash consideration of RM570,000.

- (iii) On 11 December 2006, the Company has subscribed for one (1) new ordinary share of British Pound One (GBP1) each in GHL Asia Pacific Limited ("GHL AP"), equivalent to 100% of the total issued and paid-up share capital of GHL AP.
- (iv) During the financial year, the Company has proposed the following:
  - (a) Bonus issue of up to 63,420,299 Bonus Shares on the basis of one Bonus Share for every ten existing ordinary shares of RM0.10 each held in the Company ("Proposed Bonus Issue");
  - (b) Consolidation of every five ordinary shares of RM0.10 each into one ordinary shares of RM0.50 each in the Company, conditional upon the completion of the Proposed Bonus Issue ("Proposed Share Consolidation"); and
  - (c) Transfer the listing of and quotation for the enlarged issued and paid-up capital of the Company of up to RM69,762,329 comprising 139,524,658 ordinary shares of RM0.50 each from the MESDAQ Market to the Main Board of Bursa Securities pursuant to the Proposed Bonus Issue and Proposed Share Consolidation.

## notes to the financial statements (cont'd)

### 32. Significant Events (Cont'd)

(b) GHL International Sdn Bhd ("GHL International")

(i) On 1 February 2006, GHL (China) Company Limited ("GHL China"), an associated company of GHL International, increased its issued and paid-up share capital from HKD390,000 to HKD780,000 by the issue of 390,000 ordinary shares of HKD1 each at par for cash. GHL International subscribed for its share of the increase in the issued and paid-up share capital of GHL China.

On 13 March 2006, GHL China increased its issued and paid-up capital from HKD780,000 to HKD897,000 by the issue of 117,000 ordinary shares of HKD1 each at par for cash. GHL International subscribed for the entire increase and consequently, the shareholding in GHL China has increased from 30% to 37.5%.

On 12 July 2006, GHL International has entered into a Shareholders' Agreement to acquire additional 13.75% equity interest in GHL China for a purchase consideration of HKD264,000. Consequently, the shareholding in GHL China has increased from 37.5% to 51.25%.

(ii) On 3 March 2006, GHL International and Privilege Investment Holdings Pte Ltd and GHLSYS Singapore Pte Ltd ("GHLSYS Singapore") have mutually agreed to terminate the Shareholders Agreement entered into on 31 October 2005. The shareholding of GHL International in GHLSYS Singapore remained at SGD1 which represents 100% of the total issued and paid-up share capital of GHLSYS Singapore.

(iii) On 20 June 2006, GHL International has subscribed for 1 new ordinary shares of HKD1 each representing 100% equity interest in PaymentOne (HK) Pte Limited ("PaymentOne HK"), formerly known as GHL Payment One (KL) Pte Limited, a private limited company incorporated in Hong Kong for a purchase consideration of HKD1.

On 18 September 2006, PaymentOne HK increased its issued and paid-up capital from HKD1 to HKD10,000 by the issue of 9,999 ordinary shares of HKD1 each at par for cash. GHL International subscribed for its share of the increase in the issued and paid-up share capital of PaymentOne HK.

(iv) On 26 June 2006, GHL International has subscribed for 106,275 new shares of P100 each representing 99.99% equity interest in GHLSYS Philippines Inc ("GHLSYS Philippines"), a private limited company incorporated in Philippines for a purchase consideration of P10,627,500.

(v) On 7 July 2006, GHL International has subscribed 9,800 new preferred shares of 100 Baht each representing 49% equity interest in GHL (Thailand) Co., Ltd ("GHL Thailand"), a private limited company incorporated in Thailand for a purchase consideration of 980,000 Baht. One preferred share carried Fifty voting rights and fifty times of dividend payment whereas one ordinary share carried one voting rights and one time of dividend payment. Therefore, GHL International has 97.96% of voting rights in GHL Thailand.

GHL International holds additional 1.24% of voting rights in GHL Thailand through a proxy as below:

(a) The 6,193 ordinary shares of GHL Thailand held by Panyawuth Sua-Ek is pledged to GHL International and GHL International also has an irrevocable option to purchase at any time pursuant to Pledge of Shares Agreement dated 15 May 2006.

(b) Albert Mah Lian Kee, a director of GHL Thailand is a proxy holder of the 6,193 ordinary shares of GHL Thailand held by Panyawuth Sua-Ek pursuant to an irrevocable and unconditional proxy appointment dated 15 May 2006. Albert Mah Lian Kee, an employee of the Company, is accustomed to follow the directions of the Company.

As a result, GHL International holds approximately 99.2% of voting rights in GHL Thailand.

(vi) On 4 September 2006, GHL International has subscribed for 1 new ordinary shares of SGD1 each representing 100% equity interest in PaymentOne Singapore Pte Ltd ("PaymentOne Singapore"), a private limited company incorporated in Singapore for a purchase consideration of SGD1.

(vii) On 16 October 2006, GHL (China) Co. Ltd, 51.25% owned subsidiary of GHL International, has subscribed for 2,000,000 shares of RMB1 each in GHL Beijing Co. Ltd ("GHL Beijing") for a cash consideration of RMB2,000,000 equivalent to 100% of the total issued and paid-up share capital of GHL Beijing.

## notes to the financial statements (cont'd)

### 33. Subsequent Events

Subsequent to the financial year end, the following subsequent events took place for the Company and its subsidiary company:

- (a) GHL Systems Berhad (“the Company”)
- (i) On 4 January 2007, GHL International has submitted for approval to subscribe for 6,195 ordinary shares representing 1.24% voting rights in GHL Thailand, a private limited company incorporated in Thailand for a purchase consideration of 619,500 Baht, subject to the approval from the Board of Investment in Thailand. This transaction was completed on 13 February 2007.
  - (ii) On 10 January 2007, the issued and the paid-up share capital of the Company was increased from RM62,478,744 to RM62,839,645 by the issue of 3,609,010 ordinary shares of RM0.10 each at par for cash pursuant to the exercise option granted under GHL System Berhad ESOS at an exercise price of RM0.10.
  - (iii) On 11 January 2007, the issued and the paid-up share capital of the Company was increased from RM62,839,645 to RM62,871,815 by the issue of 321,700 ordinary shares of RM0.10 each at par for cash pursuant to the exercise option granted under GHL System Berhad ESOS at an exercise price of RM0.21.
  - (iv) On 9 February 2007, 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.
  - (v) On 15 February 2007, the Company has successfully transferred the listing of and quotation for the entire issued and paid-up share capital of RM62,871,814.50 comprising 125,743,629 ordinary shares of RM0.50 each from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad.
  - (vi) On 30 March 2007, GHL AP increased its issued and paid-up capital from GBP1 to GBP1,524,701 by the issue of 15,247,000 ordinary shares of GBP0.10 each at par for cash. Accordingly, the Company has subscribed for the issued and paid-up share capital of GHL AP.
  - (vii) On 30 March 2007, the Company has proposed the following:
    - (a) Bonus issue of up to 13,900,829 Bonus Shares on the basis of one Bonus Share for every ten existing ordinary shares of RM0.50 each held in the Company;
    - (b) Proposed renewal of shareholders’ mandate for recurrent related party transaction of a revenue or trading nature;
    - (c) Proposed authority for the purchase by the Company of its own shares; and
    - (d) Proposed subscription of shares in GHL AP by the Directors of the Company.
- (b) GHL Asia Pacific Limited (“GHL AP”)
- (i) On 13 March 2007, GHL AP has entered into a Sale and Purchase of shares Agreement with GHL International, a wholly owned subsidiary of the Company to acquire the shares of PaymentOne Singapore, GHL China, PaymentOne HK, GHL Thailand and GHLSYS Philippines for a purchase consideration of USD341,020.
  - (ii) On 15 March 2007, GHL AP has entered into a Share Purchase Agreement to acquire additional 3,999 ordinary shares of 100 Baht each representing 20% equity interest in GHL Thailand, a private limited company incorporated in Thailand for a purchase consideration of 399,990 Baht. Consequently, the shareholding in GHL Thailand has increased from 79.97% to 99.97%.
  - (iii) On 15 March 2007, GHL AP has entered into a Share Purchase Agreement to acquire additional 585,000 ordinary shares of HKD1 each representing 48.75% equity interest in GHL China, a private limited company incorporated in Hong Kong for a purchase consideration of HKD585,000. Consequently, the shareholding in GHL China has increased from 51.25% to 100.00%.

## notes to the financial statements (cont'd)

### 34. Contingent Liabilities

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Limit of guarantees</b>				
Corporate guarantees give to licensed banks for credit facilities granted to				
- subsidiary company	-	-	4,500,000	6,500,000
- associated company	1,050,000	-	1,050,000	-
	<u>1,050,000</u>	<u>-</u>	<u>5,550,000</u>	<u>6,500,000</u>
<b>Amount utilised</b>				
Banker's guarantee in favour of third parties				
- secured	100,000	100,000	100,000	100,000
	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Corporate guarantees given to licensed banks for term loans facility granted to				
- subsidiary company	-	-	1,277,200	3,550,000
- associated company	1,050,000	-	1,050,000	-
	<u>1,050,000</u>	<u>-</u>	<u>2,327,200</u>	<u>3,550,000</u>
	<u>1,150,000</u>	<u>100,000</u>	<u>2,427,200</u>	<u>3,650,000</u>

### 35. 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, 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.

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.

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.

## notes to the financial statements (cont'd)

### 36. 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 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.

(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) 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.

(e) 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, British 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.

## notes to the financial statements (cont'd)

### 36. Financial Instruments (Cont'd)

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

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	Euro RM	British Pound RM	Singapore Dollar RM	Thailand Baht RM	Philippines Dollar RM	Hong Kong Dollar RM	
<b>Group</b>								
<b>2006</b>								
<b>Trade receivables</b>								
Ringgit Malaysia	2,270,277	-	-	-	-	-	-	2,270,277
<b>Trade payables</b>								
Ringgit Malaysia	1,197,524	141,401	-	-	-	-	-	1,338,925
Thailand Baht	157,530	-	-	-	-	-	-	157,530
<b>Company</b>								
<b>2006</b>								
<b>Trade receivables</b>								
Ringgit Malaysia	2,270,277	-	-	-	-	-	-	2,270,277
<b>Trade payables</b>								
Ringgit Malaysia	1,197,524	141,401	-	-	-	-	-	1,338,925
<b>Amount owing by related companies</b>								
Ringgit Malaysia	-	-	-	-	-	-	9,841,881	9,841,881
<b>Amount owing to related companies</b>								
Ringgit Malaysia	-	-	4,796,553	-	3,257,799	4,603,261	11,088,827	23,746,440
<b>Amount owing to holding company</b>								
Ringgit Malaysia	-	-	-	21,574	-	-	22,648	44,222

#### (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:

	2006		2005	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Group</b>				
<b>Financial liabilities</b>				
Hire purchase payables	5,398	5,125	48,305	46,921
Borrowings	4,137,507	3,873,744	5,424,907	5,186,377
Contingent liabilities	1,150,000	@	100,000	@
<b>Company</b>				
<b>Financial liabilities</b>				
Borrowings	3,465,839	3,247,438	3,442,107	3,358,225
Contingent liabilities	2,427,200	@	3,650,000	@

@ 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)

### 36. 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 borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

### 37. Comparative Figures

The audited financial statements for the financial year ended 31 December 2006 was prepared in accordance with the then effective applicable approved accounting standards in Malaysia. With the presentation of the financial statements in compliance with Financial Reporting Standards effective from 1 January 2006, certain comparative figures as at 31 December 2005 have been restated as follows:

	As previously stated RM	Restated RM	As restated RM
<b>Group</b>			
<b>Balance Sheets</b>			
Reserves	-	24,337,524	24,337,524
Retained profits	24,337,524	(24,337,524)	-
<b>Income Statements</b>			
Administration expenses	-	(17,329,018)	(17,329,018)
Distribution costs	-	(2,522,359)	(2,522,359)
Other operating expenses	(20,141,877)	19,807,625	(334,252)
<b>Cash Flow Statements</b>			
Profit before taxation	11,843,024	(43,752)	11,799,272
Share based payment	-	43,752	43,752
<b>Company</b>			
<b>Balance Sheet</b>			
Reserves	-	24,014,746	11,799,272
Retained profits	24,014,746	(24,014,746)	43,752
<b>Income Statement</b>			
Administration expenses	-	(5,787,752)	(5,787,752)
Distribution costs	-	(1,036,823)	(1,036,823)
Other operating expenses	(7,078,767)	6,780,823	(297,944)
<b>Cash Flow Statement</b>			
Profit before taxation	11,707,760	(43,752)	11,664,008
Share based payment	-	43,752	43,752



## notes to the financial statements (cont'd)

### **38. Date of Authorisation for Issue**

The financial statements of the Group and of the Company for the financial year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Board of Directors on 6 April 2007.

## list of properties

Title/Location	Description/ Existing Use	Registered Owner	Age of Building (Years)	Land Built-Up Area	Tenure	Net Book Value as at 31.12.2006 (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	2	570 sq m	Leasehold	4,825,758	4,875,000

## shareholding statistics as at 15 march 2007

Authorised Capital	:	RM100,000,000.00
Issued And Fully Paid-up Capital	:	RM62,871,814.50
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	516	5.57	11,780	0.01
100 to 1,000 shares	1,360	14.68	811,201	0.65
1,001 to 10,000 shares	5,781	62.38	21,508,309	17.1
10,001 to 100,000 shares	1,522	16.42	39,580,164	31.48
100,001 to less than 5% of issued shares	86	0.93	34,853,151	27.72
5% and above of issued shares	2	0.02	28,979,024	23.05
<b>Total</b>	<b>9,267</b>	<b>100</b>	<b>125,743,629</b>	<b>100</b>

### SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2007

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	%
Maybank Nominees (Tempatan) Sdn Bhd Amanahraya-JMF Asset Management Sdn Bhd (for BSNC Corporation Berhad)	15,985,222	12.71	-	-
Goh Kuan Ho	15,802,802	12.56	-	-

### DIRECTORS' SHAREHOLDINGS AS AT 15 MARCH 2007

Name of Directors	Note	No. of Shares Held			
		Direct Interest	%	Indirect Interest	%
Goh Kuan Ho	1	15,802,802	12.56	-	-
Tay Beng Lock	-	5,547,079	4.41	-	-
Yeng Fook Hoo	2	2,937,044	2.34	-	-
Tunku Dato' Abdul Malek bin Tunku Kassim	-	10,208	0.01	-	-

#### Notes:

- 2,809,000 held under Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd
- 1,414,892 held under Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd

## shareholding statistics as at 15 march 2007

### STATEMENT OF SHAREHOLDINGS THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 15 MARCH 2007

No.	Shareholders	Holdings	%
1.	Mayban Nominees (Tempatan) Sdn Bhd Amanahraya-JMF Asset Management Sdn Bhd for BSNC Corporation Berhad)	15,985,222	12.71
2.	Goh Kuan Ho	12,993,802	10.33
3.	Tay Beng Lock	5,547,079	4.41
4.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Goh Kuan Ho	2,809,000	2.23
5.	Ambank (M) Berhad Pledged Securities Account for Fang Kok Leong @ Phang Soon Fook	2,340,000	1.86
6.	Goh Heng Loo	1,907,888	1.52
7.	Yeng Fook Hoo	1,522,152	1.21
8.	Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeng Fook Hoo	1,414,892	1.13
9.	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Yee Hui	1,225,444	0.97
10.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Susy Ding	1,100,000	0.87
11.	Joshua Tan Siew Meng	1,003,244	0.80
12.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Susy Ding	742,200	0.59
13.	Ang Kok Seong	558,624	0.44
14.	Tasec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teoh Soong Ee	521,200	0.41
15.	Jerneh Asia Capital Sdn Bhd	513,304	0.41
16.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Edward Cheng Wun Wah	491,084	0.39
17.	Chew Chee Seng	476,000	0.38
18.	Lim Chai Ong	469,000	0.37
19.	Bong Nyon	461,700	0.37
20.	Ong Seng Sze	429,220	0.34
21.	Ong Boey Hwa	373,320	0.30
22.	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Asba Dana Al-Mubin	362,978	0.29
23.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Capital Success Leader (M) Sdn Bhd	340,000	0.27
24.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	332,464	0.26
25.	Ng Bee Yean	303,200	0.24
26.	Quah Choo Chunn	300,000	0.24
27.	Chin Lin Thai	300,000	0.24
28.	Tan Chun Ming	297,000	0.24
29.	Chiong Hui Yee	280,422	0.22
30.	Woo Wai Mun	240,000	0.19

## notice of annual general meeting

**NOTICE IS HEREBY GIVEN THAT** the Thirteenth Annual General Meeting of the Company will be held at West VIP Lounge, Kuala Lumpur Golf and Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on 7 May 2007, Monday, at 10.30 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 2006 together with the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To approve a first and final Tax Exempt Dividend of 1% for the financial year ended 31 December 2006. (Resolution 2)
3. To re-appoint Tunku Dato' A Malek bin Tunku Kassim as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company in accordance with Section 129(6) of the Companies Act, 1965. (Resolution 3)
4. 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 4)
  - (b) Mr. Yeng Fook Hoo (Resolution 5)
5. To approve the payment of Directors' fees of RM210,000 for the year ended 31 December 2006. (Resolution 6)
6. To approve the proposed increase in Directors' fees to an amount not exceeding RM312,000 in aggregate for the financial year ending 31 December 2007 and for each of the financial year thereafter. (Resolution 7)
7. To re-appoint Messrs. Anuarul Azizan Chew & Co. as Auditors of the Company and to authorize the Directors to fix their remuneration. (Resolution 8)
8. **As Special Business:**  
To consider and, if thought fit, to pass the following Ordinary Resolutions:
  - 8.1 **Authority to Directors to Allot and Issue Shares** (Resolution 9)  
"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorized 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."
  - 8.2 **Proposed Offer of Employee Share Options to Mr. Lee Ting Wah Stanley** (Resolution 10)  
"THAT authority be and is hereby given to the Board of Directors of the Company to offer up to 250,020 Employee Share Options ("ESOS Options") to subscribe for new ordinary shares of RM0.50 each in the share capital of the Company to Mr. Lee Ting Wah Stanley, the Executive Director of GHL (China) Co. Ltd (a subsidiary of the Company) for the time being, and to allot and issue new ordinary shares pursuant to the exercise of the ESOS Options, subject always to the terms and conditions and/or any adjustment which may be made in accordance with the provisions of the Bye-Laws of the Company's Employee Share Option Scheme."
9. To transact any other business of the Company for which due notice shall have been given.

### BY ORDER OF THE BOARD

Chin Fook Kheong (MIA 12596)  
Lim Lay Fong (MAICSA 7007624)  
Company Secretaries

Kuala Lumpur  
Date: 14 April 2007

## 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 with the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd, Level 26, Menara Multi Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 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

#### Resolution 9: Authority to Directors to Allot and Issue Shares

The Proposed Resolution 9, if passed, would 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.

#### Resolution 10: Proposed Offer of Employee Share Options to Mr. Lee Ting Wah Stanley

The Proposed Resolution 10, if passed, would enable the Company to offer and grant to Mr. Lee Ting Wah Stanley, the Executive Director of GHL (China) Co. Ltd (a subsidiary of the Company), options to subscribe for up to 250,020 new ordinary shares of RM0.50 each in the share capital of the Company pursuant to its Employee Share Option Scheme ("ESOS"). The Proposed Offer of ESOS options is in line with the objective of the ESOS which includes providing an opportunity for Eligible Employees of the Group to participate as shareholders of the Company and to motivate, reward and retain Eligible Employees whose services are vital to the continued growth of the Group.

### STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

Tunku Dato' A Malek bin Tunku Kassim	Section 129(6) Companies Act 1965	(Resolution 3)
Mr. Tay Beng Lock	Article 127	(Resolution 4)
Mr. Yeng Fook Hoo	Article 127	(Resolution 5)

The profile of the above Directors are set out on pages 14 and 15 of the Annual Report 2006. 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 30 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 18 of the Annual Report 2006.

proxy form

I/We, \_\_\_\_\_  
 NRIC No. /Passport No. /Company No. \_\_\_\_\_  
 of \_\_\_\_\_  
 being a member /members of GHL SYSTEMS BERHAD, hereby appoint \_\_\_\_\_ NRIC No. \_\_\_\_\_  
 of \_\_\_\_\_  
 and/or \_\_\_\_\_ NRIC No. \_\_\_\_\_  
 of \_\_\_\_\_

or failing him/her, the Chairman of the Meeting as my / our proxy / proxies to vote for me / us on my / our behalf at the Thirteenth Annual General Meeting of the Company to be held at West VIP Lounge, Kuala Lumpur Golf and Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on 7 May 2007, Monday, at 10.30 a.m. and at any adjournment thereof, in the manner indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
	<b>As Ordinary Business</b>		
1.	To receive the Financial Statements and Reports for the financial year ended 31 December 2006.		
2.	To approve a first and final Tax Exempt Dividend of 1% for the financial year ended 31 December 2006.		
3.	To re-appoint Tunku Dato' A Malek bin Tunku Kassim as Director.		
4.	To re-elect Mr. Tay Beng Lock as Director.		
5.	To re-elect Mr. Yeng Fook Hoo as Director.		
6.	To approve the payment of Directors' fees for the financial year ended 31 December 2006		
7.	To approve the proposed increase of Directors' fees.		
8.	To re-appoint Messrs Anuarul Azizan Chew & Co. as Auditors of the Company.		
	<b>As special business</b>		
9	To approve the ordinary resolution pursuant to Section 132D of the Companies Act, 1965.		
10	To approve the proposed offer of Employee Share Options to Mr. Lee Ting Wah Stanley.		

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

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

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

NUMBER OF SHARES HELD	_____
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The proportions of my/our holdings to be represented by my/our proxies are as follows:-

**First Proxy**  
 No. of Shares: \_\_\_\_\_  
 Percentage : \_\_\_\_\_%

**Second Proxy**  
 No. of Shares: \_\_\_\_\_  
 Percentage : \_\_\_\_\_%

**NOTES**

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 with the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd, Level 26, Menara Multi Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 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.

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Please affix  
postage stamp  
here

The Registrar of  
**GHL SYSTEMS BERHAD** (293040-D)  
*SYMPHONY SHARE REGISTRARS SDN BHD*  
Level 26, Menara Multi Purpose  
Capital Square, 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur

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