PAYMENT SOLUTIONS, REDEFINED

GHL

GHL SYSTEMS BERHAD (293040-D)
INCORPORATED IN MALAYSIA

Annual Report 2011

www.ghl.com

CONTENT

GHL SYSTEMS. PAYMENT SOLUTIONS, REDEFINED.

CORPORATE PROFILE

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

GHL Systems' complete portfolio of payment solutions include transaction routers and concentrators, terminal line encryption technologies, loyalty and online payment solutions, smartcard technologies, secure EDC networks and terminals, as well as consulting and professional services.

With direct presence in Bangkok, Wuhan, Kuala Lumpur and Manila, GHL Systems' payment solutions are further recognized, accredited and certified by international organizations and governing bodies such as Visa, MasterCard, JCB, MEPS, SIRIM, and Line Encryption Working Group.

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

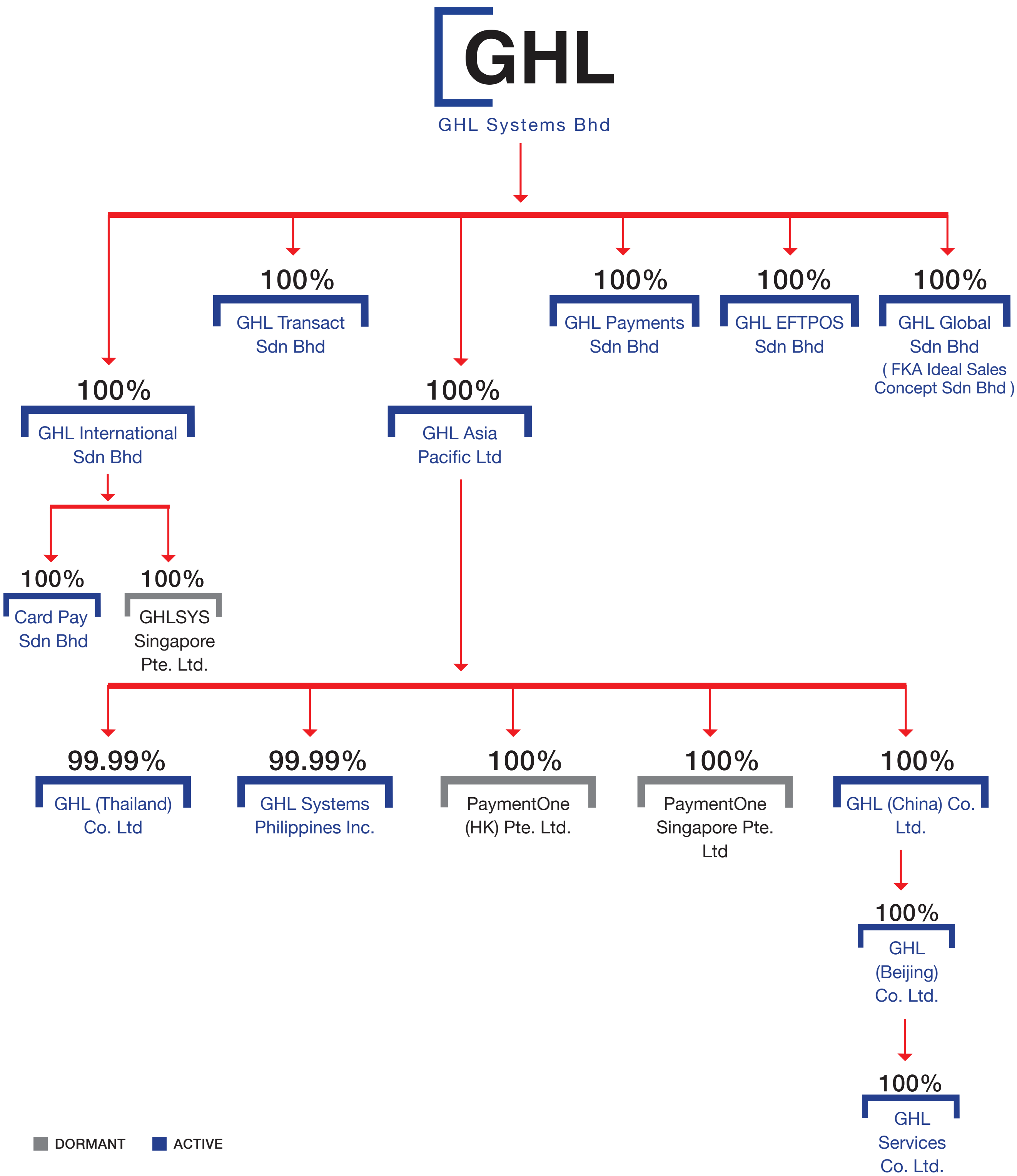
Having successfully forayed beyond Malaysia into Bangladesh, Brunei, China PRC, Hong Kong SAR, Indonesia, Thailand, Vietnam, Pakistan, Philippines, Sri Lanka, and Taiwan, GHL Systems is well positioned to meet the demands of the global economy.

VISION AND MISSION

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

CORPORATE STRUCTURE

AS AT 23 APRIL 2012



CORPORATE INFORMATION

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

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

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

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

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

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

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

Principal Bankers
Affin Bank Berhad
Alliance Bank Berhad
Ambank Berhad
CIMB Bank Berhad
Citibank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Berhad

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

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

Legal Advisors

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

H. H. Goh & Co
36, Jalan Pipit, Off Jalan Ipoh,
Batu 3, 51100 Kuala Lumpur.

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

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

Chalermchat Law Office Co., Ltd.
518/5, Maneeya Center,
16 Floor, Ploenchit Road, Lumpini,
Pathumwan, Bangkok 10330 Thailand.

Fortun Narvasa Salazar Law Offices
23rd Floor Multinational Bancorporation Centre,
6805 Ayala Avenue, 1
226 Makati City Philippines.

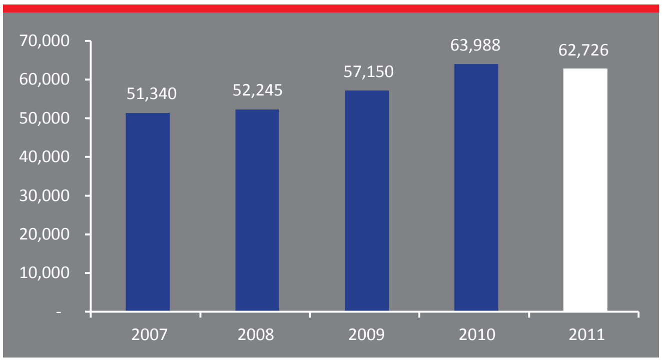
Stock Exchange Listing
Main Market of Bursa Malaysia Securities Bhd (BMSB)

BMSB Code	: 0021
Reuters Code	: GHLS.KL
Bloomberg Code	: GHLS MK

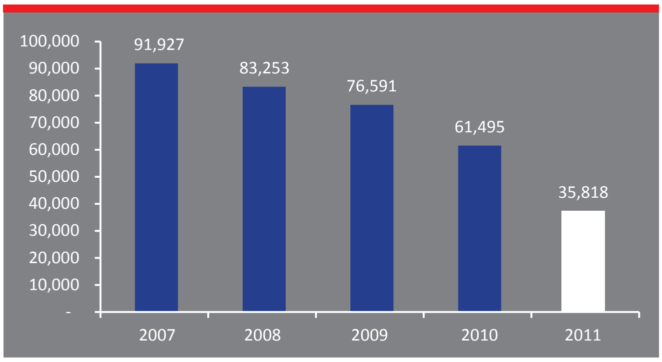
Website
www.ghl.com

FINANCIAL HIGHLIGHTS

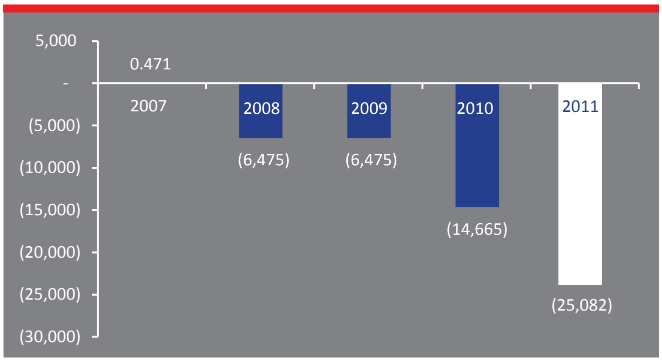
Revenue (RM'000)



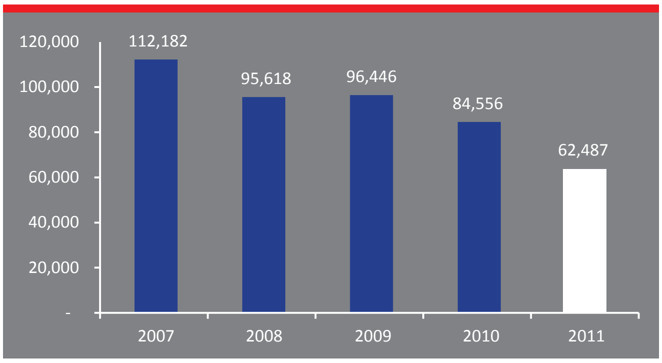
Shareholders' Equity (RM'000)



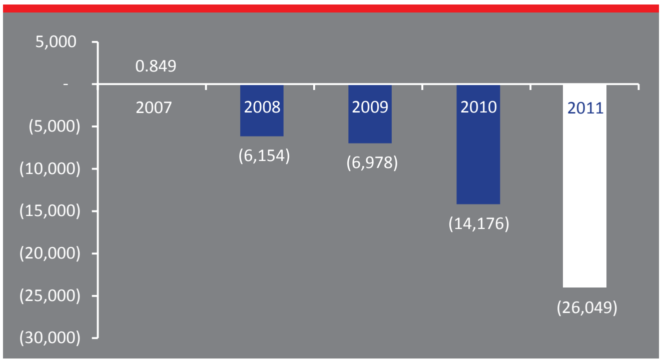
Profit/ (Loss) Before Tax (RM'000)



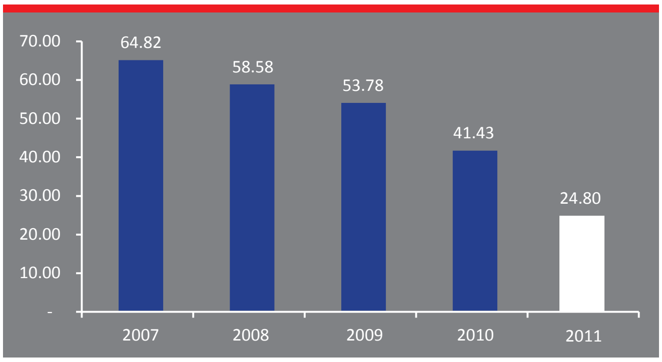
Total Assets (RM'000)



Net Profit/ (Loss) (RM'000)



Net Tangible Assets per Share (Sen)



KEY PERFORMANCE INDICATORS

Financial Year Ended Actual / Restated		2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
KEY FINANCIALS DATA						
INCOME STATEMENT						
Revenue	RM'000	51,340	52,245	57,150	63,988	62,726
Gross Profit	RM'000	32,944	35,358	38,593	40,172	42,936
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	RM'000	8,179	2,206	4,490	1,450*	3,213*
Profit / (Loss) Attributable To Equity Holders	RM'000	849	(6,154)	(6,978)	(14,176)	(26,049)
BALANCE SHEET						
Share Capital	RM'000	69,431	69,431	69,431	72,901	72,901
Shareholders' Equity	RM'000	91,927	83,253	76,591	61,495	35,818
Net Assets	RM'000	91,927	83,253	76,591	61,495	35,818
Net Tangible Assets	RM'000	90,014	81,340	74,678	60,399	35,818
Total Borrowings	RM'000	9,978	3,833	3,093	3,373	4,469
Cash And Bank Balances	RM'000	25,485	12,697	14,733	12,693	20,897
CASH FLOW						
Net Operating Cash Flow	RM'000	(1,972)	8,525	9,873	4,395	13,481
Cash And Cash Equivalents	RM'000	22,659	11,149	13,616	10,729	19,468
RATIO ANALYSIS						
PER SHARE DATA						
Basic Earnings Per Share	sen	0.61	(4.44)	(5.04)	(9.96)	(18.04)
Net Cash Per Share	sen	11.17	6.38	8.38	6.45	11.27
Net Assets Per Share	RM	0.66	0.60	0.55	0.43	0.25
Net Tangible Assets Per Share	RM	0.65	0.59	0.54	0.42	0.25
PROFITABILITY						
Gross Profit Margin	%	64.17	67.68	67.53	62.78	68.45
EBITDA Margin	%	15.93	4.22	7.86	2.27	5.12
Net Profit Margin	%	1.67	(11.80)	(12.24)	(22.15)	(41.53)
GROWTH RATES						
Revenue Growth	%	7.17	1.76	9.39	11.96	(1.97)
Gross Profit Growth	%	(9.04)	7.33	9.15	4.09	6.88
GEARING						
Gearing Ratio	times	0.11	0.05	0.04	0.05	0.12
Net Gearing Ratio	times	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
VALUATION						
Market Capitalisation	RM'000	56,934	27,772	56,934	61,237	42,283

Note:
* EBITDA exclude the exceptional items.

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

Despite this loss, the Group's financial position remains sound. Our balance sheet as at the end of FY2011 remained healthy. Our gearing remains low and our cash position has improved significantly compared to the end of FY2010. Our underlying business continues to be strong as reflected by our gross profit increase of RM2.8 million despite revenue being marginally down from FY2010. It should be noted that excluding the provisions for our China operations and the write down of assets, the Group would have shown a profit, albeit small, underscoring the progress we have made in turning the Group around. These are strong positives for us as we enter FY2012.

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

We believe the next 5 years will see rapid changes in the payments industry in our markets and corresponding opportunities for the Group. According to the Financial Sector Blueprint 2011-2020 issued by Bank Negara Malaysia ("BNM") in December 2011, the growth in e-payments has been encouraging with notable growth registered across all e-payment methods. BNM said measures would be undertaken to encourage switching from paper-based payments to e-payments and facilitating wider outreach of e-payments infrastructure, such as point-of-sale terminals and mobile phone banking. BNM further stated that "The Bank will continue to provide the necessary regulatory environment to drive the migration to e-payments agenda, enhance efficiency including initiatives that will derive cost savings for the country as a whole and contribute to the payment system stability". As the leading payment solutions provider in Malaysia, the Group is well positioned to play an active role in this transformation including providing vital infrastructure and solutions.

FY2011
Financial Highlights

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

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

CHAIRMAN'S STATEMENT Cont'd

Corporate Developments

Irregular Transactions

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

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

Employee Share Option Scheme ("ESOS")

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

Business Strategies

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

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

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

Corporate Social Responsibility ("CSR")

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

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

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

Corporate Identity Change

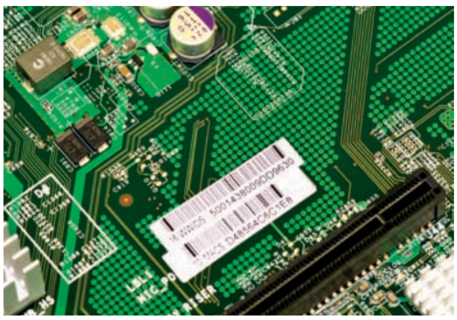
As you can see from the cover of our Annual Report, we have a new corporate identity which was unveiled in 2012. We believe it is timely to make this change to reflect the 'new GHL' going forward.

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

Corporate Governance

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

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



Board and Management

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

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

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

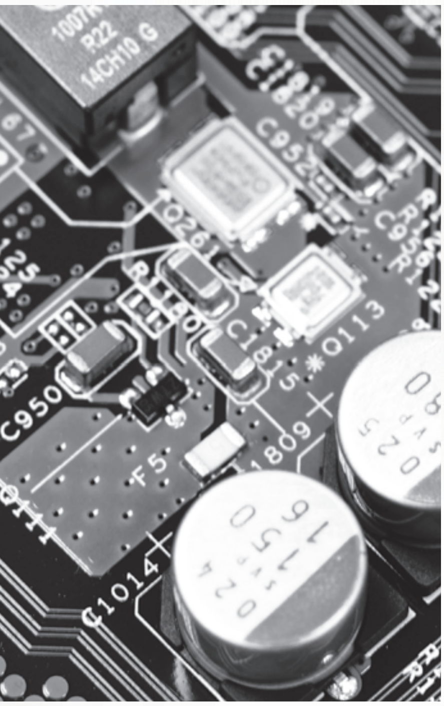
On behalf of the Board, we welcome Mr Kanagaraj (Raj) Lorenz, Mr Ng King Kau (KK) and Datuk Kamaruddin Bin Taib as Board members.

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

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

CHAIRMAN'S STATEMENT Cont'd

Board and Management



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

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

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

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

CHAIRMAN'S STATEMENT Cont'd

Appreciation

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

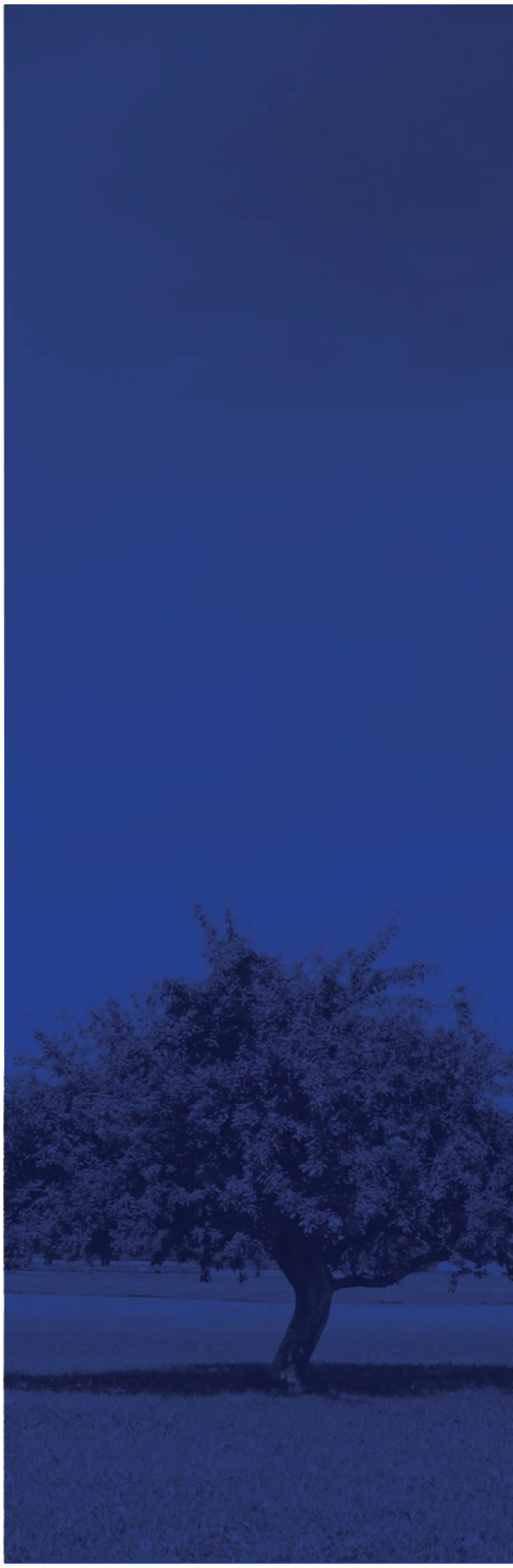
To our customers and business partners, thank you for your continued patience and confidence in us as we strive to make ourselves better in order to serve you better.

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

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

Thank you.

Loh Wee Hian
Executive Chairman
30 April 2012



MANAGEMENT REVIEW

Core Business Activities

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

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

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

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

Local Operations

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

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

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

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

MANAGEMENT REVIEW

Overseas Operations

Our overseas operations contributed RM18.86 million, or 30% of group revenues in FY2011, a decline of RM5.3 million compared to RM24.1 million or 38% of group revenue in the preceding year.

Regionally, the Group has experienced some early successes in the solutions services business. We recently signed collaboration agreements with a major telecommunications company and a Bank in Australia and, one of the largest mall operators in Singapore. The demand for our products in this area is encouraging and we look to cross-selling this further into our customer base in 2012.

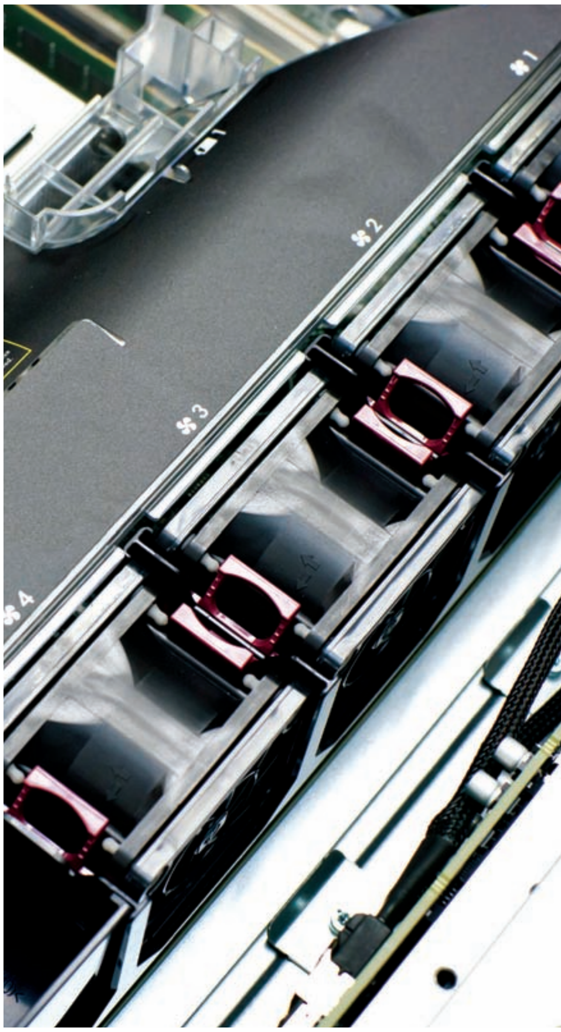
Our Philippines subsidiary yielded a 64% year-on-year increase in revenue due to increases in its Shared Services Revenue, of which EDC terminals rentals and sales were the largest contributors. Our subsidiary in the Philippines is already beyond the initial investment stage and is expected to contribute positively to the Group in 2012.

Our Thailand subsidiary, reported a decline of 24% year-on-year in revenue due to the effects of downward re-pricing arrangements on certain long term contracts with banks on EDC terminals, as well as the effect of the floods in Bangkok in Q4 2011. The underlying annuity revenue streams from the Shared Services business is however, growing strongly leading to more predictable revenue streams from our Thailand business.

Our revenues in China declined by RM8.0 million year-on-year due to disruption caused to the business in the 3rd and 4th quarters as a result of business transaction irregularities uncovered in our China operations. The Company engaged Crowe Horwath, Certified Public Accountants, to undertake an independent investigative audit into these transaction irregularities and terminated the employment of certain key staff that ran our two China subsidiaries. Following the completion of the investigative audit, a provision of RM5.5 million was taken to cover potential losses arising from these irregular transactions.

Subsequent to the year-end, the Board approved the sale of our China subsidiaries and their Hong Kong based holding company, to a third party. Under the terms of the share sale agreement signed on 12 April 2012, GHL will not be liable for any future losses arising further to the date of completion of the sale agreement.

The sale puts closure to the issues faced by the Group in China and immunises the Group from on-going losses incurred in China. More significantly, the sale will free up our internal resources, including management's time to focus more fully on growing our domestic and other overseas businesses.



Turnaround Strategy

The significant issues explained earlier and our response has gone some way in turning around the Company. The Company is investing in people, implementing new processes and building new infrastructure to increase our service levels to customers. In addition, we are also investing in new product development initiatives to continue delivering superior products that are valued by our customers. We will maintain our lead in this area.

The Group appointed a new management team in 2011. The appointment of Mr. Kanagaraj Lorenz as the Chief Executive Officer (September 2011) and Mr. Ng King Kau as the Executive Director (November 2011) not only brings professionals with industry experience into the Group but improves the level of corporate governance as well.

Prospects

While the Group's results for 2011 were adversely impacted by the provisions for our China business and write down of asset values in Malaysia, these provisions and write downs did not affect the Group in terms of its cash flows or forward revenue generation capability.

The annuity revenue streams from our underlying core businesses of Shared Services, Solutions Services and TPA, continue to remain fundamentally strong as reflected in the Group's revenues for 2011 which were only marginally down from 2010.

The Shared Services business is a well established business predicated on scale and service level delivery and we expect this to grow moderately in 2012. In this regard, the Company is by far the largest operator in Malaysia. In addition, it already has substantial scale of operations in emerging Asian economies such as the Philippines and Thailand, where the payment industry remains at a nascent stage, thereby offering substantial opportunities to the Group. We continue to invest in the appropriate infrastructure to enable us to deliver the highest service levels at competitive prices.

The Solutions Services segment, a higher value-added business, is expected to grow rapidly. Some of our largest initiatives in the Philippines, Thailand and Australia are expected to see full deployment by 2Q of 2012 and will start generating new revenue streams. In addition, we have put greater focus on cross-selling our value-added solutions into our existing regional customer base through the use of product specialists working in tandem with the sales organisation.

The TPA business is also expected to grow rapidly. Across the region, PIN based debit payments are still relatively small in absolute terms when compared to signature-based credit card payments. In Malaysia we are already working in close partnership with the Regulator and banks to rapidly increase growth in this segment. As the size of cash and cheque based consumer payments in Malaysia is around 70% of the respective segment, the opportunity to convert this cash-based segment into PIN based debit or other electronic payments is tremendous.

Conclusion

2011 was a turning point for GHL as the new management team took steps to address legacy issues affecting the Group as well as institute new processes and governance to strengthen the Company. We believe we will see the results of these efforts in 2012 with the management team following through and executing a thorough evaluation of the Group's product and business expansion strategies, so as to improve its effectiveness and sustainability.

As we continue on this journey, we appreciate our stakeholders' continued partnership and confidence in the management team.

BOARD OF DIRECTORS

1. LOH WEE HIAN
EXECUTIVE CHAIRMAN

2. KANAGARAJ LORENZ
CHIEF EXECUTIVE OFFICER

3. NG KING KAU
EXECUTIVE DIRECTOR

4. GOH KUAN HO
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

5. FONG SEOW KEE
INDEPENDENT NON-EXECUTIVE DIRECTOR

6. DATUK KAMARUDDIN BIN TAIB
INDEPENDENT NON-EXECUTIVE DIRECTOR

DIRECTORS' **PROFILE**

LOH WEE HIAN

EXECUTIVE CHAIRMAN

Loh Wee Hian, 50, was appointed as Non-Independent Non-Executive Director on 28 December 2010. Subsequently on 18 January 2011, he was redesignated as Non-Independent Non-Executive Chairman, and once again as Executive Chairman on 3 March 2011. He is the Chairperson of the ESOS Committee.

He has a strong background in the telecommunications industry where he formed Telemas Corporation Sdn. Bhd. in 1989, a mobile phone retailer and master distributor for Ericsson. He then co-founded e-pay (M) Sdn Bhd in 1999 and was the Managing Director responsible for strategic planning and financial performance of the company. Under his leadership, e-pay (M) Sdn Bhd became one of the leading electronic top-up processors in the South East Asia region and the leading processor in Malaysia. He listed e-pay Asia Limited on the Australian Stock Exchange (ASX) in 2006, where he is also the Executive Chairman.

He is one of the founding members of Young Entrepreneurs Organization Malaysia Chapter, a global, non-profit educational organisation for business owners.

In 2006, he was selected as the winner for Ernst & Young Entrepreneur of The Year Malaysia 2006 Award under the Technology Category.

KANAGARAJ LORENZ

CHIEF EXECUTIVE OFFICER

Raj, 55, entered the payment solutions industry in 2001 when he joined DBS Bank Limited to create the first direct debit, online real time payment gateway in Singapore. In 2002, the business was sold to NETS Pte Ltd ("NETS"), a company owned by the Singapore Banks, which operates the national EFTPOS, Cashcard and ATM networks in Singapore. Raj was the Managing Director of NETS's Online Payment subsidiary, eNETS Pte Ltd's ("eNETS") and was instrumental in growing the business from inception to its present dominant position in Singapore, serving banks in Singapore and regionally.

Concurrent to this role, Raj also managed (until 2007) the International Markets Business of NETS, a business group responsible for expanding NETS overseas through acquisitions, partnerships and alliances with overseas payment operators. While in this role, NETS acquired a subsidiary in China as well as entered into agreements with China UnionPay and MEPS that enable Malaysians and Chinese consumers to use their Bank cards on NETS's network.

Prior to NETS, Raj was employed for more than 12 years with Citibank Australia and Malaysia. He covered several functions during his career with the bank, including; Marketing Head for a Corporate Banking business unit, Financial Controller and Risk Manager. An accountant by training, Raj is a Fellow of the Institute of Chartered Accountants in England & Wales, and the Institute of Chartered Accountants in Australia. He is also a member of the Malaysian Institute of Certified Public Accountants.

DIRECTORS' **PROFILE**

NG KING KAU

EXECUTIVE DIRECTOR

Mr. Ng, 61, began his career as a manager in an electrical chain store in Malaysia between 1975 – 1978 before joining American Express as the Country Manager of Malaysia & Brunei. He was the Vice President – General Manager for American Express in Malaysia and Brunei before being promoted to Vice President – Business Development for American Express Asia Pacific Australia Division based in Hong Kong. He was instrumental in building and making the American Express Card the leading payment card in Malaysia.

Mr. Ng, known as 'KK' in the payment and loyalty card industry in Asia, has a total of over 30 years of experience in building, operating and turning around payment and loyalty card businesses.

He left American Express in 1986 and joined MBf Group Malaysia where he organized and built MBf's Card business and led it to become the largest card company in Malaysia and the largest MasterCard issuer in ASEAN region in 1993. He left MBf as President of Card and Payment Services in 1995 and founded InterPay International Group which has investments in payment and loyalty card businesses. He was a Director of Maestro International Inc. from 1993 to 1995, which is a subsidiary of MasterCard International Inc. From 2006 to 2009, Mr. Ng became the Chief Executive Officer of Cardtrend International Inc., a public listed holding company in the US which was involved in the payment and loyalty card businesses in China and other Asian countries. Prior to his resignation on March 1, 2011, Mr. Ng was the Managing Director of Payment Business Solutions Bhd. which was spun off from Cardtrend International Inc. and is the holding company for a group of payment and loyalty related business, including Cardtrend Systems Sdn. Bhd., a MSC status company in Malaysia.

DIRECTORS' **PROFILE**

FONG SEOW KEE

INDEPENDENT NON-EXECUTIVE DIRECTOR

Fong Seow Kee, 55, was appointed to the Board on 28 December 2010. He is the Chairperson of the Audit Committee and member of the Nomination Committee and Remuneration Committee. He holds a BA (Hons) Economics & Social Studies from University of Manchester, England, is a Fellow of the Institute of Chartered Accountants in England & Wales and a Chartered Accountant of the Malaysian Institute of Accountants.

He has over 30 years experience in the finance industry, primarily in investment banking and private equity. After completing his articleship with Ernst & Young, UK in 1983, he worked with several leading investment banks in Malaysia, Hong Kong and Singapore where he advised companies on a variety of corporate finance transactions including M&A, Fund Raising and Corporate Restructuring. In 1992, he joined a US venture capital firm in Singapore where he managed a pan-Asian venture capital fund investing in the US and across Asia. In 2000, he co-founded iSpring Capital Group, a Malaysia based investment management and advisory firm which currently manages a Government owned venture capital fund.

Since returning to Malaysia in 1996, he has been active in the development of the venture capital and private equity in Malaysia. During that time, he has been involved in the Malaysia Venture Capital & Private Equity Association in various capacities and was Chairman from 2008 to 2010. He has also been invited to sit on various government working committees to provide Industry Feedback on regulatory policies, including that pertaining to the Capital Market reforms announced in 2009.

GOH KUAN HO

NON INDEPENDENT NON-EXECUTIVE DIRECTOR

Goh Kuan Ho, 48, was appointed to the Board on 29 March 1994. She is also the Chairperson of the Nomination Committee and Remuneration Committee, and member of the Audit Committee of the Company. She started her career as an Administrator with Nortek Computer Sdn Bhd in 1984. In 1988, she joined GHL Automation (a sole proprietorship) as an administrator, and left in 1991 to join GHL Automation Sdn Bhd as a Customer Service Manager. She was later appointed to the Board of Directors of GHL Automation Sdn Bhd. In late 1991, she was appointed to the Board of Directors of Info Era Sdn Bhd ("Info Era") and also assumed the position of Retail Manager of Info Era. She resigned as a director of GHL Automation Sdn Bhd and Info Era in April 1999 and April 2001 respectively.

In 1997, she was appointed to the Board of Directors of GHL Technologies Sdn Bhd ("GHL Technologies") and also assumed the position of Corporate Business Manager of GHL Technologies. She resigned from all her positions in GHL Technologies and joined Jardine OneSolution (2001) Sdn Bhd ("Jardine OneSolution") as a Corporate Account Manager in July 2000. In February 2004, she left Jardine OneSolution and took up her current position of General Manager with Microtree Sdn Bhd.

DIRECTORS' PROFILE

DATUK KAMARUDDIN BIN TAIB

INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Kamaruddin Bin Taib, 54, is currently the Executive Chairman of Germanischer Lloyd GLM Sdn. Bhd. A leading technical service provider for the Oil and Gas Industry in the Asian Region. He holds a Bachelor of Science degree in Mathematics from the University of Salford, United Kingdom.

He started his career in 1980 with a leading Merchant Bank in Malaysia. Subsequently, he served as a Director of several private Companies and Companies listed on Bursa Malaysia.

Apart from his vast experience of serving on the Board of Companies Listed on Bursa Malaysia, his experience also included serving on the Board of Companies listed on the Stock Exchange of India as well as those listed on the Nasdaq (U.S.A.). Throughout his tenure on the Board of Companies, he has had significant experience in merchant banking, corporate finance, mergers and acquisitions.

He is currently an Independent and Non-Executive Director of two Companies listed on Bursa Malaysia, namely IRIS Corporation Berhad and Malaysia Pacific Corporation Berhad, of which he is also the Non-Executive Chairman.

He has also been appointed as an Independent and Non-Executive Chairman of Alkhair International Islamic Bank Berhad, which was the first to be licensed by Bank Negara Malaysia to conduct a full range of non-Malaysian Ringgit banking activities under the Malaysia International Islamic Finance Centre (MIFC) initiative. It is a wholly-owned subsidiary of Bank Alkhair B.S.C. (c) (Kingdom of Bahrain).

He is also an Independent & Non-Executive Director of Great Eastern Assurance (Malaysia) Berhad as well as an Independent & Non-Executive Chairman of Great Eastern Takaful Sdn Bhd.

CORPORATE DIRECTORY

MALAYSIA

Headquarters / Corporate Office

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CORPORATE GOVERNANCE **STATEMENT**

The Board of Directors of GHL Systems Berhad (GHL) recognizes the importance of and is committed to maintaining a high standard of corporate governance throughout the Group for long-term sustainable business growth and the protection and enhancement of shareholders' value.

The Board is pleased to report to shareholders the manner in which GHL has applied the Principal of the Code and the extent of compliance with the Best Practices of the Code advocated therein in the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")

A. THE BOARD OF DIRECTORS

i) Duties and Responsibilities

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 direction 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 with (6) members; comprising, three (3) Executive Directors, one (1) Non-Independent Non-Executive Director, and two (2) Independent Non-Executive Directors. The Board's composition represents a mix of knowledge, skills and expertise to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction.

Following the re-designation of Mr Ng King Kau from Independent Non-Executive Director to Executive Director on 4 Nov 2011, the composition of the Board was not in compliance with paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities, which requires at least two directors or one third of the Board members to be Independent Non-Executive Directors. The Company had subsequently obtained approval from Bursa Securities to extend the deadline for fulfilling this requirement to 4 May 2012. With the appointment of Datuk Kamaruddin bin Taib as Independent Non-Executive Director on 26 Apr 2012, the Company is now in compliance with paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities.

The roles of Chairman and Chief Executive Officer are separated with clear division of responsibilities. This to ensure the Company would have balance of power and authority. The Chairman provides leadership to the Board in formulating strategies for the Company while the Chief Executive Officer develops and implements policies to achieve strategies set by the Board and focuses on the Company's operations and performance. The Chief Executive Officer also maintains on-going dialogue with the Chairman and every member of the Board.

The Board did not appoint a Senior Independent Non-Executive Director. However, the Board believes all Board members have opportunities to provide input and deliberate freely during the Board meetings. All Board members have unrestricted and timely access to management for any information to allow them to discharge their duties and responsibilities.

iii) Appointments to the Board and Re-election

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 in advance of the Board meeting date. In addition to the agenda, all Board members are furnished with the relevant documents and sufficient information to enable them to have a comprehensive understanding of the issues to be deliberated upon at the meeting. 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 by the Company Secretary, which are kept in the Minutes Book at the registered office. Besides Board meetings, the Board exercises control on matters that require the Board's approval through circulation of Directors' Resolutions.

The summary of directors attendance at the Board Meetings held for the financial year ended 31 December 2011 is as follows:-

	Number of Board Meetings	
Directors	**Held**	**Attended**
Loh Wee Hian	13	12
Goh Kuan Ho	13	13
Fong Seow Kee	13	13
Ng King Kau (Appointed on 29.04.2011)	7	7
Kanagaraj Lorenz (Appointed on 04.11.2011)	2	2
Tay Beng Lock (Resigned on 25.04.2011)	5	5
Yeng Fook Hoo (Resigned on 15.04.2011)	5	4
Chin Fook Kheong (Resigned on 17.10.2011)	9	9
Angus Eugenio Campos (Retired on 27.04.2011)	5	3
Mohd Rafi bin Daud (Retired on 27.04.2011)	5	4
Yen Siw Kuin (Resigned on 31.01.2011)	1	1

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

For the financial year ended 31 December 2011, a total sum of RM 1,886,642 was paid to the Directors of the Company. The breakdown of the directors' remuneration and the number of directors in the remuneration as follows:-

	Salary	Fees	* Other Emoluments	Grand Total
	RM	**RM**	**RM**	**RM**
Executive Directors				
Loh Wee Hian	198,710	7,239	24,269	230,218
Kanagaraj Lorenz (Appointed on 04.11.2011)	113,000	-	13,767	126,767
Tay Beng Lock (Resigned on 25.04.2011)	107,600	-	16,392	123,992
Yeng Fook Hoo (Resigned on 15.04.2011)	606,000	-	75,984	681,984
Chin Fook Kheong (Resigned on 17.10.2011)	446,400	-	56,335	502,735
Ng King Kau (Re-designated on 04.11.2011)	59,000	20,020	2,400	81,420
Sub-Total	1,530,710	27,259	189,148	1,747,116

Non-Executive Directors				
Fong Seow Kee	-	73,526	-	73,526
Goh Kuan Ho	-	39,600	-	39,600
Yen Siw Kuin (Resigned on 31.01.2011)	-	-	-	-
Angus Eugenio Campos (Resigned on 27.04.2011)	-	13,200	-	13,200
Mohd Rafi bin Daud (Resigned on 27.04.2011)	-	13,200	-	13,200
Sub-Total	-	139,526	-	139,526
Total	**1,530,710**	**166,785**	**189,148**	**1,886,642**

* Other emoluments includes unutilised annual leave, EPF, Socso and other Benefits-in-kind

	Number of Directors	
Remuneration Band (RM)	**Executive**	**Non-Executive**
0 – 50,000	-	3
50,001 – 100,000	1	1
100,001 – 200,000	2	-
200,001 – 300,000	1	-
500,001 - 600,000	1	-
600,001 - 800,000	1	-

vii) Directors' Training and Continuing Education Program

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

During the financial year ended 31 Dec 2011, new members of the Board were briefed on the Group's operations and activities. Moving forward, the Board will formalized a more structured orientation programme for new directors.

The summaries of training attended by the Directors for the FYE 31 December 2011 are as follows:

Loh Wee Hian

Mandatory Accreditation Programme	23-24 February 2011

Chin Fook Kheong

Declaration of Trust - Protection of Equitable Interest & Distribution of Assets.	29 January 2011
U.S. GAAP and IFRS	30 – 31 March 2011
Assessing The Risk And Control Environment	24 March 2011
Launch of Corporate Integrity Pledge	31 March 2011
An Insight Into Global Market Development with Emphasis on China and Vietnam	28 May 2011

* Resigned on 17.10.2011

Goh Kuan Ho

The New Corporate Governance Blueprint and Regulatory Updates Seminar 2011	14 December 2011

Angus Eugenio Campos

Assessing The Risk And Control Environment	24 March 2011

* Resigned on 27.04.2011

Mohd Rafi Bin Daud

Mandatory Accreditation Programme	23-24 February 2011

* Resigned on 27.04.2011

Fong Seow Kee

The New Corporate Governance Blueprint and Regulatory Updates Seminar 2011	14 December 2011

Ng King Kau

Mandatory Accreditation Programme	27-28 July 2011

* Appointed on 29.04.2011

Kanagaraj Lorenz

The New Corporate Governance Blueprint and Regulatory Updates Seminar 2011	14 December 2011

* Appointed on 04.11.2011

Tay Beng Lock, Yeng Fook Hoo and Yen Siw Kuin did not attend any director training program prior to their resignation date in 2011.

B. BOARD COMMITIEES

The Board has established the following committees:

i) Audit Committee

The composition of the Audit Committee, its terms of reference, attendance of meetings and summary of its activities are set out pages 36 to 41 of the Annual Report

ii) Remuneration Committee

The Board has appointed the Remuneration Committee ("RC") comprising two (2) Independent Non-Executive Director and one (1) Non-Independent Non-Executive Director. 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 Executive Directors do not play any part in decisions regarding their own remuneration.

The remuneration of Non-Executive Directors is related to their experience and level of responsibilities and the Board as a whole determines the remuneration of the Non-Executive Directors. None of individual directors participated in determining their individual remuneration.

The Remuneration Committee met 5 times during the year.

iii) Nomination Committee

The Board has appointed a Nomination Committee comprising two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Nomination Committee's function, amongst others, is to recommend to the Board, candidates to the Board for directorship. In addition, the Committee will review the profile of the required skills of each individual Director and assess the effectiveness, of individual Directors, Board Committees and the Board as a whole.

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.

During the financial year 2011, the Nomination Committee met 1 time to evaluate the suitability of the nominees.

Subsequent to the financial year 2011, the Nomination Committee performed a formal assessment on the effectiveness of the Board as a whole and this assessment was documented and reported to the Board. Moving forward a structured assessment shall be carried out on the Board, its committees and individual directors.

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

The ESOS Committee comprises the Executive chairman, one (1) Independent Non-Executive Directors and one (1) senior management personnel of the Company. Meetings shall be held at least once a year.

The ESOS Committee's responsibilities are as follows:-

- To administer the ESOS in accordance with the By-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 By-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 By-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 Control

The Board acknowledges its overall responsibility of maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets. The Statement on Internal Control made in pursuance of paragraph 15.26(b) of the Listing Requirements of Bursa Securities is separately set out on pages 42 to 44 of this 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.

Relationship with Auditors

The role of the Audit Committee is as stated on pages 38 to 39. Through the Audit Committee of the Board, the Company has established transparent and appropriate relationships with the Company's Auditors both internal and external. When required, the External Auditors attend the meetings of the Committee.

In financial year 2011, the Audit Committee met once with the external auditor without the presence of the Executive Directors and management team. Moving forward, the Audit Committee will ensure formal meetings with the external auditor without the presence of the Executive Directors and management team are held twice a year.

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad, 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.

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. All shareholders are kept abreast of all corporate developments concerning the Group through the dissemination of the information and announcements via the Bursa Malaysia website (www.bursamalaysia.com), as well as via the Investor Relations Channel of the Company's corporate website (www.ghl.com) which was revamped in financial year 2011. 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.

The Annual General Meeting

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

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

E. EMPLOYEES' SHARE OPTION SCHEME (ESOS) COMMITTEE

On 15 May 2008 at the EGM, the shareholders of the Company had approved the ordinary resolution of a new ESOS up to fifteen percent (15%) of the issued and paid up capital of GHL Systems Berhad.

On 3 November 2009, the Company has offered 19,769,000 ESOS options at an exercise price of RM0.50 per share to eligible executive directors and eligible employees of the Group. These ESOS options will expire on 2 November 2012. On 1 June 2010, the Company has implemented the bonus issue on basis of one (1) new ordinary shares of RM0.50 for every twenty (20) existing ordinary share of RM0.50 each held in the Company. The Company had adjusted the ESOS options pursuant to the bonus issue. The adjustment arising from the bonus issue is in respect of the unexercised ESOS options. No new ESOS was granted during the year 2011.

On 31 Oct 2011, the Company held an EGM and shareholders approved the amendments to the By-Laws of the ESOS and granting of options to the Chief Executive Officer, Non-Executive Directors and Executive Directors of the Company's subsidiaries.

Term of Reference

1. Constitution

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

2. Composition

The ESOS Committee shall be appointed by the Board with at least three (3) members comprising the Executive chairman, one (1) Independent Non-Executive Directors and one (1) senior management personnel of GHL Systems Berhad ("the Company").

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

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

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

4. Meetings of the ESOS Committee

- **Frequency**

  Meetings shall be held at least once a year. In addition, the Chairman shall call for a meeting of the Committee if requested to do so by any Member of the Committee, the Board, the senior management or the internal or external auditors. Prior notice shall be given for the Committee's meetings.

- **Quorum**

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

- **Secretary of the ESOS Committee**

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

5. Authority of the ESOS Committee

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

(i) The full name and job title of an eligible employee as described in By-Law 5 ("Eligible Employee");

(ii) The date of commencement of his/her employment with GHL Systems Berhad and its subsidiaries ("the Group");

(iii) His/Her Maximum Entitlement (as described in By-Law 6);

(iv) The total number of shares which comprises:-

a. The Options granted to the Eligible Employee;
b. The Options which had been accepted by him/her; and
c. The balance over which Options may be granted.

6. Grant of Options

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

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

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

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

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

7. Acceptance of the Offer

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

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

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

8. Responsibility

The Committee shall be responsible to the Board for matters pertaining to administering the ESOS and compliance with the By-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 By-Laws; and

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

10. Decision Making

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

AUDIT COMMITTEE **REPORT**

FORMATION

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

The objective of the Audit Committee is to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to internal control, financial and accounting records and policies as well as financial reporting practice of the Company and its subsidiaries ("the Group").

COMPOSITION

The members of the Audit Committee during the financial year ended 31 December 2011 were as follows:-

1. FONG SEOW KEE – Chairman
   (Independent Non-Executive Director)

2. GOH KUAN HO
   (Non-Independent Non-Executive Director)

3. NG KING KAU
   (Independent Non-Executive Director)
   (Appointed on 29 Apr 2011 and Resigned on 04 Nov 2011)

4. ANGUS ENGENIO CAMPOS
   (Independent Non-Executive Director)
   (Retired on 27 Apr 2011)

5. YEN SIW KUIN
   (Independent Non-Executive Director)
   (Resigned on 31 Jan 2011)

Datuk Kamaruddin Bin Taib was appointed as Independent Non-Executive Director of the Company and member of Audit Committee on 26 Apr 2012. With his appointment, the composition of the Audit Committee now complies with paragraph 15.09(1)(a)&(b) of the Main Market Listing Requirements of Bursa Securities, which specifies that the Audit Committee must be comprised of at least 3 members, all of whom must be non-executive with a majority being independent directors.

TERMS OF REFERENCE

1. Membership

The Audit Committee shall be appointed by the Board with at least three (3) members, all of whom must be non-executive with a majority comprising of Independent Directors.

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

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

- If he or she is not a member of MIA, he must have at least three (3) years working experience and :-
  - He or she must have passed the examination specified in Part I of the 1st schedule of the Accountants Act, 1 967; or
  - He or she must be a member of the Associations of Accountants specified in Part II of the Accountants Act, 1967.

2. 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.

3. Meetings of the Audit Committee

Frequency

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

Quorum

A minimum of two (2) members shall form the quorum. The majority of members present shall be Independent Directors.

Secretary of the Audit Committee

The Company Secretary shall be the secretary of the Committee.

4. Authority

The Audit Committee is authorized by the Board as follows:-

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 Chief Executive Officer and the Finance Controller;

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.

5. Duties and Responsibilities

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

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

a) The nomination of external auditors;

b) The adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;

c) The effectiveness of the internal audit function (if any);

d) The effectiveness of the internal control and management information systems;

e) The financial statements of the Company with both the external auditors and management;

f) The external auditors' audit report;

g) Any management letter sent by the external auditors to the Company and the management's response to such letter;

h) Any letter of resignation from the Group's external auditors;

i) The assistance given by the Company's officers to the external auditors;

j) All areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;

k) All related-party transactions and potential conflict of interest situations; and

l) All other matters delegated by the Board.

The 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 Finance Director, the internal auditor and a representative of the external auditors shall attend Audit Committee Meetings.

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.

Attendance of Meetings

The Audit Committee held ten (10) meetings during the financial year ended 31 December 2011. The details of attendance of the Audit Committee member are as follows:-

NAME OF AUDIT COMMITTEE MEMBER	TOTAL ATTENDANCE OF MEETINGS
Fong Seow Kee	10
Goh Kuan Ho	10
Ng King Kau (Appointed on 29 April 2011, resigned on 4 November 2011)	4
Angus Eugenio Campos (Retired on 27 April 2011)	2
Yen Siw Kuin (Resigned on 31 January 2011)	1

The Finance Director, management, the representatives of the outsourced Internal Auditors and the External Auditors attended the meetings at the invitation of the Audit Committee where considered necessary. The Company Secretary is responsible for distributing the notice of the meetings and relevant papers to the Audit Committee members prior to their meetings and recording the proceedings of the meetings thereat.

Summary of Activities of the Audit Committee

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year ended 31 December 2011:-

A. Discussed and reviewed the Audit Planning Memorandum which covers the external auditor's plan, scope and nature of work;

B. Reviewed the Audit Review Memorandum in relation to their findings and accounting issues arising from the audit of the Group's annual financial results;

C. Met with the external auditor without presence of Executive Director and management;

D. Reviewed the unaudited quarterly report on the consolidated results of the Group;

E. Assessed the Group's financial performance;

F. Reviewed related party transactions and conflicts of interest situation that may arise within the Group;

G. Reviewed and approved the internal audit plan and the internal audit reports and followed up on the remedial actions implemented by the Management in respect of the internal control weaknesses identified;

H. Reviewed the Group's compliance with the applicable approved accounting standards issued by the Malaysian Accounting Standards Board and other relevant legal and regulatory requirements;

I. Verified the allocation of ESOS Options to the eligible directors and employees of the Group is in accordance with the ESOS By-Laws;

J. Considering and where appropriate, investigating complaints or issues raised by shareholders; and

K. Engaged external certified public accounting firms to:

   i. Undertake a review of internal control procedures of GHL Group in relation to conflicts of interests, to determine if any such transactions have occurred and financial impact, if any.

   ii. Undertake an investigative audit into the possible business transaction irregularities involving its wholly owned subsidiary GHL (Beijing) Co. Ltd ("GHL Beijing")

   iii. Undertake a Special Audit of the Financial Position of GHL Beijing.

Internal Audit Function

The Group has established an in-house internal audit function which works together with an independent outsourced internal audit service provider for the provision of internal audit function to the Group.

The principal role of the Internal Auditor is to undertake independent, regular and systematic review of the Group's systems of internal control so as to provide reasonable assurance that such systems continue to operate efficiently and effectively. It is the responsibility of the Internal Auditor to provide the Audit Committee with independent and objective reports on the state of internal control of various operating units within the Group and the extent of compliance of the units with Group's established policies and procedures as well as relevant statutory requirements.

Summary of Activities of the Internal Audit Function

During the financial year ended 31 December 2011, the independent outsourced internal Auditor has:-

A. Presented a risk-based annual audit plan for the Audit Committee's review and approval;

B. Performed company-wide operation and special audits giving due attention to high and medium risk area of concerns;

C. Followed up on the status of rectification with regards to significant issues and kept the Audit Committee abreast of the current status;

D. Furnished internal audit reports to the Audit Committee as updates of the internal audit activities; and

E. Carried out audit reviews in accordance with the approved internal audit plan for 2011.

STATEMENT OF INTERNAL CONTROLS

RESPONSIBILITY OF THE BOARD

The Board acknowledges that it has overall responsibility to maintain a sound internal control system and for ensuring its adequacy and integrity through a process of review, monitoring and assurance. The Management plays an integral role in assisting the design and implementation of the Board's policies on risk and control. However, as there are inherent limitations in any system of internal controls, such internal control systems put into effect by management can only mitigate rather than eliminate all risks that may impede the achievement of the Group's business objectives and goals. Therefore, the internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss. This statement describes the processes that form the internal control framework throughout the Group's business operations, which are regularly reviewed by the Board.

RISK MANAGEMENT FRAMEWORK

The Board acknowledges that the Group's business activities involve some degree of risk and key management staff and Head of Departments are delegated with the responsibility to manage identified risks within defined parameters and standards.

Periodic management meetings are held to discuss key risks and the appropriate mitigating controls. Significant risks affecting the Group's strategic and business plans are escalated to the Board at their scheduled meetings.

The above mentioned practices / initiatives by Management serve as the ongoing process used to identify, evaluate and manage significant risks.

INTERNAL AUDIT FUNCTION

The Group has established an in-house internal audit function which work together with an independent outsourced internal audit service provider whose primary responsibility is to assure the Board, via the Audit Committee, that the internal control systems are fully implemented. In providing this assurance, the internal audit function undertakes compliance testing and reports on exceptions under assessment. The internal audit functions report directly to Audit Committee.

During financial year 2011, the internal audit function conducted reviews in accordance with the risk based internal audit plan approved by the Audit Committee. Based on the internal audit reviews carried out, the results were presented to the Audit Committee at their quarterly meetings. In addition, follow up visits were also conducted to ensure that corrective actions have been implemented in a timely manner.

Subsequent to the financial year end, as part of its continuous review, the Audit Committee appointed a new outsourced professional internal audit service provider to carry out internal audit reviews.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

- Recruitment of experienced, skilled and professional staff with the necessary caliber to fulfill the respective responsibilities and ensuring that minimum controls are in place;
- Clear Group structure, reporting lines of responsibilities and appropriate levels of delegation;
- Clearly defined delegation of specific responsibilities to committees of the Board and to management, as and when the Board deems fit to do so. These committees or management have the authority to examine all matters within their scope and report to the Board with their recommendations;
- Documented policies, procedures which provides a sound framework of authority and accountability within the Group and facilitates proper corporate decision making at the appropriate level in the Group hierarchy;
- Establishment of an effective segregation of duties via independent checks, review and reconciliation activities to prevent human errors, fraud and abuses;
- Disaster recovery backup plan to provide business continuity has been established in the key business activities. These disaster recovery plans are tested from time to time and enhanced whenever required;
- Regular and comprehensive management meetings and reports to the Board from various lines of operations and business units, on key business performance, operating statistics and regular matters. This enables effective monitoring of significant variances and deviation from standard operating procedures and budget.

In the fourth quarter of financial year 2011, the Board was advised of possible irregular transactions in the Group's China operations in Beijing. As a result, the Board appointed a local and an overseas certified public accounting firms to carry out investigative audits on the possible business transaction irregularities and the financial position of its China subsidiary.

The results of the investigative audits were tabled to the Board and announced on Bursa Malaysia in February 2012. The key findings were in the areas of related party transactions and unusual cash payments, unauthorised possession of the company's card processing system and utilising company resources for personal benefits. Based on the investigative audit findings, the Group had made provisions amounting to RM5.5 million for the financial year ended 31 December 2011. The Board also took the following actions to safeguard Company interests:

- Termination of the services of the GM and 6 other management staff of GHL Beijing suspected of being involved in the related party transactions;

- Appointment of certified public accounting firm to undertake a separate review of internal control procedures of GHL Group (covering its operations in Malaysia, Thailand and Philippines) in relation to Conflict of Interests. The review did not indicated any conflict of interest lapses but identified certain areas for improvement in internal controls which were adopted by the Board. Based on the findings, there was no financial impact to the Group;

- Appointment of China certified public accounting firm to undertake a special audit on GHL Beijing's tangible assets as at 31 November 2011 and related party transactions;

- Appointment of local counsel to carry out investigations into the related party transactions to determine if there have been any breaches or violations of relevant laws of the People Republic of China; and

- The Company has seconded a senior staff from GHL as Acting General Manager for GHL Beijing. In addition, since early November 2011, Mr Ng King Kau, Executive Director of GHL has been assigned to oversee GHL's operations in China.

The costs incurred for the internal audit function in respect of the financial year was approximately RM295,000.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control for the inclusion in the annual report of the Company and of the Group for the financial year ended 31 December 2011 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

The Board recognizes the necessity to continuously improve the systems of internal and risk management practices so that such system and practices can support the Group's operations and changing business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal controls and risk management practices.

This statement is made in accordance with a resolution of the Board of Directors dated 23 April 2012.

FINANCIAL STATEMENTS

31 DECEMBER 2011

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 2011.

Principal Activities

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

The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements.

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

Financial Results

	Group (RM)	Company (RM)
Loss before taxation	25,082,485	14,933,396
Taxation	966,439	956,628
Net loss for the financial year	26,048,924	15,890,024
Attributable to:		
Owners of the parent	26,048,924	

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

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

Dividend

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 financial year under review.

Reserves and Provisions

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

Issue of Shares and Debentures
There were no issues of shares or debentures during the financial year under review.

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.

Repurchase of Shares
At the Extraordinary General Meeting ("EGM") held on 7 May 2007, the shareholders approved the share buy-back of up to 10% of the issued and paid-up share capital of the Company at any point in time. The authority from the shareholders has been renewed consecutively for two years at the shareholders' meeting. The renewal of share buy-back was last approved at the Annual General Meeting ("AGM") of the Company held on 5 May 2010 and will expire at the conclusion of the forthcoming AGM of the Company.

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

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

The Company does not repurchase any share capital from the open market during the financial year ended 31 December 2011.

As at 31 December 2011, the total number of treasury shares held by the Company is 1,415,901 (2010: 1,415,901) ordinary shares.

Employees' Share Option Scheme
The GHL Systems Berhad's Employees' Share Option Scheme ("ESOS") was approved by shareholders at the EGM on 15 May 2008 and became effective on 3 November 2009 for a period of 3 years, and shall lapse on 2 November 2012.

The salient features and other terms of the ESOS are disclosed in Note 26 to the financial statements.

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:

Loh Wee Hian	
Goh Kuan Ho	
Fong Seow Kee	
Ng King Kau	(appointed on 29.04.2011)
Kanagaraj Lorenz	(appointed on 04.11.2011)
Tay Beng Lock	(resigned on 25.04.2011)
Yeng Fook Hoo	(resigned on 15.04.2011)
Chin Fook Kheong	(resigned on 17.10.2011)
Angus Eugenio Campos	(retired on 27.04.2011)
Mohd Rafi bin Daud	(retired on 27.04.2011)

Directors' Interests

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

	No. Of ordinary shares of RM0.50 each			
	At 1.1.2011	**Acquired**	**Disposed**	**At 31.12.2011**
GHL Systems Berhad				
Direct interest:				
Goh Kuan Ho	18,619,104	-	4,000,000	14,619,104
Loh Wee Hian	22,506,034	9,115,700	-	31,621,734
Kanagaraj Lorenz	-	500,000	-	500,000

By virtue of their interest in the shares of the Company, Goh Kuan Ho, Loh Wee Hian and Kanagaraj Lorenz are also deemed to have interest in the shares of all its subsidiary companies to the extent the Company has an interest.

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

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 33 to the financial statements.

Directors' Benefits (Cont'd)

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

Other Statutory Information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

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

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

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

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

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

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

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

(c) No contingent or other liabilities 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, except as disclosed in Note 31 to the financial statements.

Significant Events

The significant events are disclosed in Note 29 to the financial statements.

Subsequent Events

The subsequent events are disclosed in Note 30 to the financial statements.

Auditors

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

Signed in accordance with a resolution of the Directors.

LOH WEE HIAN	KANAGARAJ LORENZ

KUALA LUMPUR
23 April 2012

STATEMENT BY DIRECTORS

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

We, LOH WEE HIAN and KANAGARAJ LORENZ 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 55 to 128 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 13 to the financial statements have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the Directors.

LOH WEE HIAN	KANAGARAJ LORENZ

KUALA LUMPUR
23 April 2012

STATUTORY DECLARATION

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

I, KANAGARAJ LORENZ, 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 55 to 128 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 KANAGARAJ LORENZ at KUALA LUMPUR in the Federal Territory this 23 April 2012

KANAGARAJ LORENZ

Before me,

PESURUHJAYA SUMPAH
ARSHAD ABDULLAH
W 550
MALAYSIA

COMMISSIONER FOR OATHS

NO. 102 & 104 1st FLOOR BANGUNAN
PERSATUAN YAP SELANGOR
JALAN TUN HS LEE
50000 KUALA LUMPUR

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GHL SYSTEMS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of GHL Systems Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 55 to 128.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the accounts and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 4 to the financial statements.

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

(d) The audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 13 is solely disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

UHY	YEOH AIK CHUAN
Firm Number: AF 1411	Approved Number: 2239/07/12(J)
Chartered Accountants	Chartered Accountant

KUALA LUMPUR
23 April 2012

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Non-Current Assets					
Property, plant and equipment	3	22,734,295	45,153,939	10,541,451	12,641,119
Investment in subsidiary companies	4	-	-	6,064,614	10,998,435
Other investment	5	-	-	-	-
Goodwill on consolidation	6	-	1,096,239	-	-
		22,734,295	46,250,178	16,606,065	23,639,554
Current Assets					
Inventories	7	5,670,258	6,538,138	3,462,968	2,663,867
Trade receivables	8	11,328,096	13,173,391	2,838,802	2,086,177
Other receivables	9	1,651,331	5,773,194	222,951	353,506
Amount owing by subsidiary companies	10	-	-	38,947,183	49,987,606
Tax recoverable		205,912	129,077	117,955	22,410
Fixed deposits with licensed banks	11	2,482,440	2,121,037	1,623,533	1,240,091
Cash and bank balances		18,414,397	10,571,573	3,163,110	1,216,209
		39,752,434	38,306,410	50,376,502	57,569,866
Total Assets		62,486,729	84,556,588	66,982,567	81,209,420
Equity					
Share capital	12	72,901,050	72,901,050	72,901,050	72,901,050
Reserves	13	(36,444,692)	(10,767,918)	(13,952,654)	1,681,707
Treasury shares	14	(638,221)	(638,221)	(638,221)	(638,221)
Total Equity		35,818,137	61,494,911	58,310,175	73,944,536
Non-Current Liabilities					
Hire purchase payables	15	1,168,234	43,721	60,179	43,721
Bank borrowings	16	2,343,342	2,618,551	2,343,342	2,618,551
Deferred tax liability	17	952,173	-	952,173	-
		4,463,749	2,662,272	3,355,694	2,662,272

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011 Cont'd

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Current Liabilities					
Trade payables	18	2,031,279	5,246,194	905,318	912,247
Other payables	19	19,216,449	14,442,804	4,154,276	2,542,113
Amount owing to a subsidiary company	10	-	-	-	454,882
Hire purchase payables	15	753,941	527,889	53,930	510,852
Bank borrowings	16	203,174	182,518	203,174	182,518
		22,204,843	20,399,405	5,316,698	4,602,612
Total Liabilities		26,668,592	23,061,677	8,672,392	7,264,884
Total Equity and Liabilities		62,486,729	84,556,588	66,982,567	81,209,420

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Revenue	20	62,726,298	63,987,753	24,573,789	21,167,310
Cost of sales		(19,790,477)	(23,816,177)	(9,299,906)	(9,464,110)
Gross profit		42,935,821	40,171,576	15,273,883	11,703,200
Other operating income		1,213,788	3,176,492	799,508	696,477
Administration expenses		(57,114,996)	(49,007,601)	(29,637,273)	(25,959,539)
Distribution costs		(3,352,567)	(7,390,412)	(1,028,970)	(1,304,607)
Other operating expenses		(8,540,278)	(1,416,177)	(176,164)	(156,126)
Finance costs	21	(224,253)	(198,766)	(164,380)	(184,516)
Loss before taxation	22	(25,082,485)	(14,664,888)	(14,933,396)	(15,205,111)
Taxation	23	(966,439)	489,050	(956,628)	503,559
Net loss for the financial year		(26,048,924)	(14,175,838)	(15,890,024)	(14,701,552)
Other comprehensive income					
Foreign exchange differences, representing net gain/(loss) not recognised in statements of comprehensive income		116,487	(505,174)	-	-
Net loss for the financial year, representing total comprehensive income for the financial year		(25,932,437)	(14,681,012)	(15,890,024)	(14,701,552)

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Net loss for the financial year attributable to:					
Owners of the parent		(26,048,924)	(14,175,838)		
Other comprehensive income attributable to:					
Owners of the parent		(25,932,437)	(14,681,012)		
Earnings per share attributable to owners of the parent (sen):					
Basic	24(a)	(18.04)	(9.96)		
Fully diluted	24(b)	(18.04)	(9.96)		

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Attributable to Owners of the Parent					
			Non-Distributable		Distributable		
		Share capital	Foreign exchange reserves	ESOS reserves	Treasury shares	Retained profits/ (Accumulated losses)	Total
Group	**Note**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 January 2010		69,431,108	(749,850)	35,364	(824)	7,874,971	76,590,769
Shares purchased during the financial year held as treasury shares		-	-	-	(637,397)	-	(637,397)
Net loss for the financial year, representing total comprehensive income for the financial year		-	(505,174)	-	-	(14,175,838)	(14,681,012)
Bonus issue	12	3,469,942	-	-	-	(3,469,942)	-
Share based payment		-	-	222,551	-	-	222,551
At 31 December 2010		72,901,050	(1,255,024)	257,915	(638,221)	(9,770,809)	61,494,911
At 1 January 2011		72,901,050	(1,255,024)	257,915	(638,221)	(9,770,809)	61,494,911
Net loss for the financial year, representing total comprehensive income for the financial year		-	116,487	-	-	(26,048,924)	(25,932,437)
Share based payment		-	-	255,663	-	-	255,663
At 31 December 2011		72,901,050	(1,138,537)	513,578	(638,221)	(35,819,733)	35,818,137

			Non-Distributable	Distributable		
		Share capital	ESOS reserves	Treasury shares	Retained profits/ (Accumulated losses)	Total
Company	**Note**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 January 2010		69,431,108	35,364	(824)	19,595,286	89,060,934
Shares purchased during the financial year held treasury shares		-	-	(637,397)	-	(637,397)
Bonus issue	12	3,469,942	-	-	(3,469,942)	-
Net loss for the financial year, representing total comprehensive income for the financial year		-	-	-	(14,701,552)	(14,701,552)
Share based payment		-	222,551	-	-	222,551
At 31 December 2010		72,901,050	257,915	(638,221)	1,423,792	73,944,536
At 1 January 2011		72,901,050	257,915	(638,221)	1,423,792	73,944,536
Net loss for the financial year, representing total comprehensive income for the financial year		-	-	-	(15,890,024)	(15,890,024)
Share based payment		-	255,663	-	-	255,663
At 31 December 2011		72,901,050	513,578	(638,221)	(14,466,232)	58,310,175

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Cash Flows From Operating Activities				
Loss before taxation	(25,082,485)	(14,664,888)	(14,933,396)	(15,205,111)
Adjustment for:				
Bad debts written-off	6,741	2,380,997	141,858	861,734
Depreciation of property, plant and equipment	6,113,616	8,047,134	2,025,028	2,510,803
Impairment loss on property, plant and equipment	20,861,429	5,760,325	-	-
Impairment loss on investment in subsidiary companies	-	-	5,833,821	3,941,562
Impairment loss on goodwill on consolidation	1,096,239	816,868	-	-
Impairment on trade receivables	1,506,463	1,035,775	87,411	260,267
Impairment on other receivables	386,944	-	6,951	-
Impairment on amount owing by subsidiary companies	-	-	10,458,140	3,458,968
Interest expense	224,253	198,766	164,380	184,516
Interest income	(204,502)	(174,243)	(39,840)	(28,080)
Inventories written off/(reversal)	-	95,793	-	(66,467)
Loss/(Gain) on disposal of property, plant and equipment	1,853,175	(169,851)	19,671	(181,002)
Gain on disposal of other investment	-	(17,461)	-	(17,461)
Intangible asset written off	-	1,291,697	-	-
Property, plant and equipment written off	4,452	450,503	1,477	450,000
Property, plant and equipment written back	(5,775)	(30,164)	-	-
Provision for loss on disposal of property, plant and equipment	400,000	-	400,000	-
Reversal of impairment on trade receivables	(204,008)	(1,963,484)	(127,850)	(469,734)
Reversal of impairment on amount owing by subsidiary companies	-	-	(481,661)	-
Share based payment	255,663	222,551	255,663	222,551
Unrealised (gain)/loss on foreign exchange	(38,008)	528,756	(147,186)	632,703
Operating profit/(loss) before working capital changes	7,174,197	3,809,074	3,664,467	(3,444,751)

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Decrease/(Increase) in working capital					
Inventories		867,880	94,559	(799,101)	(314,628)
Trade and other receivables		3,236,550	(2,651,386)	(588,582)	2,045,792
Trade and other payables		2,231,206	3,429,704	1,205,234	757,261
Amount owing by/to subsidiary companies		-	-	467,204	3,430,896
		6,335,636	872,877	284,755	5,919,321
Cash generated from operations		13,509,833	4,681,951	3,949,222	2,474,570
Interest received		204,502	174,243	39,840	28,080
Interest paid		(224,253)	(198,766)	(164,380)	(184,516)
Tax paid		(104,160)	(93,278)	(100,000)	(22,985)
Tax refund		13,059	96,754	-	39,604
Exchange fluctuation adjustment		81,931	(265,486)	147,186	133,991
		(28,921)	(286,533)	(77,354)	(5,826)
Net cash from operating activities		13,480,912	4,395,418	3,871,868	2,468,744
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	3(c)	(5,691,839)	(5,462,201)	(246,758)	(641,403)
Purchase of additional shares in a subsidiary company		-	-	(900,000)	-
Proceeds from disposal of property, plant and equipment		1,605,925	366,717	400,250	181,002
Proceeds from disposal of other investment		-	17,461	-	17,461
Acquisition of subsidiary company		-	(2)	-	(2)
Net cash used in investing activities		(4,085,914)	(5,078,025)	(746,508)	(442,942)

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Cash Flows From Financing Activities				
Repurchase of shares	-	(637,397)	-	(637,397)
Decrease/(Increase) in fixed deposits pledged	534,853	(846,917)	555,058	(827,079)
Repayment of hire purchase payables	(936,218)	(463,865)	(540,464)	(445,427)
Repayment of bank borrowings	(254,553)	(256,264)	(254,553)	(256,264)
Net cash used in financing activities	(655,918)	(2,204,443)	(239,959)	(2,166,167)
Net increase/(decrease) in cash and cash equivalents	8,739,080	(2,887,050)	2,885,401	(140,365)
Cash and cash equivalents at beginning of the financial year	10,729,317	13,616,367	1,331,709	1,472,074
Cash and cash equivalents at end of the financial year	19,468,397	10,729,317	4,217,110	1,331,709
Cash and cash equivalents at end of financial year comprises:				
Cash and bank balances	18,414,397	10,571,573	3,163,110	1,216,209
Fixed deposits with licensed banks	2,482,440	2,121,037	1,623,533	1,240,091
	20,896,837	12,692,610	4,786,643	2,456,300
Less : Fixed deposits pledged to licensed banks	(1,428,440)	(1,963,293)	(569,533)	(1,124,591)
	19,468,397	10,729,317	4,217,110	1,331,709

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 investment holding, developing and selling in-house software programmes, sale and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance.

The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements.

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

The registered office of the Company is located at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

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

2. Basis of Preparation and Significant Accounting Policies

(a) Basis of preparation

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

(b) Significant accounting policies

During the financial year, the Group and the Company has adopted the following applicable new Financial Reporting Standards ("FRSs"), revised FRSs, Issues Committee ("IC") Interpretations and Amendments to FRSs, issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

FRS 1	First-time adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investments in a Foreign Operations
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers

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

(b) Significant accounting policies (Cont'd)

Amendments to FRS 1	Limited exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation - Classification of Rights Issues
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"

Adoption of the above FRSs, IC Interpretations, Amendments to FRSs and IC Interpretations, and "Improvements to FRSs (2010)" did not have any significant effect on the financial statements of the Group and the Company, other than the following:

(i) FRS 3 Business Combinations and FRS 127 Consolidated and Separate Financial Statements

The adoption of the two revised standards affects the way in which the Group accounts for business combinations and the preparation of its consolidated financial statements.

The revised FRS 127 replaces the current term "minority interest" with a new term "non-controlling interest" which is defined as the equity in a subsidiary that is not attributable, directly or indirectly, to a parent. Accordingly, total comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. It also requires that changes in ownership interest which do not result in a loss of control be accounted for as equity transactions. If the changes in ownership interest results in loss of control, any remaining interest in the entity is remeasured at fair value and any resulting gains or losses is recognised in profit or loss.

Under the revised FRS 3, all acquisition-related costs are recognised as an expense in the profit or loss in the period in which they are incurred. All considerations transferred, including contingent considerations, are measured at fair value as at the acquisition date. Any equity interests held prior to the date control is obtained is remeasured at fair value, with the resulting gains or losses recognised in the profit or loss. There is now an option on a case to case basis to measure non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the net identifiable assets of the assets acquired. Goodwill arising from the business combination is measured as the difference between the aggregate fair value of consideration transferred, any non-controlling interests in the acquiree and the fair value at acquisition date of any previously held equity interest in the acquiree, and the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) at acquisition date.

The revised FRS 3 and FRS 127 were applied prospectively to acquisitions and/or changes in ownership interest in subsidiary companies occurred during the financial year.

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

(b) Significant accounting policies (Cont'd)

(ii) Amendments to FRS 7 Improving Disclosures about Financial Instruments

Amendments to FRS 7 require enhanced disclosures about fair value measurements in which a three-level fair value hierarchy was introduced. Each class of financial instrument is to be classified in accordance to this hierarchy which reflects the inputs used in making the fair value measurement. It also reinforces the existing principles for disclosures on liquidity and credit risks. The adoption of this amendment resulted in additional disclosures in the financial statements but did not have any financial impact on the Group and the Company.

(iii) Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"

The amendments mainly provide guidance, clarify wordings and remove inconsistencies in existing FRSs. These amendments have extended some of the disclosure requirements under FRS 7, such as the quantification of the extent to which collateral and other credit enhancements mitigate credit risk; and remove certain disclosure requirements such as the carrying amount of renegotiated assets. These changes are only presentational in nature and did not have any financial impact on the Group and the Company.

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework"). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture (herein called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

Financial statements that are drawn up in accordance with the new MFRS Framework will be equivalent to financial statements prepared by other jurisdictions which adopt IFRSs ("International Financial Reporting Standards").

The Group and the Company will prepare its financial statements in accordance with the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2012. In presenting its first MFRS financial statements, the Company will be required to apply MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") in order to assert full compliance with MFRSs and IFRSs. MFRS 1 requires restatement of the financial position as at 1 January 2011 (the date of transition to MFRS) to amounts reflecting the application of MFRS Framework. As at 31 December 2011, the existing FRS Framework is already largely aligned with the MFRS Framework except for MFRS 1 which provides first-time adopter certain exemptions and policy choice.

The Group and the Company have started assessment of the impact arising from the adoption of MFRS 1 and are in the process of assessing the financial effects of differences between the existing FRSs and the MFRSs. Accordingly, the financial performance and financial position as disclosed in these financial statements for the financial year ended 31 December 2011 could be different if prepared under the MFRS Framework.

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

(b) Significant accounting policies (Cont'd)

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

The Group and the Company has not early adopted the following MFRSs which have been issued as at the date of authorisation of this financial statements and will be effective for the financial periods as stated below:

		Effective date for financial periods beginning on or after
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011
MFRS 124	Related Party Disclosures (revised)	1 January 2012
Amendments to MFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to MFRS 7	Disclosures - Transfers of Financial Assets	1 January 2012
Amendments to MFRS 112	Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 9 (IFRS 9 as issued by IASB in November 2009), MFRS 9 (IFRS 9 as issued by IASB in October 2010) and MFRS 7	Mandatory Effective Date of FRS 9 and Transition Disclosures	1 March 2012
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (revised)	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9 (IFRS 9 as issued by IASB in November 2009)	Financial Instruments	1 January 2015*
MFRS 9 (IFRS 9 as issued by IASB in October 2010)	Financial Instruments	1 January 2015*

* Original effective date of 1 January 2013 deferred to 1 January 2015 via amendments issued by MASB on 1 March 2012.

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

(b) Significant accounting policies (Cont'd)

The above new MFRSs will be adopted in the annual financial statements of the Company when they become effective and that the initial applications of these Standards and IC Interpretations will have no significant impact on the financial statements of the Group and the Company, except as discussed below:

(i) MFRS 124 Related Party Disclosures

The revised MFRS 124 simplify the definition of a related party, clarifies its intended meaning and eliminates inconsistencies from the definition and gives partial exemption from disclosure for government-related entities. These changes affect disclosures in the financial statements and did not have any impact on the financial results of the Group and the Company.

(ii) Amendments to MFRS 112 Deferred Tax: Recovery of Underlying Assets

This amendment supersedes and introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in existing FRS 140 Investment Property. As a result of the amendments, IC Interpretation 121 Income Taxes – Recovery of Revalued Non-Depreciable Assets will be superseded and its guidance will be incorporated into MFRS 112.

(iii) Amendments to MFRS 1 First-time Adoption on Fixed Dates and Hyperinflation

This amendment includes two changes to MFRS 1. The first replaces references to a fixed date of '1 January 2006' with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.

(iv) Amendments to MFRS 7 Disclosures - Transfers of Financial Assets

The amendment enhances the transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

(v) Amendments to MFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities and Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

The amendment requires financial assets and financial liabilities to be offset and present the net amount in the statement of financial position, only if the entity has an unconditional and legally enforceable right to set off the financial asset and financial liability, and it intends either to settle the financial asset and financial liability net or to realise the financial asset and settle the financial liability simultaneously.

(vi) MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009) and MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)

MFRS 9 (IFRS 9 issued by IASB in November 2009) specifies how an entity should classify and measure financial assets. This standard replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

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

(b) Significant accounting policies (Cont'd)

MFRS 9 (IFRS 9 issued by IASB in October 2010) specifies the requirements for the classification and measurement of financial liabilities, which are generally similar to the requirements of the existing MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in OCI. There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

(vii) MFRS 10 Consolidated Financial Statements

MFRS 10 will replace all the guidance on control and consolidation in MFRS 127 Consolidated and Separate Financial Statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

MFRS 10 changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements.

(viii) MFRS 13 Fair Value Measurement

This standard defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. The definition of fair value under this standard emphasises the principle that fair value is a market-based measurement, not an entity specific measurement.

(ix) MFRS 119 Employee Benefits (as amended in November 2011)

This revised MFRS 119 will supersede the existing MFRS 119 when effective. This new standard makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. Past service costs, whether unvested or already vested, are recognised immediately in the profit or loss as incurred and the annual defined benefit costs in the profit or loss will include net interest expense/income on the defined benefit asset/liability.

(x) MFRS 127 Seperate Financial Statements (as amended in November 2011)

Upon the adoption of MFRS 10, the accounting requirements relating to the preparation of consolidated financial statements are no longer covered under MFRS 127. This revised MFRS 127 only cover the requirements relating to the accounting for investments in subsidiary companies, associated companies and joint ventures in the separate financial statements of the entity. In such cases, the entity should account for such investments either at cost, or in accordance with MFRS 9.

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(d) 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.

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

(d) Significant accounting estimates and judgements (Cont'd)

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

(i) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group and of the Company are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the plant and equipment as disclosed in Note 2(j)(iii). These are common life expectancies applied in the industry. Changes in the expected level of usage could have impact on the useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of the Group's and of the Company's property, plant and equipment at 31 December 2011 are 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 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 2011 is disclosed in Note 6 to the financial statements.

(iv) Impairment of investment in subsidiary companies

The carrying values of investment in subsidiary companies and the related goodwill are reviewed for impairment. In the determination of the value in use of the investment, the Company is required to estimate the expected cash flows to be granted by the subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiary as at 31 December 2011 is disclosed in Note 4 to the financial statements.

(v) Impairment of financial assets

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial assets is impaired. To determine whether there is objective evidence of impairment, the Group and the Company considers factors such as the probability of significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and the Company's loans and receivables as at 31 December 2011 is disclosed in Notes 8 and 9 to the financial statements.

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

(d) Significant accounting estimates and judgements (Cont'd)

(vi) 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.

(vii) Employees' Share Option Scheme

The fair value of share options granted during the financial year was estimated by the management using the Black-Scholes-Merton model, taking into accounts the terms and conditions upon which the options were granted. The fair value of share options was measured at Grant Date. The principal assumption used in the fair value estimation is disclosed in Note 26 to the financial statements.

(e) Financial assets

Financial assets are recognised on the statement of financial position when, and only when the Group and the Company becomes a party to the contractual provisions of the financial instrument.

(i) Classification

The Group and the Company classifies its financial assets in the following categories: at fair value through profit or loss (FVTPL), loans and receivables, available-for-sale (AFS) and held-to-maturity (HTM). The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVTPL

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets.

AFS Financial Assets

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company has the positive intention and ability to hold to maturity. If the Group and the Company were to sell other than an insignificant amount of HTM financial assets, the whole category would be tainted and reclassified as AFS.

HTM investment are classified as non-current assets, except for those having maturity date within 12 months after the end of the reporting period which are classified as current.

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

(e) Financial assets (Cont'd)

(ii) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at FVTPL, which are recognised at fair value. Transaction costs for financial assets at FVTPL are recognised immediately in the statement of comprehensive income.

Regular way purchases and sales of financial assets are recognised on a trade-date basis - the date on which the Group and the Company commits to purchase or sell the asset.

(iii) Subsequent measurement

Financial assets, both AFS and at FVTPL are subsequently carried at fair value. The fair value measurement considerations of the Group and the Company are as disclosed in Note 2(f).

Equity instrument which are classified as AFS that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

Changes in the fair values of financial assets at FVTPL including the effects of currency translation, interest and dividends, are recognised in the statement of comprehensive income when the changes arise.

Interest and dividend income on AFS financial assets are recognised separately in the statement of comprehensive income. Changes in fair values of AFS equity securities (i.e. non-monetary items) are recognised in the statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, which are recognised in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iv) Impairment

The Group and the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, it is written off against the related accumulated impairment losses account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the statement of comprehensive income.

AFS Financial Assets

Significant or prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

The cumulative loss that was recognised in the other comprehensive income shall be reclassified to the profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in the profit or loss on equity securities are not reversed through the profit or loss.

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

(e) Financial assets (Cont'd)

HTM investments

Impairment in respect of HTM investment carried at amortised cost are measured as the difference between the asset's carrying amount and the present values of their estimated future cash flows discounted at the HTM investments' original effective interest rate.

The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(v) Reclassification of financial assets

The Group and the Company may choose to reclassify non-derivative assets out from the held-for-trading category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Group and the Company may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or AFS categories if the Group and the Company have the intention and ability to hold the financial asset for the foreseeable future or until maturity.

If the Group and the Company were to sell or reclassify more than an insignificant amount of HTM investments before maturity, the entire category would be tainted and be reclassified to available-for-sale.

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable. Any fair value gains or losses previously recognised in the profit or loss is not reversed.

As at the end of the reporting period, the Group and the Company have not made any such reclassifications of financial assets.

(vi) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company has transferred substantially all risks and rewards of ownership. On derecognition disposal of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

(f) Determination of fair value

All financial instruments are recognised initially at fair value. At initial recognition, the fair value of a financial instrument is the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments measured at fair value is measured in accordance with the valuation methodologies as set out in Note 35(g).

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at the end of each reporting period.

(g) Derivatives

Derivatives relate to fair value hedges on financial assets held through profit or loss. Derivatives are initially recognised at fair values on the date the contract is entered into and is subsequently carried at fair value.

The fair value hedges are not designated as effective hedging investments therefore changes in fair value are recognised immediately in the statement of comprehensive income.

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

(h) Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when the Group and the Company becomes a party to the contractual provisions of the financial instrument.

The Company classifies its financial liabilities in the following categories: at FVTPL or other financial liabilities. Management determines the classification of its financial liabilities at initial recognition.

All financial liabilities are initial recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method, other than those categorised as FVTPL. Changes in the carrying value of these liabilities are recognised in the profit or loss.

Financial liabilities at FVTPL include financial liabilities held for trading, derivative (except for financial guarantee contracts or a designated and effective hedging instrument) and financial liabilities designated into this category upon initial recognition.

Other financial liabilities are non-derivatives financial liabilities. The Company's other financial liabilities comprise trade and other payables and borrowings. Financial liabilities are classified as current liabilities; except for maturities more than 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

(i) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary 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 are stated at cost less impairment losses in accordance with Note 2(k). On disposal of these investments, the difference between the net disposal proceeds and the carrying amount is recognised in the statements of comprehensive income.

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 acquisition method of accounting is used to account for the purchase of subsidiary companies. The consideration transferred for acquisition of a subsidiary is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the profit or loss as incurred. 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired (ie. a bargain purchase), the gain is recognised in profit or loss. The accounting policy on goodwill on acquisition of subsidiary companies is in accordance with Note 2(1).

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

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

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in the consolidated statements of comprehensive income.

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

(i) Basis of consolidation (Cont'd)

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Group. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

(j) Property, plant and equipment

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(k).

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation of property, plant and equipment is recognised in the statements of comprehensive income on a straight-line basis over the estimated useful lives of property, plant and equipment. Leased buildings 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:

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.

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

(j) Property, plant and equipment (Cont'd)

(iii) Depreciation

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 statements of comprehensive income. On disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

(k) Impairment of non-financial assets

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

If any such indication exists then the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, recoverable amount is estimated at end of each reporting period 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 statements of comprehensive income in the period in which it arises. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units (groups of units) and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

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

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

(l) Goodwill on consolidation

For acquisitions prior to 1 January 2006, goodwill acquired in a business combination represents the excess of the cost of the acquisition of subsidiary companies over the Group's interest in the fair values of the net identifiable assets (including intangible assets) at the date of acquisition. With the adoption of FRS 3 Business Combinations beginning 1 January 2006, goodwill arising on consolidation represents the excess of the costs of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiary companies acquired at the date of acquisition. If the cost of acquisition is less than the fair value of the net assets of the subsidiary company acquired, the difference is recognised directly in the statements of comprehensive income.

Upon adoption of the revised FRS 3 Business Combinations on 1 January 2011, goodwill is measured as the excess of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest in the subsidiary company over the fair value of the Group's share of the identifiable net assets acquired.

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 frequent when there is objective evidence that the carrying value may be impaired, in accordance with Note 2(k).

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

(l) Goodwill on consolidation (Cont'd)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(m) Inventories

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

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

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

(n) 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 statements of financial position as liabilities. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Group's or the Company's incremental borrowing rate is used.

Lease and hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the statements of comprehensive income 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 statements of comprehensive income on a straight line basis over the term of the relevant lease.

(o) Cash and cash equivalents

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

(p) Share capital

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

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

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

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

(q) Foreign currencies

(i) Foreign currency transactions and balances

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

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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(2) income and expenses for each statements of comprehensive income 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 statements of comprehensive income as part of the gain or loss on disposal.

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.

(r) Revenue recognition

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

(i) Goods sold and services rendered

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

(ii) Rental income

Rental income is recognised on a straight line basis over the term of the lease, 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.

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

(s) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

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

(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 statements of comprehensive income in the period to which they relate.

(iii) Accrued annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for employee entitlements to annual leave as a result of services rendered by employees up to the end of the reporting period.

(iv) Employees' Share Option Scheme

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

At end of each reporting period, 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 statements of comprehensive income, 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.

(t) Provision for liabilities

Provisions for liabilities are recognised when the Group and the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

(u) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Income taxes

Income tax on the profit or loss comprises current and deferred tax. Current tax is the expected tax payable or receivables on the taxable income or loss for the financial year and is measured using the tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an assets or liabilities in the statement of financial position and their tax bases at the end of the reporting period. 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 end of the reporting period. The carrying amount of a deferred tax asset is reviewed at each end of the reporting period and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the statements of comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(w) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Group's Executive Board, to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

3. Property, Plant and Equipment

	Long term leasehold land and buildings	Computer equipment	EDC equipment	Computer software	Motor vehicles	Furniture, fittings and office equipment	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
2011								
Group								
Cost								
At 1 January 2011	4,875,000	7,173,175	60,431,060	16,241,752	1,935,430	8,268,268	1,635,282	100,559,967
Additions	-	270,606	7,053,554	2,450	420,022	159,568	35,649	7,941,849
Written back	-	-	8,859	-	-	-	-	8,859
Disposal	-	-	(2,110,929)	-	(959,496)	(3,558,232)	(21,696)	(6,650,353)
Written off	-	(88,774)	-	-	-	(3,000)	(29,120)	(120,894)
Exchange difference	-	-	7,207	-	(1,016)	116,233	13,843	136,267
At 31 December 2011	4,875,000	7,355,007	65,389,751	16,244,202	1,394,940	4,982,837	1,633,958	101,875,695
Accumulated depreciation								
At 1 January 2011	246,213	6,520,984	26,892,687	10,187,163	663,340	3,843,415	1,291,901	49,645,703
Charge for the financial year	49,242	416,705	2,368,919	1,490,047	310,481	1,251,206	227,016	6,113,616
Written back	-	-	3,084	-	-	-	-	3,084
Disposals	-	-	(701,750)	-	(358,407)	(2,109,629)	(21,467)	(3,191,253)
Written off	-	(87,486)	-	-	-	(1,525)	(27,431)	(116,442)
Exchange difference	-	-	-	-	(1,228)	56,593	9,573	64,938
At 31 December 2011	295,455	6,850,203	28,562,940	11,677,210	614,186	3,040,060	1,479,592	52,519,646

3. Property, Plant and Equipment (Cont'd)

	Long term leasehold land and buildings	Computer equipment	EDC equipment	Computer software	Motor vehicles	Furniture, fittings and office equipment	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
2011								
Group								
Accumulated impairment								
At 1 January 2011	-	-	5,760,325	-	-	-	-	5,760,325
Impaired during the financial year	-	-	20,861,429	-	-	-	-	20,861,429
At 31 December 2011	-	-	26,621,754	-	-	-	-	26,621,754
Carrying amount								
At 31 December 2011	4,579,545	504,804	10,205,057	4,566,992	780,754	1,942,777	154,366	22,734,295
2010								
Group								
Cost								
At 1 January 2010								
- As previously stated	3,250,000	6,813,988	56,999,957	17,549,522	2,220,082	8,326,604	1,758,136	96,918,289
- Effect of adopting FRS 117	1,625,000	-	-	-	-	-	-	1,625,000
- As restated	4,875,000	6,813,988	56,999,957	17,549,522	2,220,082	8,326,604	1,758,136	98,543,289
Additions	-	411,815	3,664,030	192,230	1,463,694	704,381	26,051	6,462,201
Written back	-	-	47,290	-	-	-	-	47,290
Disposals	-	(513)	(183,122)	-	(1,748,852)	(132)	(108,536)	(2,041,155)
Written off	-	(395)	(3,580)	(1,500,000)	-	-	-	(1,503,975)
Transfer to inventories	-	-	-	-	-	(408,763)	-	(408,763)
Exchange difference	-	(51,720)	(93,515)	-	506	(353,822)	(40,369)	(538,920)
At 31 December 2010	4,875,000	7,173,175	60,431,060	16,241,752	1,935,430	8,268,268	1,635,282	100,559,967

3. Property, Plant and Equipment (Cont'd)

	Long term leasehold land and buildings	Computer equipment	EDC equipment	Computer software	Motor vehicles	Furniture, fittings and office equipment	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
2010								
Group								
Accumulated depreciation								
At 1 January 2010								
- As previously stated	131,313	5,944,807	23,237,234	9,336,642	1,998,058	2,777,983	1,175,471	44,601,508
- Effect of adopting FRS 117	65,657	-	-	-	-	-	-	65,657
- As restated	196,970	5,944,807	23,237,234	9,336,642	1,998,058	2,777,983	1,175,471	44,667,165
Charge for the financial year	49,243	614,418	3,710,800	1,900,521	357,853	1,176,926	237,373	8,047,134
Written back	-	-	17,126	-	-	-	-	17,126
Disposals	-	(282)	(49,633)	-	(1,689,643)	(33)	(104,698)	(1,844,289)
Written off	-	(392)	(3,080)	(1,050,000)	-	-	-	(1,053,472)
Exchange difference	-	(37,567)	(19,760)	-	(2,928)	(111,461)	(16,245)	(187,961)
At 31 December 2010	246,213	6,520,984	26,892,687	10,187,163	663,340	3,843,415	1,291,901	49,645,703
Accumulated impairment								
At 1 January 2010	-	-	-	-	-	-	-	-
Impaired during the financial year	-	-	5,760,325	-	-	-	-	5,760,325
At 31 December 2010	-	-	5,760,325	-	-	-	-	5,760,325
Carrying amount								
At 31 December 2010	4,628,787	652,191	27,778,048	6,054,589	1,272,090	4,424,853	343,381	45,153,939

3. Property, Plant and Equipment (Cont'd)

	Long term leasehold buildings	Computer equipment	Computer software	Motor vehicles	Furniture, fittings and office equipment	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM
2011							
Company							
Cost							
At 1 January 2011	4,875,000	2,800,452	15,444,057	1,336,459	1,812,941	422,905	26,691,814
Additions	-	76,121	2,450	142,756	101,192	24,239	346,758
Disposal	-	-	-	(599,888)	-	-	(599,888)
Written off	-	(85,144)	-	-	(3,000)	-	(88,144)
At 31 December 2011	4,875,000	2,791,429	15,446,507	879,327	1,911,133	447,144	26,350,540
Accumulated depreciation							
At 1 January 2011	246,213	2,495,588	9,643,816	319,854	922,322	422,902	14,050,695
Charge for the financial year	49,242	174,560	1,410,279	207,780	179,127	4,040	2,025,028
Disposal	-	-	-	(179,967)	-	-	(179,967)
Written off	-	(85,142)	-	-	(1,525)	-	(86,667)
At 31 December 2011	295,455	2,585,006	11,054,095	347,667	1,099,924	426,942	15,809,089
Carrying amount							
At 31 December 2011	4,579,545	206,423	4,392,412	531,660	811,209	20,202	10,541,451

3. Property, Plant and Equipment (Cont'd)

	Long term leasehold buildings	Computer equipment	Computer software	Motor vehicles	Furniture, fittings and office equipment	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM
2010							
Company							
Cost							
At 1 January 2010							
- As previously stated	3,250,000	2,578,594	16,798,427	1,684,226	1,798,010	422,905	26,532,162
- Effect of adopting FRS 117	1,625,000	-	-	-	-	-	1,625,000
- As restated	4,875,000	2,578,594	16,798,427	1,684,226	1,798,010	422,905	28,157,162
Additions	-	221,858	145,630	1,258,984	14,931	-	1,641,403
Disposal	-	-	-	(1,606,751)	-	-	(1,606,751)
Written off	-	-	(1,500,000)	-	-	-	(1,500,000)
At 31 December 2010	4,875,000	2,800,452	15,444,057	1,336,459	1,812,941	422,905	26,691,814
Accumulated depreciation							
At 1 January 2010							
- As previously stated	131,313	2,299,065	8,870,706	1,662,274	746,784	420,844	14,130,986
- Effect of adopting FRS 117	65,657	-	-	-	-	-	65,657
- As restated	196,970	2,299,065	8,870,706	1,662,274	746,784	420,844	14,196,643
Charge for the financial year	49,243	196,523	1,823,110	264,331	175,538	2,058	2,510,803
Disposal	-	-	-	(1,606,751)	-	-	(1,606,751)
Written off	-	-	(1,050,000)	-	-	-	(1,050,000)
At 31 December 2010	246,213	2,495,588	9,643,816	319,854	922,322	422,902	14,050,695
Carrying amount							
At 31 December 2010	4,628,787	304,864	5,800,241	1,016,605	890,619	3	12,641,119

3. Property, Plant and Equipment (Cont'd)

(a) Included in the property, plant and equipment of the Group and of the Company acquired under hire purchase with carrying amounts are as follows:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Motor vehicles	738,090	980,946	493,172	959,821
EDC equipment	1,984,914	-	-	-
	2,723,004	980,946	493,172	959,821

(b) The long term leasehold land and buildings of the Company have been pledged to a licensed bank as security for banking facilities granted to the Company as disclosed in Note 16 to the financial statements.

The remaining period of the long term leasehold buildings is 91 years (2010: 92 years).

(c) The aggregate additional cost for the property, plant and equipment of the Group and of the Company during the financial year under cash payment and hire purchase financing are as follows:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Aggregate costs	7,941,849	6,462,201	346,758	1,641,403
Less: Hire purchase financing	(2,250,010)	(1,000,000)	(100,000)	(1,000,000)
Cash payment	5,691,839	5,462,201	246,758	641,403

4. Investment in Subsidiary Companies

(a) Investment in subsidiary companies

	Company	
	2011	2010
	RM	RM
Unquoted shares, at cost		
In Malaysia	5,380,002	4,480,002
Outside Malaysia	10,459,995	10,459,995
	15,839,997	14,939,997
Less: Impairment loss	(9,775,383)	(3,941,562)
	6,064,614	10,998,435

4. Investment in Subsidiary Companies (Cont'd)

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

Name of company	Country of incorporation	Effective interest 2011 %	Effective interest 2010 %	Principal activities
Direct holding:				
@ GHL Transact Sdn. Bhd.	Malaysia	100	100	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance
@ GHL Payments Sdn. Bhd.	Malaysia	100	100	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance
GHL Eftpos Sdn. Bhd.	Malaysia	100	100	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance
GHL International Sdn. Bhd.	Malaysia	100	100	Investment holding, sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance
@ GHL Asia Pacific Limited	Labuan	100	100	Investment holding
@ GHL Global Sdn. Bhd. (f.k.a. Ideal Sales Concept Sdn. Bhd.)	Malaysia	100	100	Developing and selling of Net. Point software solution; software programmes and other related products and services
Indirect holding:				
Subsidiary company of GHL International Sdn. Bhd.				
@ Card Pay Sdn. Bhd.	Malaysia	100	100	Third party acquirer for e-debit and MEPS cash transactions, sales and rental of EDC equipment and its related software & services, inclusive of installation, training and maintenance.

4. Investment in Subsidiary Companies (Cont'd)

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

Name of company	Country of incorporation	Effective interest 2011 %	Effective interest 2010 %	Principal activities
Indirect holding:				
Subsidiary company of GHL International Sdn. Bhd.				
* GHLSYS Singapore Pte. Ltd.	Singapore	100	100	Dormant
Subsidiary companies of GHL Asia Pacific Limited				
* PaymentOne (HK) Pte. Ltd.	Hong Kong	100	100	Dormant
* PaymentOne Singapore Pte. Ltd.	Singapore	100	100	Dormant
* GHLSYS Philippines Inc.	Philippines	99.99	99.99	Provision of end-to-end payment services and solutions through the deployment of payment infrastructure, technology and services
* GHL (Thailand) Co. Ltd.	Thailand	99.99^	99.99^	Sale, maintenance, installation and rental of card and non-card based payment processing systems and services, and relevant infrastructure including hardware and software for all kinds of payment solution systems
* GHL (China) Co. Ltd.	Hong Kong	100	100	Engaged in provision of terminal software development and maintenance services.
Subsidiary company of GHL (China) Co. Ltd.				
* GHL (Beijing) Co. Ltd.	People's Republic of China	100	100	Development and sale of in-house software solutions, and sale and rental of EDC equipment and related services

4. Investment in Subsidiary Companies (Cont'd)

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

Name of company	Country of incorporation	Effective interest 2011 %	Effective interest 2010 %	Principal activities
Indirect holding:				
Subsidiary company of GHL (Beijing) Co. Ltd.				
* GHL Services Co. Ltd.	People's Republic of China	100	100	Development and sale of in-house software solutions, and sale and rental of EDC equipment and related services

* Subsidiary company not audited by UHY

@ The auditors' reports of the financial statements of these subsidiary companies contain an emphasis of matters relating to the appropriateness of presenting the financial statements on a going concern basis.

^ Preferred shares with 99.99% of voting rights.

5. Other Investment

	Group / Company 2011 RM	Group / Company 2010 RM
Available for sales investment		
- Quoted shares outside Malaysia		
Cost		
At 1 January	-	553,688
Disposal	-	(553,688)
At 31 December	-	-
Accumulated impairment losses		
At 1 January	-	553,688
Disposal	-	(553,688)
At 31 December	-	-
Carrying amount		
At 31 December	-	-

6. Goodwill on Consolidation

	Group	
	2011	2010
	RM	RM
Cost		
At 1 January/31 December	2,255,434	2,255,434
Accumulated impairment loss		
At 1 January	1,159,195	342,327
Impair during the financial year	1,096,239	816,868
At 31 December	2,255,434	1,159,195
Carrying amount		
At 31 December	-	1,096,239

(a) Impairment test for goodwill on consolidation

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

(b) Key assumptions used to determine recoverable amount

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by the Directors covering a five-year period. Cash flows beyond five year are projected based on assumptions that the fifth year cash flow will be generated by the respective CGUs perpetually. Discount rate used in based on the pre-tax weighted average cost of capital.

The key assumptions on which the Directors have based the cash flow projections to undertake impairment testing are as follows:

(i) Gross margin - Budgeted value based on the average margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements and market development.

(ii) Growth rate - Not applicable as the cash flow projections made is for a year of 5 years, in accordance with the expected lifecycle of the CGU.

(iii) Pre-tax discount rate - Rate that reflect specific risks relating to the relevant CGU.

7. Inventories

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
EDC equipments	1,878,847	2,385,041	-	-
Microchips	1,232,465	1,593,248	1,232,465	1,593,248
Others	2,558,946	2,559,849	2,230,503	1,070,619
	5,670,258	6,538,138	3,462,968	2,663,867

8. Trade Receivables

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Trade receivables				
- Related party	1,185,723	513,226	9,566	513,226
- Third parties	15,536,529	16,726,945	4,346,478	3,130,632
	16,722,252	17,240,171	4,356,044	3,643,858
Less: Accumulated impairments	(5,394,156)	(4,066,780)	(1,517,242)	(1,557,681)
	11,328,096	13,173,391	2,838,802	2,086,177

The Group's and the Company's normal trade credit terms range from 30 to 180 days and 30 to 60 days (2010: 30 to 180 days and 30 to 60 days) respectively. Other credit terms are assessed and approved on a case to case basis.

The related party represents e-pay (M) Sdn. Bhd. ("e-pay"), Executive Chairman and major shareholder of the Company, Loh Wee Hian who has an indirect interest in e-pay through his 61.60% shareholding in e-pay Asia Limited, the holding company of e-pay.

In the previous financial year, the related party represents Bank Simpanan Nasional ("BSN"), a substantial shareholder of BSNC Corporation Berhad ("BSNC") and BSNC is a substantial shareholder of the Company. On 26 October 2010, BSNC had fully disposed off its shareholding by way of married deal.

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

8. Trade Receivables (Cont'd)

The foreign currency exposure profile is as follows:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
United States Dollar	2,082,014	303,897	942,851	286,136

Movements in impairment are as follows:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
At 1 January	4,066,780	4,989,016	1,557,681	1,767,148
Impairment during the financial year	1,506,463	1,035,775	87,411	260,267
Reversal of impairment	(204,008)	(1,963,484)	(127,850)	(469,734)
Exchange difference	24,921	5,473	-	-
At 31 December	5,394,156	4,066,780	1,517,242	1,557,681

Analysis of the trade receivables ageing is as follows:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Neither past due nor impair	2,762,302	8,323,105	769,427	1,426,009
Past due less than 30 days not impaired	4,514,931	1,576,072	658,753	471,543
Past due for more than 31 - 60 days not impaired	1,767,742	724,429	474,801	159,978
Past due for more than 60 - 90 days not impaired	2,283,121	2,549,785	555,551	28,647
Past due for more than 90 days not impaired	-	-	380,270	-
	11,328,096	13,173,391	2,838,802	2,086,177
Impaired	5,394,156	4,066,780	1,517,242	1,557,681
	16,722,252	17,240,171	4,356,044	3,643,858

The Group and the Company has not made impairment on its certain past due receivables as the Directors are of the view that the receivables are recoverable.

9. Other Receivables

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Other receivables	1,066,615	696,587	175,392	163,416
Deposits	644,262	467,255	90,339	92,724
Prepayments	482,313	4,764,267	119,086	252,281
	2,193,190	5,928,109	384,817	508,421
Less: Accumulated impairment	(541,859)	(154,915)	(161,866)	(154,915)
	1,651,331	5,773,194	222,951	353,506

The foreign currency exposure profile is as follows:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
United States Dollar	-	2,590	-	-

Movements in impairment are as follows:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
At 1 January	154,915	154,915	154,915	154,915
Impairment during the financial year	386,944	-	6,951	-
At 31 December	541,859	154,915	161,866	154,915

9. Other Receivables (Cont'd)

Analysis of the other receivables ageing is as follows:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Neither past due nor impair	521,055	527,247	13,526	5,000
Past due for more than 31- 60 days not impaired	-	1,275	-	1,275
Past due for more than 60 days not impaired	3,701	13,150	-	2,226
	524,756	541,672	13,526	8,501
Impaired	541,859	154,915	161,866	154,915
	1,066,615	696,587	175,392	163,416

The Group and the Company has not made impairment on certain past due receivables as the Directors are of the view that the receivables are recoverable.

10. Amount Owing by/(to) Subsidiary Companies

(a) Amount owing by subsidiary companies

	Company	
	2011	2010
	RM	RM
Amount owing by subsidiary companies	52,382,630	53,446,574
Less: Accumulated impairment	(13,435,447)	(3,458,968)
	38,947,183	49,987,606

Movements in impairment are as follows:

	Company	
	2011	2010
	RM	RM
At 1 January	3,458,968	-
Impairment during the financial year	10,458,140	3,458,968
Reversal of impairment	(481,661)	-
At 31 December	13,435,447	3,458,968

10. Amount Owing by/(to) Subsidiary Companies (Cont'd)

These represents unsecured, interest free advances and repayable on demand except for an amount of RM38,149,268 (2010: RM43,129,531) which represents trade balances.

(b) Amount owing to a subsidiary company

The amount owing to a subsidiary company represent unsecured, interest free advances and repayable on demand except for an amount of RMNil (2010: RM592,232) which represents trade balances.

11. Fixed Deposits with Licensed Banks

Included in the fixed deposit of the Group and of the Company is an amount of RM1,428,440 and RM569,533 (2010: RM1,963,293 and RM1,124,591) pledged to licensed banks as securities for credit facilities granted to a subsidiary company and the Company respectively as disclosed in Note 16 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	
	2011	**2010**	**2011**	**2010**
Interest rates (%)	2.00 - 2.87	2.46 - 2.75	2.87	2.46
Maturities (days)	30 - 365	30 - 365	30 - 365	30 - 365

12. Share Capital

	Group / Company	
	2011	**2010**
	RM	**RM**
Ordinary shares of RM0.50 each:		
Authorised	100,000,000	100,000,000
Issued and fully paid		
At 1 January	72,901,050	69,431,108
Bonus issue	-	3,469,942
At 31 December	72,901,050	72,901,050

Of the total 145,802,100 issued and fully paid ordinary shares, 1,415,901 (2010: 1,415,901) ordinary shares are held as treasury shares by the Company. At 31 December 2011, the number of ordinary shares in issue after deducting treasury shares held is 144,386,199 (2010: 144,386,199) ordinary shares of RM0.50 each.

13. Reserves

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Non-distributable:				
ESOS reserves	513,578	257,915	513,578	257,915
Foreign exchange reserves	(1,138,537)	(1,255,024)	-	-
Distributable:				
(Accumulated losses)/Retained profits	(35,819,733)	(9,770,809)	(14,466,232)	1,423,792
	(36,444,692)	(10,767,918)	(13,952,654)	1,681,707

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

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
(Accumulated Losses)/Retained Profits				
- Realised	(54,849,220)	(27,028,485)	(14,613,418)	2,056,495
- Unrealised	38,008	(670,553)	147,186	(632,703)
	(54,811,212)	(27,699,038)	(14,466,232)	1,423,792
Less: Consolidation adjustment	18,991,479	17,928,229	-	-
	(35,819,733)	(9,770,809)	(14,466,232)	1,423,792

The disclosure of realised and unrealised profits or losses is solely compiled in accordance to the Malaysian Institute of Accountants Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements issued on 20 December 2010.

14. Treasury Shares

	Group / Company	
	2011	**2010**
	RM	**RM**
At 1 January	638,221	824
Share purchased during the financial year	-	637,397
At 31 December	638,221	638,221

During the financial year, the Company purchased a total of Nil (2010: 1,411,000) ordinary shares of its issued share capital from the open market at a total cost of RMNil (2010: RM637,397). The average price paid for the shares purchased was RMNil (2010: RM0.452) per share.

As at 31 December 2011, the total number of treasury shares held by the Company is 1,415,901 (2010: 1,415,901) ordinary shares.

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

15. Hire Purchase Payables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
(a) Minimum hire purchase payments				
Within one year	822,243	536,116	57,915	527,112
Between one and five years	1,196,098	43,721	62,905	43,902
	2,018,341	579,837	120,820	571,014
Less: Future finance charges	(96,166)	(8,227)	(6,711)	(16,441)
Present value of hire purchase liabilities	1,922,175	571,610	114,109	554,573
(b) Present value of hire purchase liabilities				
Within one year	753,941	527,889	53,930	510,852
Between one and five years	1,168,234	43,721	60,179	43,721
	1,922,175	571,610	114,109	554,573
Analyse as:				
Repayable within twelve months	753,941	527,889	53,930	510,852
Repayable after twelve months	1,168,234	43,721	60,179	43,721
	1,922,175	571,610	114,109	554,573

The weighted average effective interest rate of the Group and of the Company at the statements of financial position date is 4.5% and 2.71% (2010: 4.5% and 2.71%) per annum respectively.

16. Bank Borrowings

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Secured				
Term loans	2,546,516	2,801,069	2,546,516	2,801,069
Analysed as:				
Repayable within twelve months				
Secured				
Term loans	203,174	182,518	203,174	182,518
Repayable after twelve months				
Secured				
Term loans	2,343,342	2,618,551	2,343,342	2,618,551
	2,546,516	2,801,069	2,546,516	2,801,069

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

(a) fixed charge over the Company's long term leasehold land and buildings as disclosed in Note 3 to the financial statements; and

(b) pledge of fixed deposits of the Company and of its subsidiary company as disclosed in Note 11 to the financial statements.

The term loans are repayable by monthly instalment over 15 years.

The weighted average effective interest rate of the Group and of the Company for the above facilities are 5.6% and 5.6% (2010: 5.0% and 5.0%) per annum respectively.

The maturity of borrowings is as follows:

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Within one year	203,174	182,518	203,174	182,518
Between one to two years	215,119	195,518	215,119	195,518
Between two to three years	230,441	209,443	230,441	209,443
Between three to four years	246,854	224,361	246,854	224,361
Between four to five years	264,436	240,341	264,436	240,341
After five years	1,386,492	1,748,888	1,386,492	1,748,888
	2,546,516	2,801,069	2,546,516	2,801,069

17. Deferred Tax Liability

	Group / Company	
	2011	2010
	RM	RM
At 1 January	-	503,559
Recognised in statements of comprehensive income	952,173	(503,559)
At 31 December	952,173	-

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

Deferred tax liabilities of the Group and of the Company:

	Group / Company	
	Accelerated capital allowances	Total
	RM	RM
At 1 January 2011	-	-
Recognised in statements of comprehensive income	(4,638,331)	(4,638,331)
At 31 December 2011	(4,638,331)	(4,638,331)
At 1 January 2010	1,224,102	1,224,102
Recognised in statements of comprehensive income	(1,224,102)	(1,224,102)
At 31 December 2010	-	-

Deferred tax assets of the Group and of the Company:

	Group / Company			
	Unutilised capital allowances	Unused tax losses	Accumulated impairment	Total
	RM	RM	RM	RM
At 1 January 2010	(445,459)	(129,113)	(145,971)	(720,543)
Recognised in statements of comprehensive income	445,459	129,113	145,971	720,543
At 31 December 2010	-	-	-	-

17. Deferred Tax Liability (Cont'd)

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

	Group	
	2011	2010
	RM	RM
Unused tax losses	7,001,816	8,533,584
Unutilised capital allowances	25,345,271	30,076,077
Accumulated impairment	583,883	583,883
Accelerated capital allowances	(8,451,234)	(29,626,649)
	24,479,736	9,566,895

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.

18. Trade Payables

The Group's and the Company's normal trade credit terms range from 30 to 90 days and 30 to 60 days (2010: 30 to 90 days and 30 to 60 days) respectively. Other credit terms are assessed and approved on a case to case basis.

19. Other Payables

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Other payables	7,210,028	7,040,142	183,108	382,937
Deposits	5,552,727	4,213,034	1,879	1,879
Accruals	6,453,694	3,189,628	3,969,289	2,157,297
	19,216,449	14,442,804	4,154,276	2,542,113

20. Revenue

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Rental of EDC equipment	17,114,886	14,253,315	-	-
Sales of value-added solutions	45,611,412	49,734,438	24,573,789	21,167,310
	62,726,298	63,987,753	24,573,789	21,167,310

21. Finance Costs

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Interest expenses on:				
Term loan	183,958	146,756	148,467	146,756
Hire purchase	40,295	43,147	15,913	37,760
Overdraft	-	8,863	-	-
	224,253	198,766	164,380	184,516

22. Loss before Taxation

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

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Auditors' remuneration	81,318	88,512	15,000	15,000
Bad debts written-off	6,741	2,380,997	141,858	861,734
Directors' remuneration	2,621,930	3,815,215	1,846,642	3,517,239
Depreciation of property, plant and equipment	6,113,616	8,047,134	2,025,028	2,510,803
Fixed deposit interest income	(126,278)	(84,785)	(17,822)	(13,927)
Impairment loss on property, plant and equipment	20,861,429	5,760,325	-	-
Impairment loss on investment in subsidiary companies	-	-	5,833,821	3,941,562
Impairment loss on goodwill on consolidation	1,096,239	816,868	-	-
Impairment on trade receivables	1,506,463	1,035,775	87,411	260,267
Impairment on other receivables	386,944	-	6,951	-
Impairment on amount owing by subsidiary companies	-	-	10,458,140	3,458,968
Inventories written off/(reversal)	-	95,793	-	(66,467)
(Gain)/Loss on disposal of property, plant and equipment	1,853,175	(169,851)	19,671	(181,002)
Gain on disposal of other investment	-	(17,461)	-	(17,461)
(Gain)/Loss on foreign exchange				
- Realised	35,502	(82,710)	63,570	68,052
- Unrealised	(38,008)	528,756	(147,186)	632,703
Intangible asset written off	-	1,291,697	-	-
Property, plant and equipment written off	4,452	450,503	1,477	450,000
Property, plant and equipment written back	(5,775)	(30,164)	-	-

22. Loss before Taxation (Cont'd)

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Provision for loss on disposal of property, plant and equipment	400,000	-	400,000	-
Rental of premises	1,135,963	1,260,154	275,271	298,760
Share based payment	255,663	222,551	255,663	222,551
Reversal of impairment on trade receivables	(204,008)	(1,963,484)	(127,850)	(469,734)
Reversal of impairment on amount owing by subsidiary companies	-	-	(481,661)	-
Amcash interest income	(78,224)	(89,458)	(22,018)	(14,153)

Directors' remuneration

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Company's Directors				
Executive Directors				
Fees	-	99,000	-	99,000
Salaries and other emoluments	1,531,949	1,603,866	1,491,949	1,603,866
EPF	187,908	192,485	187,908	192,485
Provision for retirement benefits	-	1,500,000	-	1,500,000
Non Executive Directors				
Fees	166,785	121,888	166,785	121,888
	1,886,642	3,517,239	1,846,642	3,517,239
Other Directors				
Salaries and other emoluments	735,288	297,976	-	-
	2,621,930	3,815,215	1,846,642	3,517,239

23. Taxation

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Current tax provision				
- Malaysia income tax	21,210	5,203	4,455	-
- Foreign tax	-	3,426	-	-
	21,210	8,629	4,455	-
Under provision in prior year	9	5,880	-	-
	21,219	14,509	4,455	-
Witholding tax	(6,953)	-	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 17)	952,173	(503,559)	952,173	(503,559)
Tax expenses for the financial year	966,439	(489,050)	956,628	(503,559)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to loss 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 2011 RM	Group 2010 RM
Loss before taxation	(25,082,485)	(14,664,888)
Taxation at statutory tax rate of 25%	(6,270,621)	(3,666,222)
Pioneer status tax incentive	(122,080)	(293,855)
Expenses not deductible for tax purposes	5,693,343	3,962,548
Income not subject to tax	(741,000)	(29,344)
Deferred tax assets not recognised	4,239,846	-
Deferred tax liabilities not recognised	1,433,944	-
Reversal of deferred tax assets not recognised	(3,139,016)	(468,057)
Utilisation of prior year unrecognised tax losses and capital allowances	(121,033)	-
Under provision of taxation in respect of prior year	9	5,880
Witholding tax	(6,953)	-
Tax expense for the financial year	966,439	(489,050)

23. Taxation (Cont'd)

	Company 2011 RM	Company 2010 RM
Loss before taxation	(14,933,396)	(15,205,111)
Taxation at statutory tax rate of 25%	(3,733,349)	(3,801,278)
Expenses not deductible for tax purposes	4,994,692	404,199
Income not subject to tax	(304,715)	(3,588)
Deferred tax assets not recognised	-	2,897,108
	956,628	(503,559)

The Company has unused tax losses and unutilised capital allowances amounting to approximately RM246,000 (2010: RM4,597,000) available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

24. Earnings Per Share

(a) Basic earnings per share

The earnings per share has been calculated based on the consolidated loss after taxation for the financial year attributable to owners of the parent for the Group and the adjusted weighted average number of ordinary shares in issue during the financial year as follows:

	Group 2011 RM	Group 2010 RM
Net loss for the financial year attributable to the owners of the parent	(26,048,924)	(14,175,838)
Weighted number of ordinary shares issue	145,802,100	143,696,198
Adjusted for :		
Treasury shares	(1,415,901)	(1,415,901)
	144,386,199	142,280,297

(b) Fully diluted earnings per share

Fully diluted earnings per share has been calculated based on the consolidated loss after taxation for the financial year attributable to owners for the Group and the adjusted weighted average number of ordinary shares issued and issuable during the financial year as follows:

24. Earnings Per Share (Cont'd)

	Group 2011 RM	Group 2010 RM
Net loss for the financial year	(26,048,924)	(14,175,838)
Weighted number of ordinary shares issue	145,802,100	143,696,198
Adjusted for :		
Treasury shares	(1,415,901)	(1,415,901)
Assumed exercise of ESOS at no consideration	*	*
	144,386,199	142,280,297

* The number of shares exercised under ESOS was not taken into account in the computation of diluted earnings per share because the effect on the basic earnings per share is antidilutive.

25. Section 108 Tax Credit and Tax Exempt Income

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income under Promotion of Investments Act, 1986 as at 31 December 2011 to distribute cash dividend out of its entire retained profits as no election has been made to disregard the Section 108 as at todate by the Company.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from the year of assessment 2008. Under the single tier system, the tax on a company's profit is a final tax and the dividends distributed to its shareholders would be exempted from tax. Unutilised Section 108 balances as at 31 December 2011 will be available until such time the tax credit is fully utilised or upon expiry of the 6 years transitional period on 31 December 2013, whichever is earlier.

26. Employees' Share Option Scheme

The GHL Systems Berhad's ESOS was approved by shareholders at the EGM on 15 May 2008 and became effective on 3 November 2009 for a period of 3 years, and shall lapse on 2 November 2012.

The salient features and other terms of the ESOS are as follows:

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

- (i) An employee must be at least eighteen (18) years of age on the date of offer;
- (ii) An employee must fall under one of the categories of employees listed in GHL Systems Berhad ESOS By-Laws 6.2 maximum entitlement and basis of allotment;
- (iii) An employee must have been confirmed on the date of offer; and
- (iv) Provided always that the selection of any employee for participation and the amount of options to be granted in the scheme shall be at the discretion of the Option Committee and the decision of the Option Committee shall be final and binding.

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

26. Employees' Share Option Scheme (Cont'd)

(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, 3 November 2009 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.

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

Share Options	Exercise prices RM	Exercise period
2011/2010		
Ninth Grant	0.500	03.11.2009 - 02.11.2012

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

	No. of Share Option				
		Movement during the financial year			
	Outstanding at 1 January	Bonus issue	Lapsed	Outstanding at 31 December	Exercisable at 31 December
Group					
2011					
Ninth Grant	18,260,800	-	8,937,900	9,322,900	9,322,900
WAEP	0.50	0.50	0.50	0.50	0.50
2010					
Ninth Grant	19,566,500	971,700	2,277,400	18,260,800	12,011,800
WAEP	0.50	0.50	0.50	0.50	0.50

26. Employees' Share Option Scheme (Cont'd)

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 date	**03.11.2009**
Fair value of share options (RM)	0.163
Weighted average share price (RM)	0.433
Weighted average exercise price (RM)	0.500
Expected volatility	109%
Expected option life (years)	3
Risk-free interest rate, p.a.	3.21%
Expected dividend yield (%)	1%

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.

27. Staff Costs

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Staff costs (excluding Directors) comprise:				
Charged to statements of comprehensive income	17,771,959	18,825,375	5,456,083	7,089,056
Share base payment	255,663	222,551	255,663	222,551
Total staff costs for the financial year	18,027,622	19,047,926	5,711,746	7,311,607

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 RM1,856,746 and RM534,262 (2010 : RM1,410,311 and RM824,948) respectively.

28. Segmental Reporting

The Group has six reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different geographical locations and are managed separately. For each of the strategic business units, the Group's Chief Executive Officer reviews internal management reports on at least a quarterly basis. The business segmentation is not disclosed as the Group is principally engaged in sale and rental of Electrical Data Capture ("EDC") equipment and its related software and services.

The following summary describes the geographical locations units in each of the Group's reportable segments:

(a) Malaysia
(b) Singapore
(c) Hong Kong
(d) Philippines
(e) Thailand
(f) China

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Chief Executive Officer. Hence no disclosure is made on segment liability.

28. Segmental Reporting (Cont'd)

	Malaysia	Singapore	Hong Kong	Philippines	Thailand	China	Adjustment and elimination	Consolidated
	RM	RM	RM	RM	RM	RM	RM	RM
2011							RM	
REVENUE								
External sales	43,861,084	-	-	9,707,762	3,398,233	5,759,219	-	62,726,298
Inter-segment sales	17,216,909	-	-	133,120	1,641,450	-	(18,991,479)	-
Total revenue	61,077,993	-	-	9,840,882	5,039,683	5,759,219	(18,991,479)	62,726,298
RESULTS								
Segment results	(32,465,499)	132,244	37,153	480,412	(1,340,541)	(5,761,646)	13,855,143	(25,062,734)
Interest income								204,502
Interest expense								(224,253)
Loss before taxation								(25,082,485)
Taxation								(966,439)
Net loss for the financial year								(26,048,924)
Asset:								
Additions to non-current assets	3,624,686	-	-	3,958,382	320,030	38,751	-	7,941,849
Segment assets	44,320,479	-	-	11,974,452	3,892,954	2,567,232	(268,388)	62,486,729
Segment liabilities	19,068,221	-	-	2,958,973	498,926	4,142,472	-	26,668,592

28. Segmental Reporting (Cont'd)

	Malaysia	Singapore	Hong Kong	Philippines	Thailand	China	Adjustment and elimination	Consolidated
	RM	RM	RM	RM	RM	RM	RM	RM
2011								
OTHER INFORMATION								
Impairment loss on goodwill on consolidation	1,096,239	-	-	-	-	-	-	1,096,239
Bad debts written off	156,092	20,464	-	-	-	8,344	(178,159)	6,741
Depreciation of property, plant and equipment	3,264,273	-	-	941,007	882,910	1,025,426	-	6,113,616
Loss on disposal of property, plant and equipment	215,948	-	-	-	55,369	1,581,858	-	1,853,175
Share based payment	255,663	-	-	-	-	-	-	255,663
Impairment loss on property, plant and equipment	20,861,429	-	-	-	-	-	-	20,861,429
Impairment on trade receivables	268,589	-	-	205,055	435,936	596,883	-	1,506,463
Impairment on other receivables	7,851	-	-	-	-	-	379,093	386,944
Unrealised loss/(gain) on foreign exchange	89,139	-	-	(7,883)	(119,264)	-	-	(38,008)
Property, plant and equipment written off	4,452	-	-	-	-	-	-	4,452
Property, plant and equipment written back	(5,775)	-	-	-	-	-	-	(5,775)
Provision for loss on disposal of property, plant and equipment	400,000	-	-	-	-	-	-	400,000
Reversal of impairment on trade receivables	(182,270)	-	-	-	-	(21,738)	-	(204,008)

28. Segmental Reporting (Cont'd)

	Malaysia	Singapore	Hong Kong	Philippines	Thailand	China	Adjustment and elimination	Consolidated
	RM	RM	RM	RM	RM	RM	RM	RM
2010								
REVENUE								
External Sales	39,868,424	-	-	5,913,595	4,480,160	13,725,574	-	63,987,753
Inter-segment sales	15,404,755	-	-	1,528,433	67,950	402,968	(17,458,106)	-
Total revenue	55,273,179	-	-	7,496,028	4,548,110	14,128,542	(17,458,106)	63,987,753
RESULTS								
Segment results	(31,045,017)	(40,082)	(19,008)	216,093	(2,175,533)	(961,379)	19,384,561	(14,640,365)
Interest income								174,243
Loss before taxation								(198,766)
Taxation								(14,664,888)
								489,050
Net loss for the financial year								(14,175,838)
Asset:								
Additions to non-current assets	3,825,051	-	-	1,854,320	55,570	757,424	-	6,492,365
Segment assets	57,173,650	25,888	20,458	8,937,567	6,080,245	11,222,541	1,096,239	84,556,588
Segment liabilities	14,006,691	16,588	4,360	1,611,940	999,085	6,400,776	22,237	23,061,677

28. Segmental Reporting (Cont'd)

	Malaysia	Singapore	Hong Kong	Philippines	Thailand	China	Adjustment and elimination	Consolidated
	RM	RM	RM	RM	RM	RM	RM	RM
2010								
OTHER INFORMATION								
Impairment loss on goodwill on consolidation	691,315	-	-	-	-	125,553	-	816,868
Bad debts written off	2,380,997	-	-	-	-	-	-	2,380,997
Depreciation of property, plant and equipment	5,508,632	-	-	644,057	960,597	933,848	-	8,047,134
Gain on disposal of property, plant and equipment	(156,695)	-	-	-	(13,156)	-	-	(169,851)
Share based payment	222,551	-	-	-	-	-	-	222,551
Inventory written off	95,793	-	-	-	-	-	-	95,793
Impairment loss on property, plant and equipment	5,760,325	-	-	-	-	-	-	5,760,325
Impairment on trade receivables	417,471	-	-	-	618,304	-	-	1,035,775
Gain on disposal of other investment	(17,461)	-	-	-	-	-	-	(17,461)
Unrealised loss/ (gain) on foreign exchange	680,812	8,033	111,375	7,167	(74,031)	(204,600)	-	528,756
Intangible asset written off	-	-	-	-	-	1,291,697	-	1,291,697
Property, plant and equipment written off	450,503	-	-	-	-	-	-	450,503
Property, plant and equipment written back	(30,164)	-	-	-	-	-	-	(30,164)
Reversal of impairment on trade receivables	(1,963,484)	-	-	-	-	-	-	(1,963,484)

29. Significant Events

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

(i) Payment One (HK) Pte Ltd. ("P1HK"), a wholly own subsidiary company of the Company has not carried out any business operations, therefore on 27 April 2011 P1HK has applied for striking off.

(ii) The Hong Kong office will be closed down with effect from 14 July 2011 and the total cost of closing down the Hong Kong's office was around USD89,000 which inclusive of the salary and retrenchment benefits.

(iii) On 30 June 2011, GHL Asia Pacific Limited is indebted to PaymentOne (HK) Pte Limited (the "PaymentOne") for the sum of HKD10,726,876.

PaymentOne intend to assign its receivables GHL Asia Pacific Limited to the holding company GHL Systems Berhad via a Receivable Assignment Letter dated 30 June 2011 between the Company, PaymentOne and GHL Systems Berhad.

(iv) On 9 August 2011, the Company has acquired 900,000 ordinary shares of RM1.00 each, representing 90% equity interest in GHL Global Sdn. Bhd. (formerly known as Ideal Sales Sdn. Bhd.), for a total cash consideration of RM900,000.

(v) GHL Transact Sdn Bhd has provided impairment loss for Electronic Data Capture ("EDC") equipment of RM20,861,429 as at 31 December 2011 due to the management starts phasing out the old EDC terminals in view of its plan to comply with PCI standards. The marketability of its spare parts is uncertain as the Company unable to secure consistent buyer. With the changes in technology developments, the management believes the economic useful life of the EDC terminal is 5 years.

(vi) GHLSYS Singapore Pte Ltd. ("GHLSYS"), a wholly own subsidiary of the Company has not carried out any business operations, therefore on 14 October 2011, GHLSYS has applied for striking off with Singapore Accounting and Corporate Regulatory Authority ("ACRA").

(vii) The Company had announced on 9 December 2011, that it had engaged Messrs Crowe Horwath ("CH"), to undertake an independence investigative audit into possible business transactions irregularities involving its wholly owned subsidiary GHL (Beijing) Co. Ltd ("GHL Beijing"). Following the completion of CH investigative audit, GHL Beijing has made impairment and provision amounting to RM5.5 million in respect of discrepancies in property, plant and equipment, inventories, receivables and professional fees as well as other cost incurred by GHL Group in connection with the various investigations. Currently the Company has been down size and operates with a minimum staff.

30. Subsequent Events

Subsequent to the financial year, the following subsequent events took place for the Company:

(i) PaymentOne Singapore Pte Ltd. ("P1 Singapore"), a wholly own subsidiary company of the Company has not carried out any business operations, therefore on 28 February 2012, P1 Singapore has applied for striking off with Singapore Accounting and Corporate Regulatory Authority ("ACRA").

(ii) On 24 February 2012, the Board of Director of GHL Systems Berhad announced that the Company has offered the options under Employees' Share Option Scheme to the Director and/or employees of GHL Systems and its subsidiaries. The exercise price of the options are offered at RM0.50 per share, and the total numbers of options or shares offered is 8,056,400.

The vesting period of the options or shares offered is from 8 February 2012 to 2 November 2012.

(iii) GHL Asia Pacific Limited entered into a Share Sale Agreement ("SPA") with a third party on 12 April 2012 in respect of its total investment in GHL (China) Company Limited, a Hong Kong incorporated company which holds the China operating entities. Completion of share sale agreement is subject to fulfilment of condition precedents as stipulated in the SPA various conditions. As at the date of this report, such condition procedures are yet to be fulfilled fully.

31. Contingent Liabilities

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Corporate guarantees given to licensed banks for banking facilities granted to				
- subsidiary companies	-	-	-	117,000
Banker's guarantee in favour of third parties				
- performance bond	338,000	278,500	238,000	278,500

32. Non-Cancellable Operating Lease Commitments

	Group	
	2011	2010
	RM	RM
Future minimum rentals payables:		
Within one year	1,060,015	103,481
Between one and five years	662,368	-
	1,722,383	103,481

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

33. Related Party Disclosures

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

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Subsidiary Companies:				
*Sales of other hardware	-	-	1,520,440	2,349,612
*Rental and license fee	-	-	6,292,520	6,002,040
*Hosting services	-	-	312,000	312,000

33. Related Party Disclosures (Cont'd)

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
*Purchase of goods and services	-	-	133,120	112,800
Settlement of liabilities by the Company on behalf of the subsidiary companies	-	-	1,211,328	1,319,150
Settlement of liabilities by the subsidiary companies on behalf of the Company	-	-	2,821,176	1,457,033
Related Party:				
*Supply of EuroPay -MasterCard-Visa chip-based cards and/or data preparation and personalisation of chip-based cards; supply of computer hardware and software; sales of payment solutions; sales and rental of EDC terminals and other related services to e-pay(M) Sdn. Bhd. # ("e-pay")	3,135,487	-	19,009	-
□ Purchase of EuroPay -MasterCard-Visa chip-based cards and/or data preparation and personalisation of chip-based cards;purchase of computer hardware and software, sales of payment solutions; sales and rental of EDC terminals and other related services by the GHL Group from Microtree Sdn. Bhd. □ ("Microtree")	630,521	-	629,121	-
*Supply of EuroPay -MasterCard-Visa chip-based cards and/or data preparation and personalisation of chip-based cards and installation of EDC equipment to Bank Simpanan Nasional^ ("BSN")	-	4,419,422	-	4,419,422

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

\# The Company Executive Chairman and major shareholder Loh Wee Hian, who has an indirect interest in e-pay (M) Sdn. Bhd. through his 61.60% shareholding in e-pay Asia Limited, the holding company of e-pay (M) Sdn. Bhd. He is currently also the Executive Director of e-pay (M) Sdn. Bhd. as well as the Executive Chairman and CEO of e-pay Asia Limited.

□ The Company Non Executive Director and major shareholder Goh Kuan Ho is currently General Manager of Microtree.

^ BSN is a substantial shareholder of BSNC Corporation Berhad ("BSNC") and BSNC is a substantial shareholder of the Company. On 26 October 2011, BSNC had fully disposed off its shareholding by way of married deal.

33. Related Party Disclosures (Cont'd)

(b) Information regarding outstanding balances arising from related party transactions as at 31 December 2011 is disclosed in Notes 8 and 10 to the financial statements.

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Short-term employee benefits	3,491,785	7,278,654	3,300,582	6,631,849
Share based payment	95,756	90,645	90,512	86,795

Key management personnel include personnel having authority and responsibility for planning, directing and controlling activities of entity, including any Director of the Group and the Company.

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

	No. of Share Option				
		Movement during the financial year			
	Outstanding at 1 January	**Bonus issue**	**Lapsed**	**Outstanding at 31 December**	**Exercisable at 31 December**
2011					
Ninth Grant	7,415,400	-	5,998,000	1,417,400	1,417,400
Total	7,415,400	-	5,998,000	1,417,400	1,417,400
WAEP	0.50	0.50	0.50	0.50	0.50
2010					
Ninth Grant	7,187,500	357,200	129,300	7,415,400	4,892,400
Total	7,187,500	357,200	129,300	7,415,400	4,892,400
WAEP	0.50	0.50	0.50	0.50	0.50

The share options were granted on the same terms and conditions as those offered to other employees of the Group as disclosed in Note 26 to the financial statements.

34. Material Litigation

As at the date of this report, the Group is not engaged in any material litigation, claims, arbitration or prosecution,either as plaintiff or defendant, and the Board is not aware of any proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group, other than the following:

(a) 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 ("Shareholders Agreement") for the purpose of a joint venture. Subsequently, the above-mentioned parties mutually agreed to terminate the Shareholders 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 for such new joint venture. However, the said new joint venture has not eventuated as the parties were unable to reach an agreement on the final terms for the proposed new joint venture. Consequently, a dispute has since arisen in respect of the termination of the Shareholders Agreement.

On 1 April 2006 and 28 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"), amongst others, fraud and misrepresentation in respect of the termination of the Shareholders Agreement, unlawful repudiation of obligations under the Shareholders Agreement, violation of various Indonesian laws and regulations as specified therein, and defamation ("Privilege Threat").

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

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

As the matter has yet to proceed to Court, the GHL Entities and GHL Representatives hope to negotiate with Privilege and/or PT MAM to settle the matter amicably. The GHL Lawyers had expressed that they were not aware of any doctrine of intended beneficiary under Indonesian law in respect of the PT MAM Threat. The GHL Lawyers are of the view that there are legal grounds for the GHL Entities to defend both the Privilege Threat and the PT MAM Threat in the event that litigation is commenced in the Courts of the Republic of Indonesia. However, the GHL Lawyers have qualified all such views by expressing that the Indonesian judiciary is sometimes unpredictable in its decision-making process and that a decision may not necessarily be based on the merits of a case. However, as no calculation of a claim for damages has been submitted by Privilege or its Indonesian lawyers and the PT MAM's claim for USD3 million was not quantified, the GHL Lawyers are not able to opine fully on the financial consequences to the GHL Entities.

Meanwhile on 13 May 2009, GHLI received a letter from Messrs Zaid Ibrahim & Co., representing Privilege with the following claims:-

(i) Payment of the sum of USD3,009,700.00 as general damages suffered by Privilege arising out of GHLI's failure to perform the obligations;

34. Material Litigation (Cont'd)

(ii) Payment of the sum of USD43,047.00 as special damages for expenses incurred by Privilege in setting up PT MAM and GHLSYS;

(iii) Return of all confidential information, trade secrets and/ or any other proprietary information belonging to Privilege that remain in GHLI's and/ or any other related party's custody;

(iv) Provision of a written undertaking that GHLI does not have any confidential information, trade secrets and/ or proprietary information belonging to Privilege other than that which was returned, and that GHLI has not and will not utilize the confidential information, trade secrets and/ or proprietary information save other than in the course of the joint venture; and

(v) Payment of the sum of RM2,500.00 being the cost of the letter of demand.

On 19 May 2009, the management through the solicitor, Messrs. Sreenevasanyoung, denied each and every allegation as set out in the letter and denied being liable as alleged or at all.

As at the date of this report, the Board is of the view that the GHL Entities have a good defence against such claims made by Privilege. The directors of GHL are of the opinion that should this matter go to court, the GHL Entities will vigorously defend its position.

(b) GHL Systems Philippines, Inc. ("GHLP") is the defendant in the complaint for the collection of sum of money and damages filed by Payment Processing Corporation ("PPC") before the Regional Trial Court of Makati City, Philippines. PPC based its claim on the Memorandum of Agreement ("MOA") executed by the parties and alleged that payments due it from the revenue-sharing scheme as contained in the MOA were remitted late, that there were unauthorized deduction of withholding and value added tax and that there were unreported revenue causing PPC to lose substantial income.

GHLP raised as defenses to the claims of PPC the following:

(i) Acts of third persons, particularly that of the merchant acquiring banks, have rendered the compliance with the period within which to pay Plaintiff and to submit revenue sharing reports impossible to perform;

(ii) In accepting payments from Defendant, Plaintiff condoned the delay;

(iii) No unauthorized deductions were made by Defendant of Plaintiff's share in the revenue;

(iv) Plaintiff has not shown that it is entitled to revenue from manual transactions;

(v) Plaintiff has not shown that it is entitled to exemplary damages; and

(vi) Plaintiff has not shown that it is entitled to attorney's fees, litigation expenses and costs of suit.

As a counterclaim, GHLP prayed for the reformation of the Memorandum of Agreement subject of the Complaint. Exemplary damages and attorney's fees were also claimed.

Currently, the case is with the Philippine Mediation Center (PMC) in view of the court-mandated referral to it. The Parties are trying to come up with an amicable settlement so as to avoid long-winded court litigation.

(c) GHL (Thailand) Co. Ltd. ("GHLT" or "Plaintiff") had served on Global Icare Corporation Co. Ltd. ("Global or "Defendant"), a Statement of Claim and Writ of Summons on 22 May 2011 to claim the following:-

(i) The Defendant shall pay the amount of 16,824,394.41 Baht and the interest calculated from the date of filling onward at 15% from principal amount of 16,367,469.24 Baht per year, until the Defendant complete the payment requested by the Plaintiff; and

(ii) The Defendant shall be responsible for all the court fees and attorney fees.

34. Material Litigation (Cont'd)

On 4 August 2011, GHLT had signed a binding agreement ("Agreement") and reached settlement of the Summons between GHLT and Global ("Parties") before hearing from the Court on 19 August 2011. The Parties agreed to withdraw all legal action against each other when the Agreement is signed between the Parties and the following conditions are met:-

(i) Global agreed to pay 1,000,000 Baht within three (3) business days upon signing the Agreement and to pay the remaining balance of 3,930,750 Baht within ninety (90) days from the date of signing the Agreement. The total amount of 4,930,750 Baht is for the 275 units of terminals and X-10 installed at the post offices and 206 units of terminals installed at the non-post office merchants.

(ii) GHLT agreed to retrieve the remaining terminals at post offices and issue a credit note to Global.

Following the due performance by the Parties of the terms of Agreement, the Summons will be discontinued and further announcement will be made upon its fulfilment. However, if the performance by the Parties are not duly fulfilled, GHLT will proceed with Summons (or court hearing date on 19 August 2011).

On 19 August 2011, GHLT had through its solicitor filed a Petition to withdraw the GHLT's legal action against Global.

35. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables	Financial liabilities at amortised cost	Total
	RM	RM	RM
Group			
2011			
Financial Assets			
Trade and other receivables	12,979,427	-	12,979,427
Fixed deposits with licensed banks	2,482,440	-	2,482,440
Cash and bank balances	18,414,397	-	18,414,397
Total financial assets	33,876,264	-	33,876,264
		-	
Financial Liabilities			
Trade and other payables	-	21,247,728	21,247,728
Hire purchase payables	-	1,922,175	1,922,175
Bank borrowings	-	2,546,516	2,546,516
Total financial liabilities	-	25,716,419	25,716,419

35. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Loans and receivables	Financial liabilities at amortised cost	Total
	RM	RM	RM
2010			
Financial Assets			
Trade and other receivables	18,946,585	-	18,946,585
Fixed deposits with licensed banks	2,121,037	-	2,121,037
Cash and bank balances	10,571,573	-	10,571,573
Total financial assets	31,639,195	-	31,639,195
Group			
2010			
Financial Liabilities			
Trade and other payables	-	19,688,998	19,688,998
Hire purchase payables	-	571,610	571,610
Bank borrowings	-	2,801,069	2,801,069
Total financial liabilities	-	23,061,677	23,061,677
Company			
2011			
Financial Assets			
Trade and other receivables	3,061,753	-	3,061,753
Amount owing by subsidiary companies	38,947,183	-	38,947,183
Fixed deposits with licensed banks	1,623,533	-	1,623,533
Cash and bank balances	3,163,110	-	3,163,110
Total financial assets	46,795,579	-	46,795,579
Financial Liabilities			
Trade and Others payables	-	5,059,594	5,059,594
Hire purchase payables	-	114,109	114,109
Bank borrowings	-	2,546,516	2,546,516
Total financial liabilities	-	7,720,219	7,720,219

35. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Loans and receivables	Financial liabilities at amortised cost	Total
	RM	RM	RM
2010			
Financial Assets			
Trade and other receivables	2,439,683	-	2,439,683
Amount owing by subsidiary companies	49,987,606	-	49,987,606
Fixed deposits with licensed banks	1,240,091	-	1,240,091
Cash and bank balances	1,216,209	-	1,216,209
Total financial assets	54,883,589	-	54,883,589
Financial Liabilities			
Trade and other payables	-	3,454,360	3,454,360
Amount owing to a subsidiary company	-	454,882	454,882
Hire purchase payables	-	554,573	554,573
Bank borrowings	-	2,801,069	2,801,069
Total financial liabilities	-	7,264,884	7,264,884

(b) Capital risk management objectives and policies

The Company's management manages its capital to ensure that the Company is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of the Company consists of issued capital, cash and cash equivalents and borrowing.

(c) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and the Company's operations whilst managing its financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

(d) Credit risk

Fixed deposits with licensed banks, cash and bank balances are placed with a credit worthy financial institution.

Credit risk arises mainly from the inability of its customers to make payments when due. The Group and the Company has adopted a policy of only dealing with creditworthy counterparties. Receivables are monitored on an ongoing basis via Company's management reporting procedures and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represents the Group's and the Company's maximum exposure to credit risk in relation to financial assets. The Company's credit exposures are disclosed in Note 8 to the financial statements.

35. Financial Instruments (Cont'd)

(e) Liquidity risk

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group and the Company monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	Weighted Average Effective Interest Rate	On demand or within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	After 5 years	Total
	%	RM	RM	RM	RM	RM	RM	RM
Group								
2011								
Trade and other payables	-	21,247,728	-	-	-	-	-	21,247,728
Hire purchase payables	1.8	753,941	725,702	442,532	-	-	-	1,922,175
Bank borrowings	5.8	203,174	215,119	230,441	246,854	264,436	1,386,492	2,546,516
		22,204,843	940,821	672,973	246,854	264,436	1,386,492	25,716,419
2010								
Trade and other payables	-	19,688,998	-	-	-	-	-	19,688,998
Hire purchase payables	4.5	527,889	43,721	-	-	-	-	571,610
Bank borrowings	5.0	182,518	195,518	209,443	224,361	240,341	1,748,888	2,801,069
		20,399,405	239,239	209,443	224,361	240,341	1,748,888	23,061,677
Company								
2011								
Trade and other payables	-	5,059,594	-	-	-	-	-	5,059,594
Hire purchase payables	8.2	53,930	60,179	-	-	-	-	114,109
Bank borrowings	5.8	203,174	215,119	230,441	246,854	264,436	1,386,492	2,546,516
		5,316,698	275,298	230,441	246,854	264,436	1,386,492	7,720,219
2010								
Trade and other payables	-	3,454,360	-	-	-	-	-	3,454,360
Amount owing to a subsidiary company	-	454,882	-	-	-	-	-	454,882
Hire purchase payables	4.5	510,852	43,721	-	-	-	-	554,573
Bank borrowings	5.0	182,518	195,518	209,443	224,361	240,341	1,748,888	2,801,069
		4,602,612	239,239	209,443	224,361	240,341	1,748,888	7,264,884

35. Financial Instruments (Cont'd)

(f) Market risk

(i) Foreign currency exchange risk

The Group and the Company incurs foreign currency risk on transactions that are denominated in foreign currencies. The currencies giving rise to this risk are primarily the United States Dollar (USD), British Pound (GBP), Singapore Dollar (SGD), Thailand Baht (THB), Philippines Peso (PHP), Hong Kong Dollar (HKD) and Chinese Yuan Renminbi (CNY). The Group and the Company has not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant.

The carrying amounts of the Group's and the Company's are foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Financial Assets			
	Trade and other receivables	**Fixed deposits with licensed banks**	**Cash and bank balances**	**Total**
	RM	**RM**	**RM**	**RM**
Group				
2011				
USD	2,082,014	1,054,000	3,071,550	6,207,564
GBP	2,574	-	25	2,599
SGD	-	-	860	860
THB	92,285	-	1,087,239	1,179,524
PHP	2,972,366	-	2,124,702	5,097,068
HKD	-	-	26,855	26,855
RMB	643,612	-	1,180,606	1,824,218
Others	-	-	24,210	24,210
2010				
USD	742,384	157,744	580,212	1,480,340
GBP	-	-	9	9
SGD	-	-	27,496	27,496
THB	2,566,431	-	80,775	2,647,206
PHP	4,001,132	-	1,347,232	5,348,364
HKD	128,709	-	121,058	249,767
RMB	5,533,101	-	809,569	6,342,670
Others	-	-	36,336	36,336

35. Financial Instruments (Cont'd)

(f) Market risk (Cont'd)

(i) Foreign currency exchange risk (Cont'd)

	Financial Assets				
	Trade and other receivables	Amount owing by subsidiary companies	Fixed deposits with licensed banks	Cash and bank balances	Total
	RM	RM	RM	RM	RM
Company					
2011					
USD	942,851	5,312,703	1,054,000	2,062,430	9,371,984
RMB	-	-	-	956	956
SGD	-	-	-	557	557
PHP	-	-	-	1,268	1,268
HKD	-	-	-	2,999	2,999
Others	-	-	-	21,027	21,027
2010					
USD	286,136	4,767,263	115,500	147,261	5,316,160
RMB	-	-	-	1,552	1,552
THB	-	-	-	1,406	1,406
PHP	-	-	-	1,399	1,399
GBP	-	-	-	511	511
SGD	-	-	-	337	337
Others	-	-	-	21,910	21,910

35. Financial Instruments (Cont'd)

(f) Market risk (Cont'd)

(i) Foreign currency exchange risk (Cont'd)

	Financial Assets		
	Trade and other payables	Hire purchase payables	Total
	RM	RM	RM
Group			
2011			
USD	360,523	-	360,523
GBP	665,350	-	665,350
THB	278,542	-	278,542
PHP	974,886	1,671,239	2,646,125
HKD	3,646,359	-	3,646,359
RMB	496,113	-	496,113
2010			
USD	2,785,300	-	2,785,300
GBP	-	-	-
SGD	16,588	-	16,588
THB	122,394	-	122,394
PHP	1,066,544	17,037	1,083,581
HKD	385,002	-	385,002
RMB	6,202,804	-	6,202,804
Company			
2011			
USD	1,538,140	-	1,538,140
2010			
USD	877,459	-	877,459

35. Financial Instruments (Cont'd)

(f) Market risks (Cont'd)

(ii) Foreign currency risk sensitivity

A 10% strengthening of Ringgit Malaysia against the following foreign currencies at the end of the reporting period would increase/(decrease) the profit before tax and other comprehensive income by the amounts shown below. This analysis assumes that all other variables remain unchanged.

	Increase/(Decrease) in Loss before taxation	
	Group	**Company**
	RM	**RM**
2011		
USD	(584,704)	1,000,232
RMB	(132,811)	96
SGD	(86)	56
PHP	(245,094)	127
THB	(90,098)	-
HKD	361,950	300
GBP	66,275	-
Others	(2,421)	2,103
	(626,989)	1,002,914
2010		
USD	130,496	(443,870)
RMB	(13,987)	(155)
SGD	(1,091)	(141)
PHP	(426,478)	(140)
THB	4,162	(51)
HKD	13,524	(34)
GBP	(1)	-
Others	(3,634)	(2,190)
	(297,009)	(446,581)

A 10% weakening of Ringgit Malaysia against the above foreign currencies at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain unchanged.

35. Financial Instruments (Cont'd)

(f) Market risks (Cont'd)

(iii) Interest rate risk

The Group and the Company obtains financing through other financial liabilities. The Group's and the Company's policy is to obtain the financing with the most favourable interest rates in the market.

The Group and the Company constantly monitors its interest rate risk and does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes. At the end of the reporting period, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The carrying amounts of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

	Weighted average effective interest rate	2011	2010
	%	RM	RM
Financial Assets			
Group			
Fixed deposits with licensed banks	4.50	2,482,440	2,121,037
Company			
Fixed deposits with licensed banks	2.87	1,623,533	1,240,091
Financial Liabilities			
Group/Company			
Bank borrowings	5.04	2,546,516	2,801,069

The Group and the Company are exposed to interest rate risk arising from its short and long term debts obligations, and its fixed deposits. Fixed deposits interest rate is insignificant and any fluctuations in the rate would have no material impact on the results of the Group and of the Company.

(iv) Interest rate risk sensitivity

An increase in market interest rates by 1% on financial assets and liabilities of the Group and of the Company which have variable interest rates at the end of the reporting period would decrease the profit before tax by RM641 and RM9,230 (2010: RM6,800 and RM15,610) respectively. This analysis assumes that all other variables remain unchanged.

A decrease in market interest rates by 1% on financial assets and liabilities of the Group and of the Company which have variable interest rates at the end of the reporting period would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.

35. Financial Instruments (Cont'd)

(g) Fair values of financial assets and financial liabilities

(i) The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm`s length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amount derived from such methods and valuation technique are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of amount estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of the Group and of the Company are as follows:

- Cash and cash equivalents, trade and other receivables, intercompany balances, trade and other payables and short-term borrowings

  The carrying amounts are considered to approximate the fair values as they are within the normal credit terms or they have short-term maturity period.

- Long-term borrowings

  Fair value which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(ii) Fair value of financial instruments by categories that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value:

	2011 Carrying amount RM	2011 Fair value RM	2010 Carrying amount RM	2010 Fair value RM
Group				
Financial liabilities				
Hire purchase payables	1,168,234	1,027,978	43,721	42,664
Contingent liabilities	338,000	@	278,500	@
Company				
Financial liabilities				
Hire purchase payables	60,179	52,954	43,721	42,664
Contingent liabilities	238,000	@	278,500	@

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

36. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 23 April 2012.

LIST OF PROPERTY

Title/Location	Description/ Existing Use	Registered Owner	Age of Building (Years)	Land Area	Tenure	Net Book Value as at 31.12.2011 (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	7	570 sq m	Leasehold Expired on 27 Aug 2102	4,579,545	4,875,000

SHAREHOLDING STATISTICS AS AT 25 April 2011

Authorized Share Capital	: RM 100,000,000.00
Issued and Fully Paid-up Capital	: RM 72,901,050.00
Class of Shares	: Ordinary shares of 50 sen each fully paid
Voting Rights	: One vote per 50 sen share

BREAKDOWN OF SHAREHOLDINGS

Size of Holdings	No. of holders	%	No. of shares	%
Less than 100	1,897	27.44	67,618	0.05
100 - 1,000 shares	952	13.77	448,786	0.31
1001 - 10,000 shares	2,854	41.28	10,052,799	6.96
10,001 - 100,000 shares	1,101	15.93	28,584,984	19.80
100,001 to less than 5% of issued shares	107	1.55	53,713,074	37.20
5% and above of issued shares	2	0.03	51,518,938	35.68
Total	**6,913**	**100.00**	**144,386,199**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 25 April 2011

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

	No. of Shares Held			
Substantial Shareholders	**Direct Interest**	**%**	**Indirect Interest**	**%**
Cimsec Nominees (Tempatan) Sdn Bhd Cimb For Loh Wee Hian (PB)	38,899,834	26.94	3,258,800	2.26
Goh Kuan Ho	12,619,104	8.74	-	-

DIRECTORS' SHAREHOLDINGS AS AT 25 APRIL 2011

		No. of Shares Held			
Name of Directors	**Note**	**Direct Interest**	**%**	**Indirect Interest**	**%**
Loh Wee Hian	1	38,899,834	26.94	3,258,800	2.26
Goh Kuan Ho		12,619,104	8.74	-	-
Kanagaraj Lorenz		600,000	0.42	-	-
Ng King Kau		521,000	0.36	-	-

Notes:

1) 38,899,834 held under CIMSEC Nominees (Tempatan) Sdn. Bhd.

STATEMENT OF SHAREHOLDINGS
THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 25 APRIL 2011

No	Shareholders	Holdings	%
1	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR LOH WEE HIAN (PB)	38,899,834	26.94
2	GOH KUAN HO	12,619,104	8.74
3	TAY BENG LOCK	6,340,967	4.39
4	TEO KWEE HWA	3,258,800	2.26
5	HONG CHIN CHAI	2,509,900	1.74
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH HENG LOO (PB)	2,150,000	1.49
7	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN CHUN YEAN(M01)	2,000,000	1.39
8	HONG CHIN TECK	1,771,800	1.23
9	TEY CHOON SIANG	1,561,742	1.08
10	GOH HENG LOO	1,311,768	0.91
11	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEOW SOON FAT	1,270,000	0.88
12	LIM CHEE SING	1,265,000	0.88
13	ONG HOCK LON	1,180,900	0.81
14	YENG FOOK HOO	1,104,299	0.76
15	CHEW CHEE SENG	1,032,730	0.72
16	ONG BOEY HWA	945,000	0.65
17	NG SUIT YONG	850,000	0.59
18	CHIN SUI HEONG	849,500	0.59
19	HLG NOMINEE (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TOK KIM WAH	806,100	0.56
20	TAN SIEW KOON	700,000	0.48
21	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR WONG YOKE YUNG (EPIC -BUR)	660,000	0.46
22	CHIN YOKE SUN	620,000	0.43
23	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	612,671	0.42
24	HLG NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHEE SING (M)	602,300	0.42
25	KANAGARAJ LORENZ	600,000	0.42
26	LIM GAIK BWAY @ LIM CHIEW AH	559,500	0.39
27	NG KING KAU	521,000	0.36
28	ONG SIEW MOOI	450,000	0.31
29	LIM CHAI ONG	447,582	0.31
30	CHEW SOH IMM	440,000	0.30

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of GHL Systems Berhad ("Company" or "GHL") will be held at Dewan Perdana, 1st Floor Sport Complex, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on **Monday, 18 June 2012** at **10:00 a.m.** for the following purposes:-

AGENDA

A. Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon. (See Note 2)

2. To re-elect the Ms. Goh Kuan Ho who is retiring in accordance with Article 127 of the Articles of Association of the Company. (Ordinary Resolution 1)

3. To elect the following Directors who are retiring in accordance with Article 132 of the Articles of Association of the Company:-

   3.1 Mr. Ng King Kau (Ordinary Resolution 2)

   3.2 Mr. Kanagaraj Lorenz (Ordinary Resolution 3)

   3.3 Datuk Kamaruddin Bin Taib (Ordinary Resolution 4)

4. To approve the Directors' fees in respect of the financial year ended 31 December 2011. (Ordinary Resolution 5)

5. To re-appoint Messrs. UHY as Auditors of the Company and to authorise the Directors to fix their remuneration for the ensuing year. (Ordinary Resolution 6)

B. Special Business

To consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:

6. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** (Ordinary Resolution 7)

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors of the Company be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company unless revoked or varied by the Company at a general meeting."

B. Special Business (Cont'd)

7. To consider and if thought fit, to pass, the following Special Resolution:- (Special Resolution)

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"THAT the amendments to the Articles of Association of the Company as contained in Appendix I be hereby approved.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the amendments to the Articles of Association of the Company with full powers to assent to any conditions, modifications and/or amendments as may be required by the relevant authorities."

C. Other Business

8. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board

WONG WAI FOONG (MAICSA 7001358)
LIM POH YEN (MAICSA 7009745)
Company Secretaries

Kuala Lumpur
25 May 2012

1. Notes on Appointment of Proxy

i. 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. There shall be no restriction as to the qualification of the proxy.

A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.

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.

ii. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), 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.

iii. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

iv. The Proxy Form 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.

v. If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.

vi. The Proxy Form or other instruments of appointment must be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

vii. In respect of deposited securities, only members whose names appeared in the Record of Depositors as at 12th June 2012 shall be eligible to attend, speak and vote at the Meeting.

2. Audited Financial Statements for the financial year ended 31 December 2011

The Audited Financial Statements in Agenda 1 is meant for discussion only as the approval of shareholders is not required pursuant to the provision of Section 169(1) of the Companies Act, 1965. Hence, this Agenda is not put forward for voting by shareholders of the Company.

3. Explanatory Notes on Special Business

i. Ordinary Resolution 7 – Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965

The Proposed Ordinary Resolution 7 is a renewal of the general mandate pursuant to Section 132D of the Companies Act, 1965 ("General Mandate") obtained from the shareholders of the Company at the previous Annual General Meeting and, if passed, will empower the Directors of the Company to issue new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued share capital of the Company for the time being.

The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Seventeenth Annual General Meeting held on 27 April 2011 and which will lapse at the conclusion of the Eighteenth Annual General Meeting.

The General Mandate will provide flexibility to the Company for any possible fund raising activities,including but not limited to further placing of shares, for purpose of funding current and/or future investment project(s), working capital, acquisition and/or for issuance of shares as settlement of purchase consideration.

ii. Special Resolution – Proposed amendments to the Articles of Association of the Company

The Proposed Special Resolution, if passed, will enable the Company to comply with the recentamendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

APPENDIX I
Referred to in the Notice of Eighteenth Annual General Meeting

THAT the existing Articles 81(2), 100 and 109(3) of the Company's Articles of Association be amended by deleting in its entirety and substituting thereof with the new Articles 81(2), 100 and 109(3) as set out below:-

	Existing Article No.		Amended Article No.
81.	Special Business (2) an annual general meeting (except declaring dividend, receipt of the accounts, balance sheets, the report of the Directors and auditors thereon, the election of Directors in place of those retiring by rotation or otherwise, and the appointment and fixing of the remuneration of the Directors and auditors)	81.	Special Business (2) an annual general meeting (except declaring dividend, receipt of the accounts, balance sheets, the report of the Directors and auditors thereon, the election of Directors in place of those retiring by rotation or otherwise, **fixing of the fees of the Directors and the appointment and fixing of the remuneration of the auditors)**
100.	Appointment of Proxies (1) A Member may appoint up to two (2) proxies to attend on the same occasion. 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 Commission. If a Member appoints up to two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. (2) Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, 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.	100.	Appointment of Proxies (i) A Member of the Company who is entitled to attend and vote at a meeting of the Company, or at a meeting of any class of Members of the Company, may appoint **<u>not more than two (2) proxies</u>** to attend and vote instead of the Member at the meeting. (ii) Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint **<u>not more than two (2) proxies</u>** in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account. (iii) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA. (IV) Where a Member or the **<u>authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies,</u>** the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. (V) A proxy need not be a member. There shall be no restriction as to the qualification of the proxy and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. (VI) A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.
109.	Directors' Remuneration (3) All remuneration payable to Directors shall be deemed to accrue from day to day	109.	Directors' Remuneration (3) All **fees** payable to Directors shall be deemed to accrue from day to day

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GHL SYSTEMS BERHAD (293040-D)
(INCORPORATED IN MALAYSIA)

No. of ordinary shares held	CDS Account No.

PROXY FORM

Telephone no. (During office hours) ____________________________

I/We ____ NRIC No. ________________________________
(PLEASE USE BLOCK CAPITAL)

of ____
(FULL ADDRESS)

being a member(s) of **GHL SYSTEMS BERHAD (293040-D)** hereby appoint*____

NRIC No. _________________________________ of ____

_____________________________________or failing him__________________________NRIC No.___________________

of____

or THE CHAIRMAN OF THE MEETING as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf, at the Eighteenth Annual General Meeting of the Company to be held at Dewan Perdana, 1st Floor Sport Complex, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on **Monday, 18 June 2012** at **10.00 a.m.** and at any adjournment thereof, to vote as indicated below:-

Ordinary Business		***FOR***	***AGAINST***
Ordinary Resolution 1	Re-election of Ms. Goh Kuan Ho as Director pursuant to Article 127 of the Company's Articles of Association		
Ordinary Resolution 2	Election of Mr. Ng King Kau as Director pursuant to Article 132 of the Company's Articles of Association		
Ordinary Resolution 3	Election of Mr. Kanagaraj Lorenz as Director pursuant to Article 132 of the Company's Articles of Association		
Ordinary Resolution 4	Election of Datuk Kamaruddin Bin Taib as Director pursuant to Article 132 of the Company's Articles of Association		
Ordinary Resolution 5	Approval of Directors' fees for the financial year ended 31 December 2011		
Ordinary Resolution 6	Re-appointment of Messrs UHY as Auditors of the Company and to authorise the Directors to fix their remuneration		
Special Business			
Ordinary Resolution 7	Authority to Issue of shares pursuant to Section 132D of the Companies Act, 1965		
Special Resolution	Amendments to the Articles of Association of the Company		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the Proxy will vote or abstain from voting at his/her discretion.)

The proportions of my/our shareholding to be represented by my/our proxy(ies) are as follows:

First named Proxy	....	%
Second named Proxy	....	%
Total		**100%**

Dated this ________ day of __________________ 2012

____
Signature of Member(s) or/ Common Seal

Notes:-

i. 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. There shall be no restriction as to the qualification of the proxy.

A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.

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 ("SICDA"), 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.

ii. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

iii. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

iv. The Proxy Form 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.

v. If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.

vi. The Proxy From or other instruments of appointment must be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

vii. In respect of deposited securities, only members whose names appeared in the Record of Depositors as at 12th June 2012 shall be eligible to attend, speak and vote at the Meeting.

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AFFIX
STAMP

THE COMPANY SECRETARY
GHL Systems Berhad (Company No.293040-D)
Level 18, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur

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GHL SYSTEMS BERHAD (293040-D)
Unit L8 C-G-15
Block C, Jalan Dataran SD1
Dataran SD PJU 9
Bandar Sri Damansara
52200 Kuala Lumpur
603-6286 3388
Fax : 603-6280 2999