GHL

GHL SYSTEMS BERHAD (293040-D)
INCORPORATED IN MALAYSIA

ANNUAL REPORT 2012

# the ASEAN payment people

www.ghl.com

# Vision And Mission

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

# Contents

# Corporate Profile

## GHL Systems Berhad
## the ASEAN payment people

GHL Systems Berhad (Main Market, Bursa Malaysia; Stock Code GHLSYS 0021; Bloomberg: GHLS:MK) is a leading payment solutions provider in the region, deploying world-class payment infrastructure, technology and services.

The Group provides integrated end-to-end payment solutions encompassing physical and virtual payments on sale and rental basis, including Electronic Data Capture (EDC) terminals compliant to the Europay-Mastercard-Visa (EMV) platform, contactless readers, network access routers, and online payment gateways.

With a full suite of payment solutions, GHL Systems has successfully established a customer base beyond Malaysia, into Thailand, Philippines, Singapore, the People's Republic of China, Taiwan, Australia, Romania, Holland, as well as the Middle East.

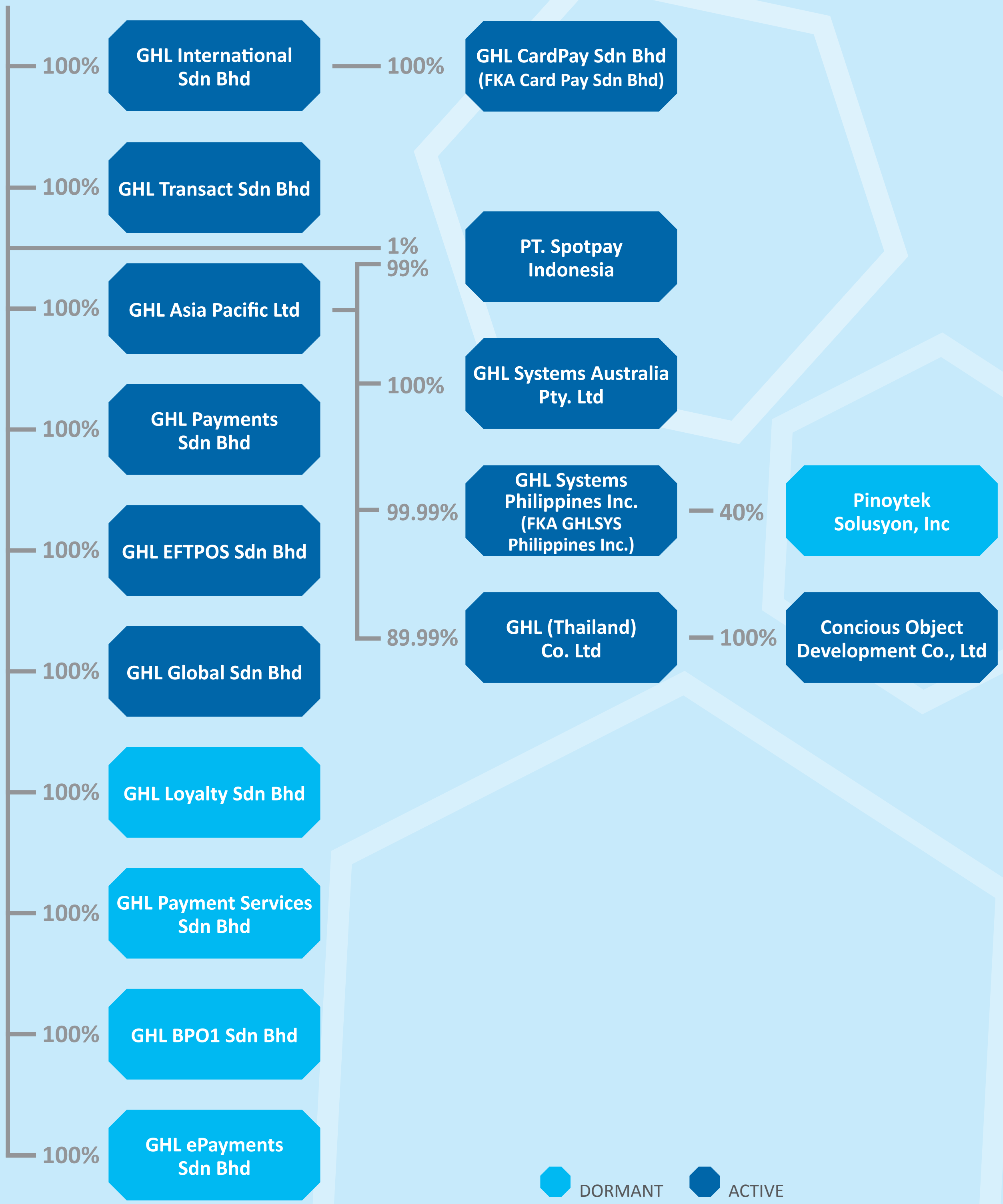
Not only that, our commitment to constant Research & Development has enabled us to pioneer groundbreaking innovations that reinforce our leading position in the payment solutions space time and again.

Indeed, our expertise thus far has enabled us to serve clients not only in the traditional banking and financial sector, but also in telecommunications, oil & gas retailing, loyalty, retail, and airlines, amongst others.

# Corporate Structure

As At 20 May 2013

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



# Corporate Information

## Board Of Directors

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

## Company Secretary

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

## Audit Committee

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

## Remuneration Committee

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

## Nomination Committee

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

## 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
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.
Tel: +6(03) 2264 8888
Fax: +6(03) 2282 2733


## Legal Advisors

**Rozlan Khuen**
23-2, Block B,
Jaya 1, Jalan Universiti,
46200 Petaling Jaya,

**Wong Beh & Toh**
Peti #30, Level 19, West Block,
Wisma Selangor Dredging,
142-C Jalan Ampang,
50450 Kuala Lumpur.

**Chalermchat Law Office Co., Ltd.**
518/5, Maneeya Centre,
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

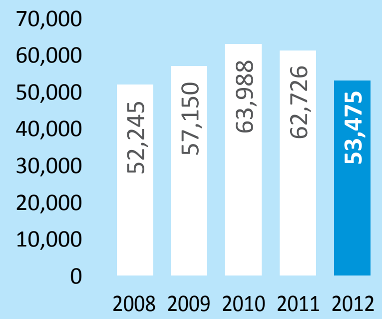
Main Market of Bursa Malaysia Securities Bhd (BMSB)
BMSB Code : 0021
Reuters Code : GHLS.KL
Bloomberg Code : GHLS MK

## Website

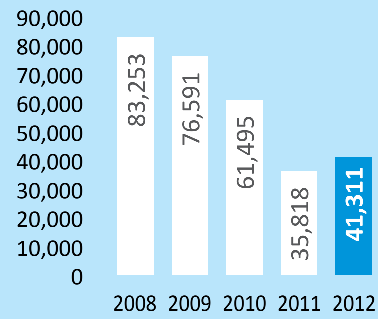
www.ghl.com

# Financial Highlights

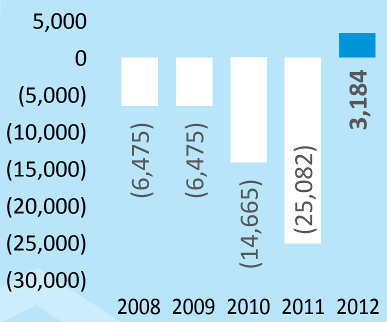
## Revenue
*(RM'000)*



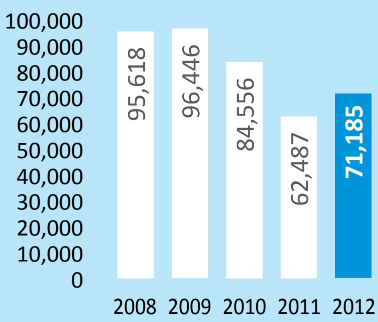

## Shareholders' Equity
*(RM'000)*



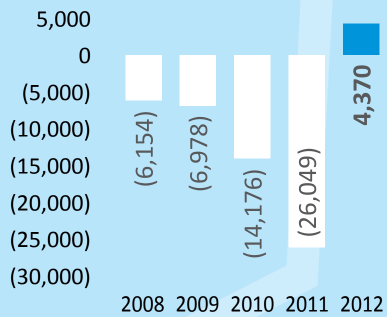

## Profit/(Loss) Before Tax
*(RM'000)*



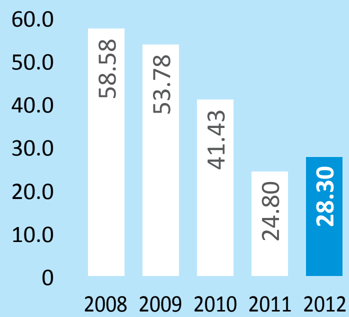

## Total Assets
*(RM'000)*




## Net Profit/(Loss)
*(RM'000)*




## Net Tangible Assets Per Share *(Sen)*



# Key Performance Indicators

| Financial Year Ended 31 December Actual/Restated | Format | 2008 Actual | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Actual |
|---|---|---|---|---|---|---|
| **KEY FINANCIALS DATA** | | | | | | |
| **STATEMENT OF COMPREHENSIVE INCOME** | | | | | | |
| Revenue | RM'000 | 52,245 | 57,150 | 63,988 | 62,726 | 53,475 |
| Gross Profit | RM'000 | 35,358 | 38,593 | 40,172 | 42,936 | 40,336 |
| Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) | RM'000 | 2,206 | 4,490 | 1,450* | 3,213* | 9,317 |
| Profit/(Loss) Attributable To Equity Holders | RM'000 | (6,154) | (6,978) | (14,176) | (26,049) | 4,370 |
| **STATEMENT OF FINANCIAL POSITION** | | | | | | |
| Share Capital | RM'000 | 69,431 | 69,431 | 72,901 | 72,901 | 73,401 |
| Shareholders' Equity | RM'000 | 83,253 | 76,591 | 61,495 | 35,818 | 41,311 |
| Net Assets | RM'000 | 83,253 | 76,591 | 61,495 | 35,818 | 41,311 |
| Net Tangible Assets | RM'000 | 81,340 | 74,678 | 60,399 | 35,818 | 41,154 |
| Total Borrowings | RM'000 | 3,833 | 3,093 | 3,373 | 4,469 | 4,372 |
| Cash And Bank Balances | RM'000 | 12,697 | 14,733 | 12,693 | 20,897 | 16,993 |
| **STATEMENT OF CASH FLOW** | | | | | | |
| Net Operating Cash Flow | RM'000 | 8,525 | 9,873 | 4,395 | 13,481 | 10,710 |
| Cash And Cash Equivalents | RM'000 | 11,149 | 13,616 | 10,729 | 19,468 | 15,459 |
| **RATIO ANALYSIS** | | | | | | |
| **PER SHARE DATA** | | | | | | |
| Basic Earnings Per Share | sen | (4.44) | (5.04) | (9.96) | (18.04) | 3.01 |
| Net Cash Per Share | sen | 6.38 | 8.38 | 6.45 | 11.27 | 8.60 |
| Net Assets Per Share | RM | 0.60 | 0.55 | 0.43 | 0.25 | 0.28 |
| Net Tangible Assets Per Share | RM | 0.59 | 0.54 | 0.42 | 0.25 | 0.28 |
| **PROFITABILITY** | | | | | | |
| Gross Profit Margin | % | 67.68 | 67.53 | 62.78 | 68.45 | 75.43 |
| EBITDA Margin | % | 4.22 | 7.86 | 2.27 | 5.12 | 17.42 |
| Net Profit Margin | % | (11.80) | (12.24) | (22.15) | (41.53) | 8.14 |
| **GROWTH RATES** | | | | | | |
| Revenue Growth | % | 1.76 | 9.39 | 11.96 | (1.97) | (14.75) |
| Gross Profit Growth | % | 7.33 | 9.15 | 4.09 | 6.88 | (6.06) |
| **GEARING** | | | | | | |
| Gearing Ratio | times | 0.05 | 0.04 | 0.05 | 0.12 | 0.11 |
| Net Gearing Ratio | times | Net Cash | Net Cash | Net Cash | Net Cash | Net Cash |
| **VALUATION** | | | | | | |
| Market Capitalisation | RM'000 | 27,772 | 56,934 | 61,237 | 42,283 | 39,637 |

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 am pleased to present herewith, the Annual Report and financial statements of the Group and of the Company for the financial year ended 31st December 2012 ("FY 2012").**

# Chairman's Statement
(Cont'd)


First and foremost, I wish to thank my predecessor, Mr Loh Wee Hian for helming your Company these last 2 years. As Chairman, he has guided the Board and Company through it's difficult times and finally turning it around in FY 2012. We are fortunate, after retiring as Chairman, Mr Loh Wee Hian has agreed to remain as the Executive Vice Chairman and I know that I can count on his experience to help me guide the Board and your Company to its next level of growth. Similarly, the Management and Staff, must be recognised for all the hard work in delivering a positive result for FY 2012.

## FINANCIAL HIGHLIGHTS

The Group recorded a revenue of RM53.5 million for FY 2012, a reduction of 14.7% from the previous financial year. The reduction was due to lower outright hardware sales within both Shared Services and Solution Services business segments as well as the impact resulting from the closure of our China's operations. Against this, the Group grew its annuity income by RM3.0 million, which partly compensated the reductions.

The Group's profit after tax stood at RM4.4 million in FY 2012, compared to the loss after tax of RM26.0 million in the previous year. The positive turnaround in financial performance during the year under review is attributed to the Group's concerted efforts to streamline operational costs, the exit of our China operations and our strategy to build annuity income. Annuity incomes allow for a more predictable and sustainable earnings stream. These efforts have increased the Group's recurring annuity related income from 61.2% in 2011 to 71.3% in 2012.

## BUSINESS STRATEGIES

The Board continues to focus on growing our 3 core businesses namely; Shared Services, Solution Services and Transaction Payment Acquisition ("TPA").

A) The Shared Services division derives its earnings by providing services support and equipment sales to financial institutions as well as merchants. The products and services which the Group offers include Electronic Data Capture (EDC) terminal sale, rental and maintenance, and the sale of Credit/Debit, ATM and loyalty cards for the banks and merchants.

B) Solution Services principally involves the provision of payment network solutions, consumer loyalty products, prepaid solution products, internet payment processing gateway and the development of specific special purpose back end merchant applications. In all the areas mentioned, the Group provides sale or rental of products and services such as network devices and software.

# Chairman's Statement
(Cont'd)

C) Transaction Payment Acquisition ("TPA") comprises revenue earned from transactional based activities undertaken by merchants who have a direct contractual relationship with the Group. Examples include; credit card payments, e-debit payments and loyalty services to merchants.

Of these businesses, the Board has put emphasis on actively growing the Solution Services and TPA businesses. Unlike Shared Services which is a matured business, Solution Services and TPA are relatively newer and capable of generating higher growth as well as higher margins than Shared Services.

Equally important, the Board has prioritised the generation of annuity revenue streams as opposed to one-time sales of hardware or software. This shift in focus has resulted in the Group now having a higher quality revenue stream that is far more predictable. Today, annuity revenue streams constitute 71.3% of Group revenue as compared with 61.2% in 2011.

Shared Services, which consists of services mostly provided to Banks, remains an important and central activity of the Group. To improve our competitiveness, the Group has invested in technology infrastructure to improve our cost efficiency and raise our service levels to the Banks. We further differentiated ourselves in the marketplace by obtaining the PCI-DSS(Payment Card Industry - Data Security Standards) certification in 2012. This is a security certification that is increasingly being required by Banks of their payment service providers. These initiatives will help us grow our market share in this segment across the region.

During FY 2012, we saw a significant improvement in the marketing of some of our key Solution Services products in the region. These products enabled us to provide end-to-end solutions to our Bank and merchant customers and markedly differentiate us from our competitors. Today, Merchants need more than just simple payments. We have partnered with Banks in the region to provide a competitive edge when bidding for broader based payment projects. The Group continues to invest in product development to retain its competitive edge in this segment.

The TPA business offers good prospects for growth and is something that Board is putting focus on. With TPA, the Group can directly contract with merchants for the provision of payment and other non-payment services. In Malaysia we have for several years now directly contracted with merchants to accept Malaysian bank's issued ATM cards for payments, and indirectly partnering with several banks for the acceptance of MasterCard and Visa cards. In Thailand, Visa International and MasterCard worldwide designated us, as a payment acquirer late in 2012.

# Chairman's Statement
(Cont'd)

## OVERSEAS OPERATIONS

Our overseas operations comprises mainly of our operations in Thailand and Philippines which collectively contributed revenues of RM15.1 million or 28.3% of the total Group revenues for FY 2012. Overseas contribution of 29.1% was slightly lower compared to 30.1% in 2011 mainly due to the China business which the Group exited in 2012.

The Group's Philippines operations saw revenues of RM10.2 million, a year on year increase of 5.5% which was due to lower Shared Services contribution but was offset by higher sales from Solution Services. The Philippines TPA segment also grew marginally by 11.6%.

Revenue from the Group's Thai operations grew by RM1.5 million (43.8%) to RM4.9 million due to hardware and software sales improvement in both Shared Services and Solution Services divisions. As with the other countries, management remains focused on changing the revenue mix from hardware sales to recurring annuity revenue of EDC terminal rental/maintenance.

Some of the notable projects that were successfully implemented in 2012 include a loyalty and payment card for a global pharmaceutical company in the Philippines as well as a unique solution for Thailand Post which enabled postman to disburse pension payments using our payment solutions.

The Group has expanded its operations in Philippines and Thailand with 174 and 45 employees respectively in each country. The total number of employees of the Group has grown to 446 as at 31st December 2012. We also have a niche presence in Australia where we market certain Solutions products to Banks and Telecommunication Companies.

The Group is well placed through its subsidiaries to take advantage of the conversion to e-Payments that is occurring throughout ASEAN. Revenue in Philippines grew by 5.5% in replacing most of its previous hardware sales with Solution Services and TPA based revenue. The focus in Philippines is to consolidate in the Shared Services segment with the major Banks as well as to actively grow the TPA business conjunctly with the Banks there.

In FY 2012 the Group acquired a software company in Thailand which enabled our Thailand subsidiary to be able to deliver Solution Services products. Also as stated earlier, we are a designated merchant acquirer in Thailand for scheme cards. Presently, we are developing the systems and processes required to operate the TPA business which is expected to be launched in the middle of 2013. Both these initiatives should accelerate the growth of our Thailand subsidiary.

In Australia, we are in the final stages of implementing a large managed network solution for a major Telecommunication Company. We also provided other Solution Services products to a major Bank in 2012. Our position in Australia will continue to be to market our highest value-added products to a niche segment in that market.

# Chairman's Statement
(Cont'd)

## MALAYSIA OPERATIONS

Our domestic presence remains strong with GHL remaining at the forefront of the Malaysian payment industry. Total revenue attributed to Malaysian operations was RM37.9 million or 70.9% of total Group sales of RM53.5 million. Shared Services saw lower revenue due to reduced outright sales of EDC terminals and cards. Offsetting this, recurring rental revenue also within Shared Services, grew by RM0.67 million. The Group's operating margin improved despite a y-o-y reduction in gross revenue because of the change in revenue mix.

The Malaysian Government has, to its credit, given due recognition to the growing importance of e-Payments in enhancing economic efficiency by including this as one of the nine focus areas under the Financial Sector Blueprint 2011-2020.

According to the Financial Stability and Payment Systems Report 2011, Bank Negara Malaysia has targeted 200 e-Payment transactions per capita, 30 debit card transactions per capita, and 25 point-of-sale terminals per 1,000 inhabitants by 2020. In support of this vision of Bank Negara Malaysia, we have increased our sales force, from about 50 headcounts as at end of 2011 to almost 200 headcounts as at end of 2012, to step-up our efforts in increasing the number of new merchants and correspondingly, our point-of-sale terminals. Meanwhile, the Malaysian management team has designed and is developing several new payment related services to penetrate the consumer side of the payment business. The team expects to launch at least one of these new payment related services by the end of 2013. These new services are expected to start contribute to the revenue of the Group in 2014 and beyond.

## TURNAROUND STRATEGY

With the new management team in place throughout 2012, one of the initial key tasks was to identify and address key issues that were affecting the Group's profitability. These issues include; the closure of our China operations, the write down of overstated fixed assets and the creation of shareholder value through the delivery of high service quality and the appropriate mix of product sales. The financial impact of the first two issues were fully felt in the previous year's financial statements, the benefits of the latter benefited our 2012 results and are in fact ongoing.

# Chairman's Statement
(Cont'd)

Our Group CEO Mr Kanagaraj Lorenz ("Raj Lorenz") and Executive Director Mr Ng King Kau ("KK Ng") continued to focus on improving the quality of the Group's operations through appropriate investment in infrastructure, people and training. Also, the Group's sales strategy was aligned towards promoting annuity-based rather than one-off equipment and services sales. While the reduced focus on hardware sales has lowered overall Group revenue, the Group's margins have improved as has our recurrent revenue composition. Both these aspects have led to more predictable and sustainable revenue streams and therefore, a much stronger company. Both Raj and KK are industry veterans and bring with them extensive experience and expertise in the payments industry both in Malaysia as well as in the ASEAN region.

## BOARD AND MANAGEMENT

There has been no change in the composition of the Board and Senior Management since the last Annual General Meeting. As the Chairman of the Board, I am please to report that the deliberations at the Board Meetings are very robust and very engaging. In this regard, the Board has been encouraged to attend courses, seminars and exhibitions as part of the Company's ongoing Directors' education as stated in our Board Charter. Similarly, Management are attending various programmes to assist them in acquiring the necessary tools to help the Company further.

## ONGOING AWARENESS CAMPAIGN

Since the change of our Corporate Logo, GHL has been actively promoting itself on various platforms that include the print media and radio. For those who may have missed it, you can catch our CEO Mr Raj Lorenz recently gave an Interview on "A World without Cash" with BFM 89.9 at "www.ghl.com/media-interview". The Company is also participating in various exhibitions and trade shows in ASEAN and Australia in 2013.

## MAJOR ACHIEVEMENT

On 3rd September 2012, your Company obtained the PCI-DSS (Payment Card Industry - Data Security Standards) compliant status.

There were 12 criteria which your Company needed to fulfil in order to achieve the certification include building and maintaining a secure network; protecting cardholder data; maintaining a vulnerability management program; implementing strong access control measures; regularly monitoring and testing networks; and maintaining an information security policy.

PCI-DSS applies to electronic payment solutions providers that supply the infrastructure to route and/or store cardholder data in the processing of credit cards transactions. This comprehensive standard is intended to help organizations proactively protect customer account data.

The PCI-DSS certification attests that GHL's N3Net infrastructure complies with the highest security standards in handling cardholder data as defined by PCI standards security council which comprises Visa, MasterCard, Discover, American Express and JCB.

When you use a GHL payment terminal or network, you are rest assured that your transaction data will be protected and kept safe.

# Chairman's Statement
(Cont'd)

Our Solution capability is growing from strength to strength. During the year, our Thailand subsidiary delivered a unique solution for the Thailand Post Office. Using our software and customised hardware, we enabled postman to not only deliver letters but also deliver pensions to citizens located nationwide. This program will be extended to the collection of bill payments and a host of other services.

In Philippines, a Global Pharmaceutical company used or services to implement a loyalty system.

In Australia, we implemented a managed network solution that has functionality that out performs the best of breed, globally. Very large enterprises are now using this product to manage nationwide payment networks in Asia as well as Australia.

## CORPORATE SOCIAL RESPONSIBILITY ("CSR")

GHL Group is an equal opportunity employer that strives to attract and retain the very best of talent irrespective of gender, age or race.

During the year, GHL Thailand team had joined Thai Red Cross Society in blood donating activity held at the ground floor, Sinthorn Tower on occasion of Songkran festival.

The Group envisages to participate more actively in CSR activities in 2013 across all operating countries.

## RECENT EVENTS

At the recent Extraordinary General Meeting held on 2nd April 2013, the shareholders had approved several resolutions that supports the growth of your Company going forward. Once again, we thank you for the continuing support.

In August 2012, the Group had it's International Meeting in Kuala Lumpur, having key personnel from Malaysia, Thailand, Philippines and Australia to discuss strategy, exchange ideas, new products and also to understand further what the Group is capable of delivering in the future. Due to the success of the International Meeting, another International Meeting was held again in Kuala Lumpur in April 2013.

## CORPORATE GOVERNANCE

As was mentioned in the previous annual report, the Board had undertaken a comprehensive review of the Company's Corporate Governance practice to ensure continued compliance including the Malaysian Code of Corporate Governance 2012. In this regard, I am please to inform, that we have implemented and introduced are following:

i) Introduction of the Board Charter;
ii) Introduction of a Whistle Blowing Policy;
iii) Risk Assessment now includes the overseas subsidiaries;
iv) Introduction of a Risk Management Committee;
v) Internal Audit now covers the overseas subsidiaries;
vi) The Audit Committee is now known as the Audit & Risk Committee;
vii) Updated the Terms of Reference for the Audit & Risk Committee, Nomination Committee & Remuneration Committee; and
viii) Annual Assessment of Directors' performance.

When there are situations not covered by any guidelines, policies or codes, the Company will use what it feels is "the best practice" for the situation.

# Chairman's Statement
(Cont'd)

## OUTLOOK AND CURRENT YEAR'S PROSPECTS

With 2012 behind us, the Group looks forward to 2013 with much anticipation. Much of the ground work was laid in 2012 to capitalize on growth opportunities especially in Thailand and Philippines. The Group is well positioned to consolidate its position as ASEAN's leading electronic payment solution provider offering a full spectrum of end-to-end solutions.

For 2013, the management team remains committed to its strategy of investing in people to capitalize on the growth opportunities in ASEAN. The Group expects to perform better in Philippines and Thailand in 2013 and will start making further inroads into other neighboring ASEAN countries.

The Shared Services division, which is core to the Group, will continue to provide stable and consistent revenue streams as GHL remains one of top players in Malaysia. The Group will, however be seeking to actively grow its Solution Services and TPA business at a higher rate than its core business. The TPA segment in particular is expected to show good growth in 2013.

## APPRECIATION

The Board and I, wish to thank all of you, our Shareholders that have been with GHL on this exciting journey and providing your on-going support. We hope that a lot of you can attend the forthcoming Annual General Meeting. Not forgetting also, all our stakeholders that include the regulatory authorities, our business partners, auditor, bankers, lawyers, secretarial, and other consultants and advisers, to all of you, a Big Thank You for the support and guidance.

Finally, to the Management and Staff, our gratitude and thanks, for the hard work in 2012 and we look forward to an exciting 2013.

Remember, **"GHL – The ASEAN payment people"**.

**DATUK KAMARUDDIN BIN TAIB**
Chairman
20 May 2013

# Board Of Directors


1. **Datuk Kamaruddin Bin Taib** *(Independent Non-Executive Chairman)*
2. **Loh Wee Hian** *(Executive Vice Chairman)*
3. **Kanagaraj Lorenz** *(Group Chief Executive Officer)*
4. **Fong Seow Kee** *(Senior Independent Non-Executive Director)*
5. **Goh Kuan Ho** *(Independent Non-Executive Director)*
6. **Ng King Kau** *(Executive Director)*

# Directors' Profile

## DATUK KAMARUDDIN BIN TAIB

*Independent Non-Executive Chairman*

Datuk Kamaruddin Bin Taib, born in 1957, 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.

## LOH WEE HIAN

*Executive Vice Chairman*

Loh Wee Hian, born in 1962, 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 as Executive Chairman on 3 March 2011. Once again on 1 September 2012, Mr. Loh redesignated to Executive Vice Chairman.

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.

# Directors' Profile
(Cont'd)

## KANAGARAJ LORENZ
*Group Chief Executive Officer*

Raj, born in 1957, 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.

## NG KING KAU
*Executive Director*

Mr. Ng, born in 1950, 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
(Cont'd)

## FONG SEOW KEE
*Senior Independent Non-Executive Director/Audit Committee Chairman*

Fong Seow Kee, born in 1957, 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
*Independent Non-Executive Director*

Goh Kuan Ho, born in 1964, 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.

# Corporate Directory

## MALAYSIA

### Headquarters / Corporate Office

**GHL Systems Berhad**
C-G-15, Block C,
Jln Dataran SD1, Dataran SD, PJU 9,
Bandar Sri Damansara,
52200 Kuala Lumpur, Malaysia.
Tel : +603-6286 3388
Fax : +603-6280 2999
Email : enquiry@ghl.com

### Helpdesk (Customer Service):

Tel : +603-6286 5222
Email : hdesk@ghl.com

### Innovation Centre

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**GHL Systems Australia Pty. Ltd.**
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**GHL Systems Berhad**
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# Corporate Governance Statement

The Board of Directors ("Board") of GHL Systems Berhad ("GHL" or "the Company") recognizes that maintaining good corporate governance is critical to the GHL and its subsidiaries' ("the Group") long-term sustainable business growth and the safeguard and enhancement of shareholders' value. The Board is committed to continuously strive for the highest standards of corporate governance in cultivating a responsible organization that adopts practices in accordance to the Principles and Recommendations of the Malaysian Code on Corporate Governance 2012 ("MCCG") and the relevant provisions in the Bursa Malaysia Securities Berhad ("Bursa") Main Market Listing Requirements ("MMLR").

The Board reviews and enhances the Group's corporate governance standards on a continuous basis to ensure that its business and affairs are in strict adherence to the doctrine and principles of good corporate governance such as integrity, transparency, accountability and responsible business conduct. The Board evaluates and, where appropriate, implements relevant proposals to ensure that the Group continues to maintain good corporate governance.

The Board is pleased to report to the shareholders the manner in which GHL has applied the Principals and Recommendations of MCCG and Bursa's MMLR during the financial year 2012.

## THE BOARD OF DIRECTORS

**Board Charter**

The Board has adopted a Board Charter (the "Charter") that clearly sets out the role, functions, composition, operation and process of the Board. The Charter ensures that all Directors are aware of their duties and responsibilities as Board members. It acts as a source of reference and primary induction literature for prospective Board members and Senior Management on good corporate governance. It is also intended to assist the Board in assessing its collective performance and that of each individual Director.

The Board Charter will be reviewed at least annually to ensure consistency with the Board's objectives and responsibilities and adherence to the relevant rules and regulations as well as latest standards or guidelines of corporate governance. The Charter is accessible to the public on the Company's official website at www.ghl.com and any update thereof will be uploaded to the website accordingly.

**Roles And Responsibilities**

The Charter delineates the functions of the Board and the Management while maintaining a symbiotic relationship between the two groups, enabling the effective execution of their respective roles and responsibilities. The Board's principal focus is the overall strategic direction, development and control of the Group in an effective and responsible manner.

In discharging its stewardship and duties, the Board is constantly mindful of safeguarding the interests of shareholders and is guided by the following core responsibilities:

- ✓ Review and approve the Group's strategic plan that builds a sustainable business.
- ✓ Oversee and evaluate the Group's business conduct, including the smooth functioning of core processes.
- ✓ Identify principal risks and ensure implementation of appropriate systems to manage these risks.
- ✓ Monitor succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing key management.
- ✓ Develop and implement an investor relations programme.
- ✓ Review the adequacy and integrity of the Group's internal control systems.

# Corporate Governance Statement
(Cont'd)

To facilitate the effective discharge of these responsibilities, the Board has delegated certain responsibilities to dedicated Board Committees with clear Terms of Reference.

**Board Meeting**

The Board meets at least 4 times a year, with additional meetings convened on an ad-hoc basis as and when the Board's approval and guidance are required. Due notice is given of proposed dates of meetings during the financial year and standard agenda and matters to be tabled to the Board.

Ten Board Meetings were held during the financial year ended 31 December 2012 and details of the attendance of each Director are as follows:

| Director | Directorship | Number of Meetings Attended During the Year |
|---|---|---|
| Datuk Kamaruddin Bin Taib | Chairman / Independent Non-Executive Director | 5 out of 5 |
| Loh Wee Hian | Vice Chairman / Executive Director | 10 out of 10 |
| Kanagaraj Lorenz | Group Chief Executive Officer / Executive Director | 10 out of 10 |
| Ng King Kau | Executive Director | 10 out of 10 |
| Fong Seow Kee | Senior Independent Non-Executive Director | 10 out of 10 |
| Goh Kuan Ho | Independent Non-Executive Director | 10 out of 10 |

**Information For The Board**

The Directors are provided with adequate Board papers prior to the Board meeting to enable them to obtain further explanations, where necessary. These reports provide information on the Group's performance and major operational, financial and corporate issues. The Board has unrestricted access to the CEO, CFO and Senior Management and all information on the affairs of the Group. The Management is obliged to supply all relevant information relating to the business and operations of the Group and governance matters at the request of the Board.

The Directors also have full and unrestricted access to the advice and services of Internal Auditor Function, External Auditor and Company Secretary. Members of the Board may collectively or individually consult advisers and, where necessary, seek external and independent professional advice and assistance from experts in furtherance of their duties.

**Company Secretary for the Board**

The Board is supported by the Company Secretary who facilitates overall compliance with the MMLR and Companies Act, 1965 and other relevant laws and regulations. The Company Secretary attend all Board and Board Committee meetings to ensure that meetings are properly convened, that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

The removal of Company Secretary, if any, is a matter for the Board to decide collectively.

# Corporate Governance Statement
(Cont'd)

## BOARD COMPOSITION

During the financial year, the Board consisted of six members, comprising three Executive Directors and three Non-Executive Directors. All the three Non-Executive Directors are exclusively independent Directors, including the chairman. There are no Alternate Directors.

A brief profile of each Director is presented on pages 17 to 19 of this annual report.

**Board Balance and Independence**

The Board comprises a mixture of Executive and Non-executive Directors from diverse professional backgrounds with a wealth of experience, skills and expertise to meet the Group's needs.

Although all Directors have equal responsibility for the Group's business, the Independent Non-Executive Directors provide an independent view, advice and judgement to take into account the interest of the Group, shareholders, employees and communities in which the Group conducts business.

A clear division of responsibility between the Chairman and the CEO exists to ensure a balance of power and authority, such that no one individual has unfettered powers over decision making. Formal position descriptions of the Chairman and the CEO outlining their respective roles and responsibilities are set out in the Board Charter.

Mr Fong Seow Kee, the Chairman of Audit and Risk Committee and Nomination Committee, is appointed as the Senior Independent Non-Executive Director by the Board, in compliance to MCCG's recommendation. He is available to shareholders who have concerns that cannot be addressed through the Chairman and CEO.

The Board is satisfied that the current composition of Directors provides the appropriate, diversity, balance and size necessary to promote all shareholders and govern the Group effectively. It also fairly represents the ownership structure of GHL, with appropriate representations of minority interests through the Independent Non-Executive Directors. The Board will continue to monitor and review the Board size and composition as may be needed.

**Board Evaluation**

The Board evaluates its performance and governance processes annually to improve individual contributions and effectiveness of the Board and its Committees. For FY2012, Nomination Committee facilitated a self-assessment on the performance of the Board as a whole, its Committees and individual directors. The assessment includes a review of the administration and operation of the Board and its Committees, agendas, reports and information produced for consideration of the Board. The assessment results were considered by the Nomination Committee, which then made recommendations to the Board on the identified areas for improving the effectiveness of the Board.

**Board Committees**

The Board delegates certain responsibilities to the dedicated Committees of the Board. Currently, all these committees, namely Audit and Risk Committee, Nomination Committee and Remuneration Committee, comprise exclusively of independent non-executive directors. These committees operate within clearly defined terms of reference and have the authority to examine particular issues and report their proceedings, deliberations and recommendations to the Board. On Board reserved matters, Committees shall deliberate and thereafter state their recommendations to the Board for its approval.

During Board meeting, the Chairman of the Committees provides summary reports of the decisions and recommendations made at respective committee meetings, and highlight to the Board any further deliberation that is required at Board level.

# Corporate Governance Statement
(Cont'd)

The composition, terms of reference and a summary of activities of the Audit and Risk Committee are set out in the Audit and Risk Committee Report as laid out on pages 28 to 35. Terms of Reference and composition of all Board Committees are available at the Company's official website www.ghl.com.

## DIRECTORS' REMUNERATION

The objective of the Group's policy on Directors' remuneration are to ensure that formal and transparent remuneration policies and procedures have been put in place to attract and retain Directors of the calibre to run the Group successfully. Remuneration packages of management are structured so as to link rewards to the achievement of corporate and individual performance.

Executive Directors' basic salary is fixed for the duration of his contract. Any revision to the basic salary will be reviewed and recommended by the Remuneration Committee, taking into account the individual performance, the inflation price index, the affordability, the industry's practices and benchmarks and reasonableness.

The Group operates a bonus scheme for all employees, including the Executive Directors. The criteria for the scheme is dependent on the level of profits achieved from certain aspects of the Group's business activities as measured against targets, together with an assessment of each individual's performance during the period. Bonuses payable to the Executive Directors are reviewed by the Remuneration Committee and approved by the Board.

Other benefits in kind such as car, driver and phone allowance are made available as appropriate. Contribution is made to the Employees Provident Fund ("EPF"), the national mandatory defined contribution plan, in respect of the Executive Directors. The Company reimburses reasonable expenses incurred by the Directors in the course of performing their duties as Executive Directors.

Directors' fees are only payable to Non-Executive Directors. The level of Directors' fees is recommended by the Remuneration Committee to the Board after taking into consideration of the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned.

The final decision on any remuneration package offered to the Executive Directors and the fees payable to Non-Executive Directors are the responsibility of the entire Board. Individual Directors do not participate in decisions regarding their own remuneration package. Fees payable to Directors are for approval by the shareholders at the Annual General Meeting.

For the financial year ended 31 December 2012, a total sum of RM1,456,273 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 and Other Emoluments | Fees | EPF | Grand Total |
|---|---|---|---|---|
| Datuk Kamaruddin Bin Taib | - | 60,833 | - | 60,833 |
| Loh Wee Hian | 360,620 | - | 43,200 | 403,820 |
| Kanagaraj Lorenz | 390,620 | - | 46,800 | 437,420 |
| Ng King Kau | 330,000 | - | 39,600 | 369,600 |
| Fong Seow Kee | - | 145,000 | - | 145,000 |
| Goh Kuan Ho | - | 39,600 | - | 39,600 |
| **Total** | **1,081,240** | **245,433** | **129,600** | **1,456,273** |

# Corporate Governance Statement
(Cont'd)

The Directors' remuneration in aggregate, with categorisation into appropriate components, distinguishing between Executive and Non-Executive Directors, is as follows:

| MYR, Gross | Executive Directors | Non-Executive Directors |
|---|---|---|
| Salaries and other emoluments | 1,081,240 | - |
| Directors Fees | - | 245,433 |
| EPF | 129,600 | - |
| **Total** | **1,210,840** | **245,433** |

The number of Directors of the Company whose remuneration band falls within the following successive bands of MYR50,000 is as follows:

| Ranges of Remuneration (MYR, Gross) | Executive Directors | Non-Executive Directors |
|---|---|---|
| 1 – 50,000 | - | 1 |
| 50,000 – 100,000 | - | 1 |
| 100,000 – 150,000 | - | 1 |
| 350,000 – 400,000 | 1 | - |
| 400,000 – 450,000 | 2 | - |
| **Total** | **3** | **3** |

## DIRECTORS' TRAINING

The Directors are mindful that they are to devote sufficient time and effort to carry out their responsibilities and to maintain their competency as a member of the Board. The Board, on a continuous basis, evaluates and determine the training needs of its members and ensure that their training needs are met to aid the directors in discharging their duties as a director of the Company.

In their effort to keep abreast with the changes in the industry, legislation and regulations affecting the Company, the Directors have during the course of the year attended the following briefing, conferences and seminars:

| Director | Training Programme / Conference Seminar |
|---|---|
| Datuk Kamaruddin Bin Taib | Governance and Ethics |
| | IT Automation & Disaster Recovery- Technical Challenge |
| | Key Recommendations from Malaysian Code on Corporate Governance 2012 |
| | Human Capital Management via the Boardroom |
| | External Influences And Their Impact |
| | Global Consumer Banking Survey 2012<br>- The Customer Takes Control |
| | Value Creation vs Compliance |
| | Succession Planning and Talent Management Program |

# Corporate Governance Statement
(Cont’d)

| Director | Training Programme / Conference Seminar |
|---|---|
| Fong Seow Kee | The Malaysian Corporate Governance Code 2012 |
| Goh Kuan Ho | Case Studies For Boardroom Excellence :<br>Fraud Detection & Prevention - A Necessity, Not A Choice |
| Kanagaraj Lorenz | Mandatory Accreditation Programme (MAP)<br>For Directors Of Public Listed Companies |
| Loh Wee Hian | Demystifying Related Party Transactions : Understanding the Obligations Under The Listing Requirements Of Bursa Malaysia<br><br>Failed Business : Deriving Sound Strategic Insights |
| Ng King Kau | Seminar On Regulatory Updates, Governance & Current Issues for Directors Of PLCs and Body Corporate 2012 |

In addition, all Directors are, from time to time, provided with reading materials and internal briefing pertaining to the latest developments in areas relating to the Directors’ roles and responsibilities by Company Secretary or by its members who attended relevant conference seminar. The External Auditor also briefed the Board on any changes to the Malaysian Financial Reporting Standards that affect the Group’s financial statements during the year.

## ACCOUNTABILITY AND AUDIT

**Financial Reporting**

The Board is committed to provide a balanced, clear and comprehensive assessment of the financial performance and prospects in all the disclosure made to the stakeholders and the regulatory authorities. The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group as at the end of the reporting period and of their results and cash flows for the period then ended.

Timely release of announcements on quarterly and annual financial statements, annual report and analyst presentations reflects the Board’s commitment to provide transparent and up-to-date disclosure to the public. The Board is assisted by the Audit and Risk Committee in governing the Group’s financial reporting processes and the quality of its financial reporting such as in compliance with Malaysian Accounting Standards Board.

**Relationship With The Auditors**

Through Audit and Risk Committee, the Group has established transparent and appropriate relationships with the Group’s auditors, both external and internal. The statements on roles, duties and responsibilities of the Audit and Risk Committee in relation to both the internal and external auditors is described in the Audit and Risk Committee Report as set out on pages 28 to 35 of this Annual Report.

# Corporate Governance Statement
(Cont'd)

## RISK MANAGEMENT

The Board acknowledges its responsibility for the Group's system of internal controls which covers financial control, operational and compliance controls as well as risk management. The Board has delegated to the Audit and Risk Committee the responsibility of reviewing the effectiveness of control procedures and risk management framework and to report to the Board on all its findings and recommendations for deliberations.

The Statement on Risk Management and Internal Control furnished in pages 36 to 39 of the Annual Report provides an overview of the state of risk management and internal controls within the Group.

## SHAREHOLDERS RELATION

**Dialogue Between The Company And Investors**

The Company values dialogue with investors and recognises the importance of being transparent and accountable to its shareholders. Effective communication with shareholders provides a better appreciation of the Company's objectives, while also making the Company aware of the expectations and concern of the shareholders.

As such, the Company adheres strictly to the disclosure requirements under Bursa's MMLR. Results of the Group are announced quarterly via Bursa Link. In addition, material transactions and events are also announced accordingly. Investor information of the Company, the Annual Report, financial results, Board Charter and terms of reference of Board Committees can be accessed on the Company's website at www.ghl.com.

**Annual General Meeting ("AGM")**

The AGM is the principal forum for dialogue with the shareholders. At each AGM, the Board presents to the shareholders, the performance of the business for the financial year. All the Directors are available to respond to shareholders' questions during the AGM.

Each special business included in the notice of AGM will be accompanied by a full explanation of the effects of a proposed resolution to facilitate understanding and evaluation of the issues involved. Separate resolution are proposed for separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

The Board takes note of the recommendation 8.2 by MCCG on the adoption of electronic voting and encourage poll voting to facilitate greater shareholder participation. The Board is of the view that with the current level of shareholders' attendance at AGMs, voting by way of a show of hands continues to be efficient. However, the shareholders will be informed on their right to demand on a poll vote at the commencement of general meeting and voting by way of poll voting will be carried out if required by Bursa's MMLR and other relevant rules and regulations.

The Board has deliberated, reviewed and approved this Statement in accordance with Board's Resolution dated 6 May 2013.

# Audit And Risk Committee Report

The Audit and Risk Committee Report provides information on the manner in which the Audit and Risk Committee has carried out its duties and responsibilities for the Group in Financial Year 2012 (“FY 2012”) and also a summary of its various activities.

## FORMATION

The Audit Committee was established as a committee of the Board of Directors of GHL Systems Bhd on 11 February 2003.

On 8 April 2013, the Board of Directors resolved that the Audit Committee be renamed as the Audit and Risk Committee (“ARC” or “the Committee”).

## COMPOSITION

The Audit and Risk Committee comprises of three members who are all independent non-executive directors during FY 2012 as follows:

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

2. GOH KUAN HO
   *(Re-designated to Independent Non-Executive Director on 17 May 2012)*

3. DATUK KAMARUDDIN BIN TAIB
   *(Appointed as Independent Non-Executive Director on 26 April 2012)*

## TERMS OF REFERENCE

The terms of reference are set out on pages 32 to 35.

## ATTENDANCE OF MEETINGS

The Audit and Risk Committee held six (6) meetings during FY 2012. The details of attendance of the Audit Committee member are as follows:

| Name Of The Committee Member | Total Attendance Of Meetings |
|---|---|
| Fong Seow Kee | 6/6 |
| Goh Kuan Ho | 6/6 |
| Datuk Kamaruddin Bin Taib (Appointed on 26 April 2012) | 3/3 |

In addition to the Committee members, where appropriate, members of management, the Groups’ in-house internal auditor, the representatives of outsourced Internal Auditors and the External Auditors were invited to attend the meetings of the Committee. The Company Secretary is responsible for distributing the notice of the meetings to the Committee members prior to their meetings and recording the proceedings of the meetings there at.

# Audit And Risk Committee Report
(Cont'd)

## SUMMARY OF ACTIVITIES DURING FINANCIAL YEAR ENDED 31 DECEMBER 2012

The Committee reports regularly to the Board on its activities, deliberations and recommendations in the discharge of its duties and responsibilities as set out in its terms of reference. During the financial year, the Committee reviewed and updated its terms of reference to be in line with the relevant amendments to the Main Market Listing Requirements of Bursa Malaysia ("MMLR") and the Malaysian Code on Corporate Governance 2012 ("MCCG").

The main activities undertaken by the Committee during the year are as below:

**Activities with regards to financial reporting:**

✓ Reviewed annual report and the audited financial statements of the Company and the Group for FY 2012, together with the external auditor and Chief Financial Officer ("CFO") and Financial Controller ("FC") of the Group, prior to submission to the directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act 1965 and the applicable approved accounting standards as per the Malaysian Accounting Standards Board ("MASB").

✓ Reviewed on a quarterly basis, the unaudited financial results of the Company and the Group for FY 2012 with the CFO, focusing particularly on significant changes to accounting policies and practices, compliance with accounting standards and other legal requirements before recommending them to the Board of Directors for approval and release to Bursa Malaysia.

✓ Reviewed with the appropriate officers of the Group and ensured corporate disclosure policies and procedures of the Group (pertaining to accounting, audit and financial matters) comply with the disclosure requirements as set out in the MMLR.

**Activities with regards to external audit:**

✓ The Committee carried out a review on the independence, suitability, objectivity and cost effectiveness of the external auditor by meeting the external auditor more than twice prior to the commencement of the audit. The Committee assessed the suitability and independency of the external auditor by obtaining affirmation from the external auditor that it maintained its competency and independence in accordance with its internal requirements, requirements of AOB and with the provisions of the Bye-Laws on Professional Independence of the MIA.

✓ Reviewed the external audit scope, audit plan and proposed fees for the statutory audit and other non-audit services based on the external auditors' presentation of audit strategy and plan to ensure that their scope of work adequately covers the activities of the Group.

✓ Reviewed the audit results, audit reports, the issues and resolution highlighted in the management letter and the response from the management.

**Activities with regards to risk management and internal control:**

✓ Reviewed and revamped the risk management framework and procedure in order to be compliance with MCCG. As part of this, a Risk Management Committee ("RMC") was formed and its term of reference adopted by the Board based on the Committee's recommendation.

✓ Reviewed the progress of the new risk management function in its on-going identification and monitoring of key risks and the controls implemented in managing these risks.

# Audit And Risk Committee Report
(Cont'd)

- ✓ Reviewed the risk assessment results and the mitigation actions reported by RMC and regularly review the update on the mitigation actions to ensure significant internal controls are promptly implemented.

- ✓ Evaluated, together with Group CEO and Group CFO, the overall adequacy and effectiveness of the system of internal controls during the financial year through a review of the results of work performed by internal and external auditors and RMC.

- ✓ Reviewed and recommended whistleblowing program and procedures to the Board as part of the risk management structure and good corporate governance practice.

**Activities with regards to internal audit:**

- ✓ Reviewed the suitability and competency of the outsourced internal auditor before recommending to the Board on their appointment.

- ✓ Reviewed with outsourced internal auditor the audit plan for the financial year to ensure significant concern of the Committee and key processes were adequately covered in the internal audit plan.

- ✓ Reviewed the adequacy of resources and reporting structure of in-house internal audit function to execute the audit plan effectively and independently.

- ✓ Reviewed the audit findings of outsourced internal auditor and the management responses and corrective actions recommended by outsourced internal auditors in addressing and resolving issues.

- ✓ Reviewed the status update by in-house internal auditor on the recommended corrective actions adopted by management to ensure key issues were adequately addressed on a timely basis.

**Activities with regards to related party transaction:**

- ✓ Reviewed on a quarterly basis, related party transactions and recurrent related party transactions for compliance with the MMLR and the appropriateness of such transactions entered into by the Company and its subsidiaries to avoid potential or actual conflict of interest to ensure the decisions are based on the best interest of the Company and its shareholders.

- ✓ Reviewed the procedures for securing the shareholders' mandate for recurrent related party transactions.

**Activities with regards to conflict of interest:**

- ✓ Reviewed the findings and recommendations of an independent accounting firm's special audit on the internal control procedures of GHL Group in relation to Conflict of Interests.

- ✓ Recommended for adoption by the Board of Directors, the recommendations by the independent accounting firm to be put in place to prevent conflict of interest issues in future.

# Audit And Risk Committee Report
(Cont'd)

**Other activities:**

- ✓ Reviewed the findings of the independent investigative audit into the possible business transaction irregularities involving the wholly owned subsidiary GHL (Beijing) Co. Ltd ("GHL Beijing") together with the management. Following the announcement of the possible business transaction irregularities, the ARC was in constant communication (including meetings) with Bursa Malaysia to provide regular update and clarification on the situation and subsequently, the findings on the investigative audit and proposed actions by the Board. The ARC also reviewed the announcements to Bursa Malaysia on this matter to ensure full and adequate disclosure on the situation.

- ✓ Reviewed the outsourced internal auditor's review finding on the compliance with the Malaysian Code of Corporate Governance 2012 and the recommendations of improvement were adopted by the Board and implemented under the Committee's supervisory.

- ✓ Members of the Committee attended various seminars and conferences to enhance and update their knowledge as part of discharging their duties as an ARC member and as a director of the Group. The seminars and conferences attended by the Committee members during FY 2012 is reported under the Statement on Corporate Governance.

- ✓ Reviewed the Statement on Internal Control and Statement on Corporate Governance prior to their inclusion in the Company's Annual Report for FY 2011.

- ✓ Conducted a self-assessment to evaluate the Committee's overall effectiveness in discharging its responsibilities.

## 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 primary responsibility of internal audit function is to provide independent and objective assessment of the adequacy and effectiveness of the risk management, internal control and governance processes established by management and/or the Board within the Group.

The internal audit function adopts a risk-based audit methodology, which is aligned with the risk management philosophy of the Group to ensure that the relevant controls addressing those risks are reviewed on a timely basis. The scope of the internal audit function covers the audits of significant units and operations, including subsidiaries.

The internal audit function report directly to the Committee on its findings and recommendations for improvement from review of the adequacy and effectiveness of risk management and the system of internal controls, compliance with established rules, guidelines, law and regulations, reliability and integrity of information and the means of safeguarding assets. On an on-going basis, the internal audit function monitors and reports to the Committee the implementation of such recommendations by Management to ensure all key risks are properly addressed.

During FY 2012, the major activities undertaken by internal audit function were as follows:

- ✓ Facilitated a risk workshop on GHL Malaysia's operation and presented the risk map arising from the risk workshop to the Committee.
- ✓ Reviewed the Group's compliance with the Malaysian Code of Corporate Governance 2012.
- ✓ Reviewed the adequacy and effectiveness of critical processes including human resources process, payment process and fixed assets management.
- ✓ Recommended improvements and enhancements to the existing system of internal control, risk management and governance processes.

- ✓ Assisted the Committee and RMC in revamping the risk management function and facilitated Group risk assessment in accordance to new risk management framework.
- ✓ Followed up on the implementation of recommendations adopted by Management to ensure all key issues identified are addressed.
- ✓ Developed a risk-based annual audit plan.
- ✓ Carried out ad-hoc assignments and investigations requested by the Committee and/or Management.

The cost incurred for the internal audit function in respect of the financial year was approximately RM60,000.

## AUDIT & RISK COMMITTEE TERMS OF REFERENCE

**1. Constitution**

The Board of Directors ("Board") of GHL Systems Bhd. ("GHL") had resolved to establish a Committee of the Board of Directors to be known as the Audit Committee on 11 February 2003.

On 8 April 2013, the Board resolved that the Audit Committee be renamed as the Audit and Risk Committee ("ARC" or "the Committee").

**2. Composition**

The Committee shall be appointed by the Board from amongst its directors and shall comprise of not less than three (3) members of which comprise exclusively non-executive directors, a majority of whom are independent.

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

- A registered member of the Malaysian Institute of Accounts ("MIA"); and
- If he or she is not a registered 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, 1967; or
  - He or she must be a member of the Associations of Accountants specified in Part II of the Accountants Act, 1967; or
  - Fulfil any other requirements as may be prescribed by Bursa Malaysia Securities Berhad pursuant to the Main Market Listing requirements ("Listing Requirements").

No alternate director shall be appointed as a member of the Committee.

**3. Chairman of the Committee**

The Committee shall elect a Chairman from among its members and the elected Chairman shall be an Independent Director.

In the event the elected Chairman is not able to attend a meeting, a member of the Committee shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent Director.

**4. Meetings of the Committee**

**Frequency**
The Committee shall meet at least four (4) times a year. In addition, the Chairman shall call for a meeting of the Committee if so requested by any member of the Committee, the Board of Directors, and the internal or external auditors. Prior notice shall be given for the Committee's meetings.

The Committee may, as and when necessary, invite other members of the Board, the Internal Auditor and/or members of management to attend the meetings to provide further information or details on matters that are being discussed and deliberated.

**Quorum**
A minimum of two (2) members shall form the quorum, both of whom shall be independent directors.

**Secretary of the Committee**
The Company Secretary shall be the secretary of the Committee and will record, prepare and circulate the minutes of the meetings of the Committee and ensure that the minutes are properly kept and produced for inspection if required. The Committee shall report to the Board and its minutes tabled and noted by the Board.

**5. Authority**

The Committee is authorized by the Board as follows:

a) Have explicit authority to review or investigate any matter within its terms of reference;
b) Have the resources which it needs to perform its duties;
c) Have full and unrestricted access to any information pertaining to GHL and its subsidiaries and associated companies ("Group") and management which it requires in the course of performing its duties, and all directors and employees of the Group are required to comply with the requests made by the Committee;
d) Have unrestricted access to the Chief Executive Officer and the Chief Financial Officer;
e) Have direct communication channels and be able to convene meetings with the external auditors and internal auditors; without the presence of the non-independent members of the Committee, whenever deemed necessary;
f) Be able to obtain external professional advice in the performance of its duties and secure the attendance of external parties with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Group. In the event that any member of the Committee needs to seek external professional advice in furtherance of his or her duties, he or she shall first consult with and obtain approval of the Chairman of the Committee.

**6. Duties and Responsibilities**

The responsibilities and duties of the Committee shall include the following:

(a) Financial Reporting
   i. To review the quarterly and annual financial statements of the Group prepared by the management, where necessary, together with the external auditor.

(b) External Audit
   i. To review and discuss with external auditor the audit plan, nature and scope of audit;
   ii. To review the external auditor's audit report, and management letter and management's response to the management letter;
   iii. To meet at least twice a year with external auditors without the presence of executive board members and management to discuss any matters or issues arising from the interim and final audits, including the level of assistance and cooperation given by the Group employees, and any other matter the external auditor may wish to discuss;
   iv. To review with the external auditor the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report;

v. To review and assess each year the independence of the external auditor;
vi. To review on an annual basis and make recommendations to the Board, the appointment or re-appointment of the external auditor;
vii. To review any matters concerning audit fee and the reasons for the resignation or dismissal of the external auditor.

(c) Internal Audit Function
i. To review the effectiveness of internal audit function, including the ability, competency and qualification of the internal audit team and/or outsourced internal auditors (if any) to perform its duties;
ii. To review the adequacy of the scope, functions competency and resources, and that it has the necessary authority to carry out its work;
iii. To review and approve the internal audit plan and the internal audit report and, where necessary, ensure that appropriate actions are taken on the recommendations made by the internal audit function;
iv. To receive and review on a regular basis the reports, findings and recommendations of the internal audit team and/or outsourced internal auditors and to ensure that appropriate actions have been taken to implement the audit recommendations;
v. to ensure the internal audit team and/or outsourced internal auditors has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties;
vi. To review any matters concerning the employment or appointment (and re-appointment) of the in-house and/or the outsourced internal auditors (as the case may be) and the reasons for resignation or termination of either party;
vii. To request and review any special audit which the Committee deems necessary.

(d) Related Party Transaction/Conflict of Interest Situations
i. To review all related party transactions that already or may arise and ensure such transactions are reported in the financial reports;
ii. To consider the potential conflict of interest situation and monitor the conflict mitigation.

(e) Risk Management and Internal Control
The Board has delegated to the ARC the task of undertaking a periodic review of the effectiveness, adequacy and integrity of the Groups' risk management framework and internal control systems. The Board has also established a Risk Management Committee ("RMC"), headed by the Chief Executive Officer, which shall report at least twice a year to the ARC.

i. To assess that proper processes exists for determining, monitoring and reviewing the risk profile of the Groups and the proper communication this to the relevant business units;
ii. To assess whether risk policies and procedures exist;
iii. To assess managements' process for identifying, evaluating and addressing risks;
iv. To assess managements' process for monitoring internal controls and risk management and to provide reasonable assurance that they continue to operate as intended and are modified as business conditions change;
v. To assess managements' efforts to embed a risk management in all aspects of the Group's activities and promoting a risk awareness culture within the Group;
vi. To assess the adequacy of infrastructure, resources and systems for effective risk management;
vii. To review and assess on an on-going basis, the periodic reports of the RMC to the Committee, including discussing with the senior management on any significant issues that require, or are subject to, remedial action or recommendations and actions taken thereon;
viii. To receive formal feedback from the head of the internal audit function, the outsourced internal auditor (if any) and the external auditor on the adequacy of risk management and internal controls systems;

ix. To conduct an annual assessment, including seeking assurance from the Chief Executive Officer and Chief Financial Officer whether the risk management and internal control systems of the Group have been adequate and effective in all material aspects during the year under review and up to the date of approval of the statement for including in the annual report.

(f) Audit Reports
To prepare the annual Audit Committee report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of internal audit services and summary of the activities for inclusion in the Annual Report and to review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the Annual Report.

(g) Others
To consider any other matters as delegated by the Board.

**7. Rights of Auditors**

The external auditors and internal auditors have the right to appear and be heard at any meeting of the Committee and shall so appear when required by the Committee.

Upon the request of the external auditors or internal auditors or outsourced internal auditors (if any), the Chairman of the 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.

**8. Functional Independence**

The Committee shall function independently of the other directors and officers of the Group. Such other directors and officers may attend any particular Committee meeting only at the Committee's invitation, specific to the relevant meeting.

**9. Retirement and Resignation**

A member of the Committee who wishes to retire or resign should provide sufficient written notice to Board so that a replacement may be appointed before he or she leaves. In the event of any vacancy in the Committee resulting in the non-compliance of paragraph 15.09(1) of the Listing Requirements, the Board shall fill the vacancy within three months from the date of the vacancy.

**10. Revision and updates**

This Term of Reference will be reviewed and updated at least once a year to ensure it remains consistent with the Committee's objectives and responsibilities.

# Statement On Risk Management And Internal Control

## RESPONSIBILITY OF THE BOARD

The Board recognizes that a sound framework of risk management and internal controls is fundamental to good corporate governance and at the same time, safeguards the Groups assets and reputation and also protects the interest of all stakeholders'. Towards this end, the Board is committed to the establishment of a sound risk management framework and internal control system for the Group and for ensuring its effectiveness, adequacy and integrity through a process of periodic review. The Board has delegated the responsibility of undertaking this process of periodic review to the Audit and Risk Committee, whose responsibilities and duties are detailed in the Audit & Risk Committee Report section of this Annual Report. However, the Board as a whole remains ultimately responsible for the effectiveness, adequacy and integrity of the system of risk management and internal controls.

The Board recognizes the integral role of key management in the risk management and internal controls process. In this regard, the Board has established a Risk Management Committee, headed by the Group Chief Executive Officer, to identify and assess the risks faced by the Group and thereafter to design, implement and monitor appropriate risk management processes and internal controls to address and mitigate such risks.

The Board also acknowledges the limitations that are inherent in any system of risk management and internal controls, and that such systems are designed to identify and mitigate, rather than eliminate the risks that may impede the achievement of the Group's business objectives and goals. Accordingly, any risk management and internal control systems can only provide reasonable combination of preventive, detective and corrective measures but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations.

## RISK MANAGEMENT

Risk management is regarded by the Board as an important aspect of the Group's increasingly diverse and expanding activities. In recent years, the Group's business has rapidly expanded beyond its traditional Share Services segment into areas such as Solutions and Transaction Payment Acquisition which are expected to show higher growth in the coming years. Similarly, the Group is committing resources to grow its overseas markets such as Thailand and Philippines.

The Board recognizes that expansion into newer areas of business and operating in different countries can involve new and different risk considerations which can change rapidly. Following the discovery of irregular transactions in the Groups' China operations in 2011, which was reported in our 2011 Annual Report, the Board and management have during 2012, undertaken a series of steps to strengthen the Groups' governance and risk management framework to identify, assess, mitigate, report and monitor significant risks in an effective manner.

**Risk Management Framework**

In 2012, the Board established the Risk Management Committee ("RMC") as a key component of the Risk Management Framework. The RMC, which is headed by the Groups' Chief Executive Officer, comprises the Group's Chief Financial Officer and other senior management (including from each country). The RMC has the following broad responsibilities:

- To identify and assess on an ongoing basis, the risks faced by the Group and thereafter to design, implement appropriate risk management processes and internal controls to address and mitigate such risks in an effective manner;
- To periodically assess and review the continued effectiveness and appropriateness of risk management processes;
- To determine and recommend to the Board the Groups' risk appetite and tolerance;

# Statement On Risk Management And Internal Control (Cont'd)

- To continuously promote an effective risk awareness culture throughout the Group through written and other forms of communication to employees and stakeholders;
- To be accountable and periodically report to the Board, through the Audit & Risk Committee, for the design, implementing and monitoring of the system of risk management and providing assurance to the Board that it has done so.

The Head of Group Internal Audit function shall be invited to attend all meetings of the RMC and provides the Audit and Risk Committee with an independent assessment of the adequacy and reliability of the risk management processes and compliance with risk policies.

In 2012, the RMC had its initial meeting in May and its findings and intended actions were reported to the Audit & Risk Committee in November. It is intended that going forward, the RMC will meet at least twice a year and report to the Audit & Risk Committee.

## KEY INTERNAL CONTROL PROCESSES

The Groups' internal control system comprises the following key processes:

**Organization Structure**

A Group structure which clearly outlines the authority, reporting lines of responsibilities and appropriate levels of delegation and segregation of duties and accountability.

**Board Committee**

Certain responsibilities are delegated to Board Committees who operate under clearly defined Terms of Reference which are reviewed regularly.

**Policies and Procedures**

The Group has defined procedures and controls to ensure the reporting of complete and accurate financial information. Human Resources polices require recruitment of experienced, skilled and professional staff with the necessary caliber to fulfill the respective responsibilities and ensuring that minimum controls are in place. The policies and procedures are also reviewed on a regular basis to ensure relevance and effectiveness.

**Audit and Risk Committee**

Subsequent to the year end, the Board re-designated the Audit Committee as the Audit & Risk Committee. The Audit & Risk Committee comprises exclusively independent non-executive directors and is tasked by the Board to periodically review the effectiveness, adequacy and integrity of the Groups' risk management framework and internal control system.

The Committee meets at least quarterly to, inter alia, review the findings of the Group Internal Auditor and the outsourced internal audit service provider, consider the findings and recommendations of the RMC, discuss risk management issues and ensures that weaknesses and ensures issues highlighted are appropriately addressed by the Management and reports it findings to the Board.

# Statement On Risk Management And Internal Control (Cont'd)

**Internal Audit Function**

As part of the Groups' efforts to establish a sound framework for risk management and internal control, the Group has established an in-house audit function, led by the Group Internal Auditor, as a key component of its internal control process. The Group Internal Auditor provides assurance on a quarterly basis, to the Board, via the Audit & Risk Committee, that the Groups' internal controls system is regularly reviewed for adequateness, effectiveness and properly implemented. In providing this assurance, the Internal Group Auditor works closely with the outsourced internal audit service provider, which also reports its findings on quarterly basis to the Audit & Risk Committee. The Group Internal Auditor shall be invited to all meetings of RMC and provides Audit & Risk Committee with an independent assessment of the adequacy and reliability of the risk management processes and compliance with risk policies.

During 2012, the internal audit function conducted reviews in accordance with the risk based internal audit plan approved by the Audit & Risk Committee. Based on the internal audit reviews carried out, the results were presented to the Audit & Risk Committee at their quarterly meetings.

**Outsourced Internal Audit Service Provider**

The Group has historically engaged an external independent party to provide internal audit services. The outsourced internal audit service provider has the mandate to work closely with the Group Internal Auditor to determine the Groups' internal audit plan for the year and reports its finding and recommendations to the Audit & Risk Committee on a quarterly basis.

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

**Operational Monitoring and Controls**

Regular and comprehensive management meetings are held 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.

During 2012, the Quality Assurance & Operation Analysis ("QAOA") department was established to assist Management to monitor operational quality and productivity by producing regular statistics and reports to assess the quality and productivity and recommend appropriate actions.

**Control Environment**

Training and annual appraisal systems are implemented for the employees at all levels within the group to ensure continuity and frequent update of the control culture in their day to day working environment.

**Information Technology Control and Security**

*Disaster Recovery Backup Plan*

A Disaster recovery ("DR") backup plan has been established for the processing aspects of the business in Malaysia in order to ensure continuity of the business operations in the event of IT-disabling disaster strikes. The DR that has been established is tested from time to time and enhanced whenever required. The technology division continues to enhance the DR capability to cover all key aspects of the business, including our overseas subsidiaries. Completion of this exercise will be in phases and expected to be fully completed in 2013.

# Statement On Risk Management And Internal Control (Cont'd)

*Payment Card Industry Data Security Standard (PCI DSS)*

During financial year 2012, the Company obtained the Certificate of Payment Card Industry Data Security Standards ("PCI DSS") 2.0 Compliance by meeting all the requirements set out by PCI Security Standards Council ("SSC"). PCI DSS is an actionable framework established by PCI SSC to ensure the safe handling of cardholder information at every step. PCI DSS covers systems, policies and procedure around the followings:

- Building and maintaining a secure network
- Data privacy and information security policy
- Maintaining a vulnerability management program
- Implementation of strong access control

**Insurance**

Adequate insurance of major assets; building and machinery in all operating divisions and subsidiary companies is in place to ensure the Group's assets are sufficiently covered against any calamity that will result in material losses to the Group and/or its subsidiary companies.

## BOARD ASSESSMENT

The Board is of the view that the Group's overall risk management and internal control system was adequate and effective in all material aspects during 2012 and have received the same assurance from both the Chief Executive Officer and Chief Financial Officer of the Group. The Board however recognizes that risk management is an evolving process in a changing business environment. The Board is committed to continuously monitor the adequacy and effectiveness of and where appropriate, enhancing the Groups' risk management framework and internal control system.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement of Risk Management and Internal Control for the inclusion in the annual report of the Company and of the Group for the financial year ended 31 December 2012 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 risk management and internal controls.

This statement is approved by the Board of Directors on 8 April 2013.

# 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 2012.

## 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 5 to the financial statements.

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

## FINANCIAL RESULTS

| | Group RM | Company RM |
|---|---|---|
| Net profit/(loss) for the financial year | 4,351,752 | (40,370,143) |
| Attributable to: | | |
| Owners of the parent | 4,370,174 | |
| Non-controlling interest | (18,422) | |
| | 4,351,752 | |

## 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 current financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 1,000,000 new ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options at a weighted average exercise price of RM0.50 per ordinary shares.

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

# Directors' Report
(Cont'd)

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## 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 has expired at the conclusion of the 17th AGM of the Company on 27 April 2011.

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 2012.

As at 31 December 2012, the total number of treasury shares held by the Company is 1,415,901 (31.12.2011: 1,415,901, 1.1.2011: 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 lapsed on 2 November 2012.

The salient features and other terms of the ESOS are disclosed in Note 29 to the financial statements.

The Company has been granted exemption pursuant to Section 169(11) of the Companies Act, 1965 by the Companies Commission of Malaysia from having to disclose the names of option holders, other than Directors, who have been granted options to subscribe for less than 250,000 ordinary shares of RM0.50 each.

# Directors' Report
(Cont'd)

## EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

The list of employees granted options to subscribe for 250,000 and above ordinary shares of RM0.50 each during the financial year are as follows:

| | Option Price RM | <---------------- No. of options over ordinary shares of RM0.50 each ----------------> At 01.01.2012 | Granted | Lapsed | At 31.12.2012 |
|---|---|---|---|---|---|
| Ng Chin Keong | 0.50 | 131,200 | 368,800 | 500,000 | - |
| Amphol Suwantherangkoon | 0.50 | - | 500,000 | 500,000 | - |
| Alfieri, Herve Jean | 0.50 | 105,000 | 395,000 | 500,000 | - |
| Law Kim Ling | 0.50 | - | 250,000 | 250,000 | - |
| Liew Siau Fei | 0.50 | - | 250,000 | 250,000 | - |
| Teoh Sue En | 0.50 | - | 250,000 | 250,000 | - |
| Melvin Poi Chew Yuen | 0.50 | - | 250,000 | 250,000 | - |

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

## DIRECTORS

The Directors in office since the date of the last report are as follows:

Loh Wee Hian
Goh Kuan Ho
Fong Seow Kee
Ng King Kau
Kanagaraj Lorenz
Datuk Kamaruddin Bin Taib *(Appointed on 26.04.2012)*

## 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 01.01.2012 | Acquired | Options | Disposed | At 31.12.2012 |
|---|---|---|---|---|---|
| **Direct interest:** | | | | | |
| Loh Wee Hian | 31,621,734 | 7,278,100 | - | - | 38,899,834 |
| Goh Kuan Ho | 14,619,104 | - | 1,000,000 | 5,000,000 | 10,619,104 |
| Kanagaraj Lorenz | 500,000 | 503,000 | - | - | 1,003,000 |
| Ng King Kau | - | 677,900 | - | - | 677,900 |
| **Indirect interest:** | | | | | |
| Loh Wee Hian | - | 3,258,800 | - | - | 3,258,800 |

## DIRECTORS' INTERESTS (CONT'D)

| | Option Price RM | <------------------------- No. of options over ordinary shares of RM0.50 each At 01.01.2012 | Granted | Exercise | Lapsed | At 31.12.2012 --------------------------> |
|---|---|---|---|---|---|---|
| Kanagaraj Lorenz | 0.50 | - | 1,500,000 | - | 1,500,000 | - |
| Fong Seow Kee | 0.50 | - | 1,000,000 | - | 1,000,000 | - |
| Ng King Kau | 0.50 | - | 1,000,000 | - | 1,000,000 | - |
| Goh Kuan Ho | 0.50 | - | 1,000,000 | 1,000,000 | - | - |

By virtue of his interest in the shares of the Company, Loh Wee Hian is 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.

## 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 25 to the financial statements.

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 profit or loss and other 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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision for doubtful debts was made; and

(ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company 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:

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

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

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

## OTHER STATUTORY INFORMATION (CONT'D)

(c) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(ii) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

## SIGNIFICANT EVENTS

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

## SUBSEQUENT EVENTS

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

## AUDITORS

The Auditors, Messrs UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 8 April 2013.

LOH WEE HIAN

KANAGARAJ LORENZ

KUALA LUMPUR

# Statement By Directors

## Pursuant To Section 169(15) Of The Companies Act, 1965

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 50 to 135 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 at 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in page 136 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 on behalf of the Board of Directors in accordance with a resolution of the Directors dated 8 April 2013.

LOH WEE HIAN

KANAGARAJ LORENZ

KUALA LUMPUR

# 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 to the best of my knowledge and belief, the financial statements set out on pages 50 to 135 are 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 at KUALA LUMPUR in the Federal Territory on 8 April 2013

KANAGARAJ LORENZ

Before me,

PESURUHJAYA SUMPAH
W 409
LEONG CHIEW KEONG
MALAYSIA

Suite 8-8-2, Menara Mutiara Bangsar,
Jalan Liku, Off Jalan Riong,
Bangsar,
59100 Kuala Lumpur

COMMISSIONER FOR OATHS

# Independent Auditors' Report

## To The Members Of GHL SYSTEMS BERHAD

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

## 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 2012 of the Group and of the Company, and statements of profit or loss and other 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 50 to 135.

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

The Directors of the Company are responsible for the preparation of the financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the directors determine are 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

# Independent Auditors' Report

## To The Members Of GHL SYSTEMS BERHAD (Cont'd)

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

### 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 5 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 on page 136 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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 Malaysian 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

1. As stated in Note 2(a) and Note 40 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

# Independent Auditors' Report
## To The Members Of GHL SYSTEMS BERHAD (Cont'd)
(Company No.: 293040 - D) (Incorporated in Malaysia)

2. 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
Firm Number: AF 1411
Chartered Accountants

LO KUAN CHE
Approved Number: 3016/11/14 (J)
Chartered Accountant

KUALA LUMPUR
8 April 2013

# Statements Of Financial Position
## As At 31 December 2012

| | | <------ Group | ------ | ------> | <------ Company | ------ | ------> |
|---|---|---|---|---|---|---|---|
| | | 31.12.2012 | 31.12.2011 | 1.1.2011 | 31.12.2012 | 31.12.2011 | 1.1.2011 |
| | Note | RM | RM | RM | RM | RM | RM |
| **Non-Current Assets** | | | | | | | |
| Property, plant and equipment | 4 | 30,434,403 | 22,734,295 | 45,153,939 | 9,930,078 | 10,541,451 | 12,641,119 |
| Investment in subsidiary companies | 5 | - | - | - | 2 | 6,064,614 | 10,998,435 |
| Intangible asset | 6 | 156,690 | - | - | - | - | - |
| Goodwill on consolidation | 7 | - | - | 1,096,239 | - | - | - |
| Deferred tax assets | 8 | 1,200,000 | - | - | - | - | - |
| | | 31,791,093 | 22,734,295 | 46,250,178 | 9,930,080 | 16,606,065 | 23,639,554 |
| **Current Assets** | | | | | | | |
| Inventories | 9 | 8,302,416 | 5,670,258 | 6,538,138 | 3,314,317 | 3,462,968 | 2,663,867 |
| Trade receivables | 10 | 11,753,169 | 11,328,096 | 13,173,391 | 2,431,951 | 2,838,802 | 2,086,177 |
| Other receivables | 11 | 2,141,581 | 1,651,331 | 5,773,194 | 290,845 | 222,951 | 353,506 |
| Amounts owing by subsidiary companies | 12 | - | - | - | 6,640,445 | 38,947,183 | 49,987,606 |
| Tax recoverable | 13 | 204,022 | 205,912 | 129,077 | 186,444 | 117,955 | 22,410 |
| Fixed deposits with licensed banks | 14 | 1,551,645 | 2,482,440 | 2,121,037 | 649,103 | 1,623,533 | 1,240,091 |
| Cash and bank balances | | 15,441,272 | 18,414,397 | 10,571,573 | 2,274,673 | 3,163,110 | 1,216,209 |
| | | 39,394,105 | 39,752,434 | 38,306,410 | 15,787,778 | 50,376,502 | 57,569,866 |
| **Total Assets** | | 71,185,198 | 62,486,729 | 84,556,588 | 25,717,858 | 66,982,567 | 81,209,420 |
| **Equity** | | | | | | | |
| Share capital | 15 | 73,401,050 | 72,901,050 | 72,901,050 | 73,401,050 | 72,901,050 | 72,901,050 |
| Reserves | 16 | (31,451,740) | (36,444,692) | (10,767,918) | (54,322,797) | (13,952,654) | 1,681,707 |
| Treasury shares | 17 | (638,221) | (638,221) | (638,221) | (638,221) | (638,221) | (638,221) |
| Equity attributable to owners of the Company | | 41,311,089 | 35,818,137 | 61,494,911 | 18,440,032 | 58,310,175 | 73,944,536 |
| Non-controlling interest | | (18,422) | - | - | - | - | - |
| **Total Equity** | | 41,292,667 | 35,818,137 | 61,494,911 | 18,440,032 | 58,310,175 | 73,944,536 |
| **Non-Current Liabilities** | | | | | | | |
| Hire purchase payables | 18 | 812,299 | 1,168,234 | 43,721 | 284,785 | 60,179 | 43,721 |
| Bank borrowings | 19 | 1,889,251 | 2,343,342 | 2,618,551 | 1,889,251 | 2,343,342 | 2,618,551 |
| Deferred tax liabilities | 8 | 807,473 | 952,173 | - | 807,473 | 952,173 | - |
| Deferred income | 20 | 4,289,562 | 2,073,759 | - | - | - | - |
| | | 7,798,585 | 6,537,508 | 2,662,272 | 2,981,509 | 3,355,694 | 2,662,272 |

# Statements Of Financial Position
## As At 31 December 2012 (Cont'd)

| | Note | <---- Group | ---- | ----><---- | Company | ---- | ----> |
|---|---|---|---|---|---|---|---|
| | | 31.12.2012 | 31.12.2011 | 1.1.2011 | 31.12.2012 | 31.12.2011 | 1.1.2011 |
| | | RM | RM | RM | RM | RM | RM |
| **Current Liabilities** | | | | | | | |
| Hire purchase payables | 18 | 828,314 | 753,941 | 527,889 | 95,450 | 53,930 | 510,852 |
| Bank borrowings | 19 | 842,382 | 203,174 | 182,518 | 842,382 | 203,174 | 182,518 |
| Trade payables | 21 | 4,392,209 | 2,031,279 | 5,246,194 | 830,341 | 905,318 | 912,247 |
| Other payables | 22 | 15,778,597 | 17,142,690 | 14,442,804 | 2,528,144 | 4,154,276 | 2,542,113 |
| Amount owing to a subsidiary company | 12 | - | - | - | - | - | 454,882 |
| Tax payables | | 252,444 | - | - | - | - | - |
| | | 22,093,946 | 20,131,084 | 20,399,405 | 4,296,317 | 5,316,698 | 4,602,612 |
| **Total Liabilities** | | 29,892,531 | 26,668,592 | 23,061,677 | 7,277,826 | 8,672,392 | 7,264,884 |
| **Total Equity and Liabilities** | | 71,185,198 | 62,486,729 | 84,556,588 | 25,717,858 | 66,982,567 | 81,209,420 |

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

# Statements Of Profit Or Loss

## And Other Comprehensive Income
## For The Financial Year Ended 31 December 2012

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| | Note | RM | RM | RM | RM |
| Revenue | 23 | 53,474,856 | 62,726,298 | 16,116,754 | 24,573,789 |
| Cost of sales | | (13,138,804) | (19,790,477) | (5,309,379) | (9,299,906) |
| Gross profit | | 40,336,052 | 42,935,821 | 10,807,375 | 15,273,883 |
| Other income | | 1,188,476 | 1,213,788 | 6,590,852 | 799,508 |
| Payroll expenses | | (19,261,298) | (21,505,754) | (3,819,807) | (7,652,005) |
| Administration expenses | | (8,260,795) | (12,607,300) | (51,034,546) | (19,960,240) |
| Distribution expenses | | (2,976,655) | (3,668,451) | (853,028) | (1,028,970) |
| Other expenses | | (1,708,757) | (25,112,720) | (112,857) | (176,164) |
| | | 9,317,023 | (18,744,616) | (38,422,011) | (12,743,988) |
| Depreciation | | (5,921,955) | (6,113,616) | (1,807,681) | (2,025,028) |
| Finance costs | 24 | (211,183) | (224,253) | (149,185) | (164,380) |
| Profit/(Loss) before taxation | 25 | 3,183,885 | (25,082,485) | (40,378,877) | (14,933,396) |
| Taxation | 26 | 1,167,867 | (966,439) | 8,734 | (956,628) |
| Net profit/(loss) for the financial year | | 4,351,752 | (26,048,924) | (40,370,143) | (15,890,024) |
| Other comprehensive income | | | | | |
| Items that may be reclassified<br>Foreign exchange differences, representing net gain not recognised in statement of comprehensive income | | 622,778 | 116,487 | - | - |
| Total comprehensive income for the financial year | | 4,974,530 | (25,932,437) | (40,370,143) | (15,890,024) |

# Statements Of Profit Or Loss
## And Other Comprehensive Income
## For The Financial Year Ended 31 December 2012 (Cont'd)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| | Note | RM | RM | RM | RM |
| Net profit/(loss) for the financial year, representing total comprehensive income for the financial year | | 4,974,530 | (25,932,437) | (40,370,143) | (15,890,024) |
| Net profit/(loss) for the financial year attributable to: | | | | | |
| Owners of the Company | | 4,370,174 | (26,048,924) | | |
| Non-controlling interest | | (18,422) | - | | |
| | | 4,351,752 | (26,048,924) | | |
| Other comprehensive income attributable to: | | | | | |
| Owners of the Company | | 4,992,952 | (25,932,437) | | |
| Non-controlling interest | | (18,422) | - | | |
| | | 4,974,530 | (25,932,437) | | |
| Earning per share attributable to owners of the parent (sen): | | | | | |
| Basic | 27(a) | 3.01 | (18.04) | | |
| Fully diluted | 27(b) | 3.01 | (18.04) | | |

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

# Statements Of Changes In Equity

## For The Financial Year Ended 31 December 2012

| Group | Share capital RM | Foreign exchange reserves RM | ESOS reserves RM | Treasury shares RM | Retained earnings/ (Accumulated losses) RM | Total RM | Non-controlling interest RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| | <------------------------ Attributable to Owners of the parent ------------------------> | | | | | | | |
| | <----------- Non-Distributable -----------> | | | <------- Distributable -------> | | | | |
| At 1 January 2011 | 72,901,050 | (1,255,024) | 257,915 | (638,221) | (9,770,809) | 61,494,911 | - | 61,494,911 |
| Net loss for the financial year | - | - | - | - | (26,048,924) | (26,048,924) | - | (26,048,924) |
| Other comprehensive income for the financial year | | | | | | | | |
| Foreign exchange translation reserve | - | 116,487 | - | - | - | 116,487 | - | 116,487 |
| Total comprehensive income for the financial year | - | 116,487 | - | - | (26,048,924) | (25,932,437) | - | (25,932,437) |
| **Transaction with owners:** | | | | | | | | |
| Share based payments | - | - | 255,663 | - | - | 255,663 | - | 255,663 |
| At 31 December 2011 | 72,901,050 | (1,138,537) | 513,578 | (638,221) | (35,819,733) | 35,818,137 | - | 35,818,137 |
| At 1 January 2012 | 72,901,050 | (1,138,537) | 513,578 | (638,221) | (35,819,733) | 35,818,137 | - | 35,818,137 |
| Net profit for the financial year | - | - | - | - | 4,370,174 | 4,370,174 | (18,422) | 4,351,752 |
| Other comprehensive income for the financial year | | | | | | | | |
| Foreign exchange translation reserve | - | 622,778 | - | - | - | 622,778 | - | 622,778 |
| Total comprehensive income for the financial year | - | 622,778 | - | - | 4,370,174 | 4,992,952 | (18,422) | 4,974,530 |
| **Transaction with owners:** | | | | | | | | |
| ESOS expired | - | - | (513,578) | - | 513,578 | - | - | - |
| Issuance of ordinary shares | 500,000 | - | - | - | - | 500,000 | - | 500,000 |
| Total transaction with owners | 500,000 | - | (513,578) | - | 513,578 | 500,000 | - | 500,000 |
| At 31 December 2012 | 73,401,050 | (515,759) | - | (638,221) | (30,935,981) | 41,311,089 | (18,422) | 41,292,667 |

# Statements Of Changes In Equity
## For The Financial Year Ended 31 December 2012 (Cont'd)

| | <------ Non-Distributable | ------> | <---------- Distributable | ----------> | |
|---|---|---|---|---|---|
| **Company** | **Share capital RM** | **ESOS reserves RM** | **Treasury shares RM** | **Retained earnings/ (Accumulated losses) RM** | **Total RM** |
| 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) |
| **Transaction with owners:** | | | | | |
| Share based payments | - | 255,663 | - | - | 255,663 |
| At 31 December 2011 | 72,901,050 | 513,578 | (638,221) | (14,466,232) | 58,310,175 |
| At 1 January 2012 | 72,901,050 | 513,578 | (638,221) | (14,466,232) | 58,310,175 |
| Net loss for the financial year representing total comprehensive income for the financial year | - | - | - | (40,370,143) | (40,370,143) |
| **Transaction with owners:** | | | | | |
| ESOS expired | - | (513,578) | - | 513,578 | - |
| Issuance of ordinary shares | 500,000 | - | - | - | 500,000 |
| Total transaction with owners | 500,000 | (513,578) | - | 513,578 | 500,000 |
| At 31 December 2012 | 73,401,050 | - | (638,221) | (54,322,797) | 18,440,032 |

# Statement Of Cash Flows

## For The Financial Year Ended 31 December 2012

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM |
| **Cash Flows From Operating Activities** | | | | |
| Profit/(Loss) before taxation | 3,183,885 | (25,082,485) | (40,378,877) | (14,933,396) |
| Adjustments for: | | | | |
| Bad debts written off | 1,655 | 6,741 | 2,374,418 | 141,858 |
| Depreciation of property, plant and equipment | 5,921,955 | 6,113,616 | 1,807,681 | 2,025,028 |
| Impairment loss on property, plant and equipment | 193,888 | 20,861,429 | 193,888 | - |
| Impairment loss on investment in subsidiary companies | - | - | 6,064,614 | 5,833,821 |
| Impairment loss on goodwill | 712,595 | 1,096,239 | - | - |
| Impairment loss on trade receivables | 262,031 | 1,506,463 | 195,336 | 87,411 |
| Impairment loss on other receivables | - | 386,944 | - | 6,951 |
| Impairment loss on amount owing by subsidiary companies | - | - | 37,485,245 | 10,458,140 |
| Interest expense | 211,183 | 224,253 | 149,185 | 164,380 |
| Interest income | (277,291) | (204,502) | (98,617) | (39,840) |
| Inventories written off | 862,977 | - | 812,019 | - |
| (Gain)/Loss on disposal of property, plant and equipment | (410,003) | 1,853,175 | (7,932) | 19,671 |
| Property, plant and equipment written off | 227,200 | 4,452 | 1,623 | 1,477 |
| Property, plant and equipment written back | (3,257) | (5,775) | - | - |
| (Reversal)/Provision for loss on disposal of property, plant and equipment | (400,000) | 400,000 | (400,000) | 400,000 |
| Reversal of impairment loss on trade receivables | (221,779) | (204,008) | - | (127,850) |
| Goodwill arising from acquisition of subsidiary company | (712,595) | - | - | - |
| Loss on strike off of subsidiaries | 75,732 | - | - | - |
| Reversal of impairment loss on amount owing by subsidiary companies | - | - | (2,976,890) | (481,661) |
| Waiver of debts | - | - | (3,105,900) | - |
| Share based payment | - | 255,663 | - | 255,663 |
| Unrealised loss/(gain) on foreign exchange | 10,776 | (38,008) | 24,643 | (147,186) |
| Operating profit before working capital changes | 9,638,952 | 7,174,197 | 2,140,436 | 3,664,467 |

# Statement Of Cash Flows
## For The Financial Year Ended 31 December 2012 (Cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM |
| **Cash Flows From Operating Activities (Cont'd)** | | | | |
| Changes in working capital: | | | | |
| Inventories | (2,650,218) | 867,880 | (663,368) | (799,101) |
| Trade and other receivables | (2,156,849) | 3,236,550 | 143,619 | (588,582) |
| Trade and other payables | 5,813,510 | 2,231,206 | (1,301,112) | 1,205,234 |
| Amount owing by/to subsidiary companies | - | - | (1,470,133) | 467,204 |
| | 1,006,443 | 6,335,636 | (3,290,994) | 284,755 |
| Cash generated from/(used in) operations | 10,645,395 | 13,509,833 | (1,150,558) | 3,949,222 |
| Interest received | 277,291 | 204,502 | 98,617 | 39,840 |
| Interest paid | (211,183) | (224,253) | (149,185) | (164,380) |
| Tax paid | (1,890) | (104,160) | (204,455) | (100,000) |
| Tax refund | - | 13,059 | - | - |
| | 64,218 | (110,852) | (255,023) | (224,540) |
| Net cash generated from/(used in) operating activities | 10,709,613 | 13,398,981 | (1,405,581) | 3,724,682 |
| **Cash Flows From Investing Activities** | | | | |
| Purchase of property, plant and equipment | (14,053,309) | (5,691,839) | (1,339,481) | (246,758) |
| Purchase of additional shares in a subsidiary company | - | - | (2) | (900,000) |
| Proceeds from disposal of property, plant and equipment | 717,849 | 1,605,925 | 290,594 | 400,250 |
| Net cash ouflow from disposal of subsidiary company (Note 5) | (202,738) | - | - | - |
| Addition in intangible asset | (156,690) | - | - | - |
| Net cash outflow from acquisition of subsidiary company (Note 5) | (450,697) | - | - | - |
| Net cash used in investing activities | (14,145,585) | (4,085,914) | (1,048,889) | (746,508) |
| **Cash Flows From Financing Activities** | | | | |
| Drawdown of bank borrowings | 450,000 | - | 450,000 | - |
| (Increase)/Decrease in fixed deposits pledged | (105,839) | 534,853 | (79,569) | 555,058 |
| Proceeds from issuance of shares | 500,000 | - | 500,000 | - |
| Repayment of hire purchase payables | (766,562) | (936,218) | (68,874) | (540,464) |
| Repayment of bank borrowings | (264,883) | (254,553) | (264,881) | (254,553) |
| Net cash (used in)/generated from financing activities | (187,284) | (655,918) | 536,676 | (239,959) |

# Statement Of Cash Flows

## For The Financial Year Ended 31 December 2012 (Cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM |
| **Net (decrease)/increase in cash and cash equivalents** | (3,623,256) | 8,657,149 | (1,917,794) | 2,738,215 |
| **Effect of exchange rate fluctuations** | (386,503) | 81,931 | (24,643) | 147,186 |
| **Cash and cash equivalents at beginning of the financial year** | 19,468,397 | 10,729,317 | 4,217,110 | 1,331,709 |
| **Cash and cash equivalents at end of the financial year** | 15,458,638 | 19,468,397 | 2,274,673 | 4,217,110 |
| **Cash and cash equivalents at end of financial year comprises:** | | | | |
| Cash and bank balances | 15,441,272 | 18,414,397 | 2,274,673 | 3,163,110 |
| Fixed deposits with licensed banks | 1,551,645 | 2,482,440 | 649,103 | 1,623,533 |
| | 16,992,917 | 20,896,837 | 2,923,776 | 4,786,643 |
| Less: Fixed deposits pledged to licensed banks | (1,534,279) | (1,428,440) | (649,103) | (569,533) |
| | 15,458,638 | 19,468,397 | 2,274,673 | 4,217,110 |

# Notes To The Financial Statements
31 December 2012

## 1. CORPORATE INFORMATION

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

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

## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. The financial impacts on transition to MFRSs are disclosed in Note 40.

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

**Amendments effective for annual periods beginning on or after 1 July 2012**

- Amendments to MFRS 101, *Presentations of Items of Other Comprehensive Income*

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013**

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosures of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS119, *Employee Benefits (2011)*
- MFRS 127, *Separate Financial Statements (2011)*
- MFRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*

## 2. BASIS OR PREPARATION (CONT'D)

### (a) Statement of Compliance (Cont'd)

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 (Cont'd)**

- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosures of Interests in Other Entities: Transition Guidance*

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014**

- Amendments to MFRS 12, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015**

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- From the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013, except for IC Interpretation 20 which is not applicable to the Group and the Company.

- From the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.

- From the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

## 2. BASIS OR PREPARATION (CONT'D)

### (a) Statement of Compliance (Cont'd)

Material impacts of initial application of a standard, an amendment or an interpretation are discussed below:

#### (i) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139: *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's investment in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 9.

#### (ii) MFRS 10, *Consolidated Financial Statements*

MFRS 10, *Consolidated Financial Statements* introduces a new single control model to determining which investees should be consolidated. MFRS 10 supersedes MFRS 127, *Consolidated and Separate Financial Statements* and IC Interpretation 112, *Consolidation – Special Purpose Entities*. There are three elements to the definition of control in MFRS 10:

(i) Power by investor over an investee;
(ii) Exposure, or rights, to variable returns from the investors' involvement with the investee; and
(iii) Investors' ability to affect those returns through its power over the investee.

#### (iii) MFRS 11, *Joint Arrangements*

MFRS 11, *Joint Arrangements* establishes the principles for classification and accounting for joint arrangements and supersedes MFRS 131, *Interests in Joint Ventures*. Under MFRS 11, a joint arrangement may be classified as joint venture or joint operation. Interest in joint venture will be accounted for using the equity method whilst interest in joint operation will be accounted for using the applicable MFRSs relating to underlying assets, liabilities, income and expenses arising from the joint operations.

#### (iv) MFRS 13, *Fair Value Measurement*

MFRS 13, *Fair Value Measurement* establishes the principles for fair value measurement and replaces the existing guidance in different MFRSs.

#### (v) MFRS 119, *Employee Benefits (2011)*

The amendments to MFRS 119, *Employee Benefits* change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor method' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

## 2. BASIS OR PREPARATION (CONT'D)

### (a) Statement of Compliance (Cont'd)

#### (v) MFRS 119, *Employee Benefits (2011)* (Cont'd)

The amendments to MFRS 119 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application.

The initial application of other standards, amendments and interpretations is not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoption.

### (b) Basis of Measurement

The financial statements have been prepared on the historical cost basis other except as otherwise disclosed in Note 3.

### (c) Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and Company's functional currency and all values has been rounded to the nearest RM except when otherwise stated.

### (d) Use of Estimates and Judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, incomes and expenses are discussed 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 3(d)(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 2012 are disclosed in Note 4.

# Notes To The Financial Statements
## 31 December 2012 (Cont'd)

### 2. BASIS OR PREPARATION (CONT'D)

**(d) Use of Estimates and Judgements (Cont'd)**

*(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 3(i). 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 as at 31 December 2012 is disclosed in Note 7.

*(iv) Impairment of investment in subsidiary companies*

The carrying values of investment in subsidiary companies 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 generated 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 companies as at 31 December 2012 is disclosed in Note 5.

*(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 2012 is disclosed in Notes 10, 11 and 12 respectively.

## 2. BASIS OR PREPARATION (CONT'D)

**(d) Use of 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 29.

*(viii) Write-down of Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

**(a) Basis of consolidation**

**(i) Subsidiaries**

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of consolidation (Cont'd)

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

***Acquisitions on or after 1 January 2011***

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non- acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

***Acquisitions before 1 January 2011***

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

#### (iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

#### (iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of consolidation (Cont'd)

#### (v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### (vi) Transactions eliminated on consolidation

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

### (b) Foreign Currency

#### (i) Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

#### (ii) Operations Denominated in Functional Currencies Other Than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Foreign Currency (Cont'd)

#### (ii) Operations Denominated in Functional Currencies Other Than Ringgit Malaysia (Cont'd)

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

### (c) Financial Instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company become a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Financial Instruments (Cont'd)

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

**Financial Assets**

***(a) Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading or financial assets that are specifically designated into this category upon initial recognition.

Other financial assets categorised as fair value through profit or loss is subsequently measured at their fair values with the gain or loss recognised in profit or loss.

***(b) Held-to-maturity investments***

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

As at the end of the reporting period, there were no financial assets classified under this category.

***(c) Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

***(d) Available-for-sale financial assets***

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Financial Instruments (Cont'd)

#### (ii) Financial instrument categories and subsequent measurement (Cont'd)

**Financial Assets (Cont'd)**

***(d) Available-for-sale financial assets (Cont'd)***

As at the end of the reporting period, there were no financial assets classified under this category.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

**Financial Liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

#### (iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

#### (iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) 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 3(i).

*(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 profit or loss and other comprehensive income as incurred.

*(iii) Depreciation*

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

| | |
|---|---|
| Long term leasehold land and buildings | Remaining 90 years (2011: 91 years) |
| Computer equipment | 3 years |
| EDC equipment | 5 years |
| Computer software | 10 years |
| Motor vehicles | 5 years |
| Furniture, fittings and office equipment | 10 years |
| Renovation | 2 years |

The depreciable amount is determined after deducting the residual value.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) Property, Plant and Equipment (Cont'd)

*(iv) Derecognition*

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 profit or loss and other comprehensive income. On disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

### (e) Leased Assets

**(i) Finance lease**

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

**(ii) Operating lease**

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.  Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

### (f) Goodwill

Goodwill arises on business combinations are measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the equity-accounted investee.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (g) 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.

### (h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### (i) Impairment

#### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (i) Impairment (Cont'd)

#### (ii) Other assets

The carrying amounts of other assets except for investment in subsidiaries and inventories are reviewed at the end of each 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, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

### (j) Equity Instruments

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 profit or loss and other comprehensive income.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (j) Equity Instruments (Cont'd)

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.

### (k) 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 of 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*

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

*(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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (k) Employee Benefits (Cont'd)

*(iv) Employees' Share Option Scheme (Cont'd)*

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 profit or loss and other 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.

### (l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### (m) 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 rendered 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.

*(iv) Dividend Income*

Dividend income from investment is recognised when the right to receive dividend payment is established.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (n) Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

### (o) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (p) Earnings Per Share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares.

### (q) 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.

### (r) 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 not recognised in the statements of financial position and 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.

### (s) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent expenditure is capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible assets which have finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives. The useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses, are not amortised but tested for impairment annually. The assessment of indefinite useful lives is reviewed annually to determine whether the indefinite useful lives continue to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

# Notes To The Financial Statements
## 31 December 2012 (Cont'd)

### 4. PROPERTY, PLANT & EQUIPMENT

| | Long term leasehold land and buildings RM | Computer equipment RM | EDC equipment RM | Computer software RM | Motor vehicles RM | Furniture, fittings and office equipment RM | Renovation RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | |
| **Group** | | | | | | | | |
| **Cost** | | | | | | | | |
| At 1 January 2012 | 4,875,000 | 7,355,007 | 65,201,031 | 16,244,202 | 1,394,940 | 4,982,837 | 1,633,958 | 101,686,975 |
| Acquisition of subsidiary (Note 5) | - | 58,538 | - | - | - | 23,135 | - | 81,673 |
| Disposal of subsidiary (Note 5) | - | - | - | - | - | (1,540,460) | (403,965) | (1,944,425) |
| Additions | - | 1,498,261 | 12,001,796 | 124,185 | 568,028 | 246,077 | 99,962 | 14,538,309 |
| Written off | - | (6,328) | (4,333,037) | - | - | (3,556) | - | (4,342,921) |
| Disposals | - | (188,319) | (133,497) | - | (659,097) | (35,092) | - | (1,016,005) |
| Exchange difference | - | 304,333 | 322,866 | - | 4,947 | (275,668) | 4,998 | 361,476 |
| At 31 December 2012 | 4,875,000 | 9,021,492 | 73,059,159 | 16,368,387 | 1,308,818 | 3,397,273 | 1,334,953 | 109,365,082 |
| | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2012 | 295,455 | 6,850,203 | 28,562,940 | 11,677,210 | 614,186 | 3,040,060 | 1,479,592 | 52,519,646 |
| Acquisition of subsidiary (Note 5) | - | 40,434 | - | - | - | 8,730 | - | 49,164 |
| Disposal of subsidiary (Note 5) | - | - | - | - | - | (1,217,479) | (333,843) | (1,551,322) |
| Charge for the financial year | 49,242 | 531,121 | 3,331,975 | 1,115,415 | 273,647 | 531,041 | 89,514 | 5,921,955 |
| Written off | - | (6,328) | (4,107,460) | - | - | (1,933) | - | (4,115,721) |
| Disposals | - | (188,285) | (48,569) | - | (381,512) | (19,489) | - | (637,855) |
| Exchange difference | - | 277,396 | 103,079 | - | 4,733 | (204,863) | 4,592 | 184,937 |
| At 31 December 2012 | 344,697 | 7,504,541 | 27,841,965 | 12,792,625 | 511,054 | 2,136,067 | 1,239,855 | 52,370,804 |

# Notes To The Financial Statements

31 December 2012 (Cont'd)

## 4. PROPERTY, PLANT & EQUIPMENT (CONT'D)

| | Long term leasehold land and buildings RM | Computer equipment RM | EDC equipment RM | Computer software RM | Motor vehicles RM | Furniture, fittings and office equipment RM | Renovation RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | |
| **Group** | | | | | | | | |
| **Accumulated impairment** | | | | | | | | |
| At 1 January 2012 | - | - | 26,433,034 | - | - | - | - | 26,433,034 |
| Disposals | - | - | (70,304) | - | - | - | - | (70,304) |
| Written back | - | - | 3,257 | - | - | - | - | 3,257 |
| Impairment during the year | - | - | - | - | 193,888 | - | - | 193,888 |
| At 31 December 2012 | - | - | 26,365,987 | - | 193,888 | - | - | 26,559,875 |
| **Net carrying amount** | | | | | | | | |
| At 31 December 2012 | 4,530,303 | 1,516,951 | 18,851,207 | 3,575,762 | 603,876 | 1,261,206 | 95,098 | 30,434,403 |
| **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 | - | - | 8,950 | - | - | - | - | 8,950 |
| Disposals | - | - | (2,299,740) | - | (959,496) | (3,558,232) | (21,696) | (6,839,164) |
| 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 | 65,201,031 | 16,244,202 | 1,394,940 | 4,982,837 | 1,633,958 | 101,686,975 |
| **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 |

# Notes To The Financial Statements
## 31 December 2012 (Cont'd)

### 4. PROPERTY, PLANT & EQUIPMENT (CONT'D)

| | Long term leasehold land and buildings RM | Computer equipment RM | EDC equipment RM | Computer software RM | Motor vehicles RM | Furniture, fittings and office equipment RM | Renovation RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | | |
| **Group** | | | | | | | | |
| **Accumulated impairment** | | | | | | | | |
| At 1 January 2011 | - | - | 5,760,325 | - | - | - | - | 5,760,325 |
| Impairment during the year | - | - | 20,861,429 | - | - | - | - | 20,861,429 |
| Written back | - | - | 91 | - | - | - | - | 91 |
| Disposals | - | - | (188,811) | - | - | - | - | (188,811) |
| At 31 December 2011 | - | - | 26,433,034 | - | - | - | - | 26,433,034 |
| **Net 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 |
| At 1 January 2011 | 4,628,787 | 652,191 | 27,778,048 | 6,054,589 | 1,272,090 | 4,424,853 | 343,381 | 45,153,939 |

| | Long term leasehold land and buildings RM | Computer equipment RM | Computer Software RM | Motor vehicles RM | Furniture, fittings and office equipment RM | Renovation RM | Total RM |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| **Company** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 January 2012 | 4,875,000 | 2,791,429 | 15,446,507 | 879,327 | 1,911,133 | 447,144 | 26,350,540 |
| Additions | - | 884,126 | 124,186 | 393,888 | 172,318 | 99,963 | 1,674,481 |
| Disposals | - | (120,939) | - | (659,097) | (12,395) | - | (792,431) |
| Written off | - | - | - | - | (3,556) | - | (3,556) |
| At 31 December 2012 | 4,875,000 | 3,554,616 | 15,570,693 | 614,118 | 2,067,500 | 547,107 | 27,229,034 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2012 | 295,455 | 2,585,006 | 11,054,095 | 347,667 | 1,099,924 | 426,942 | 15,809,089 |
| Charge for the financial year | 49,242 | 287,693 | 1,043,982 | 178,978 | 193,735 | 54,051 | 1,807,681 |
| Disposals | - | (120,935) | - | (381,513) | (7,321) | - | (509,769) |
| Written off | - | - | - | - | (1,933) | - | (1,933) |
| At 31 December 2012 | 344,697 | 2,751,764 | 12,098,077 | 145,132 | 1,284,405 | 480,993 | 17,105,068 |

## 4. PROPERTY, PLANT & EQUIPMENT (CONT'D)

| | Long term leasehold land and buildings RM | Computer equipment RM | Computer Software RM | Motor vehicles RM | Furniture, fittings and office equipment RM | Renovation RM | Total RM |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| **Company** | | | | | | | |
| **Accumulated impairment** | | | | | | | |
| At 1 January 2012 | - | - | - | - | - | - | - |
| Impairment during the year | - | - | - | 193,888 | - | - | 193,888 |
| At 31 December 2012 | - | - | - | 193,888 | - | - | 193,888 |
| **Net carrying amount** | | | | | | | |
| At 31 December 2012 | 4,530,303 | 802,852 | 3,472,616 | 275,098 | 783,095 | 66,114 | 9,930,078 |
| **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 |
| Disposals | - | - | - | (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 |
| Disposals | - | - | - | (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 |
| **Net carrying amount** | | | | | | | |
| At 31 December 2011 | 4,579,545 | 206,423 | 4,392,412 | 531,660 | 811,209 | 20,202 | 10,541,451 |
| At 1 January 2011 | 4,628,787 | 304,864 | 5,800,241 | 1,016,605 | 890,619 | 3 | 12,641,119 |

## 4. PROPERTY, PLANT & EQUIPMENT (CONT'D)

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

| | Group 31.12.2012 RM | Group 31.12.2011 RM |
|---|---|---|
| Motor vehicles | 603,872 | 738,090 |
| EDC equipment | - | 1,984,914 |
| | 603,872 | 2,723,004 |

| | Company 31.12.2012 RM | Company 31.12.2011 RM |
|---|---|---|
| Motor vehicles | 275,095 | 493,172 |

(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 19.

The remaining period of the long term leasehold land is 90 years (31.12.2011: 91 years, 1.1.2011: 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 31.12.2012 RM | Group 31.12.2011 RM |
|---|---|---|
| Aggregate costs | 14,538,309 | 7,941,849 |
| Less: Hire purchase financing | (485,000) | (2,250,010) |
| Cash payment | 14,053,309 | 5,691,839 |

| | Company 31.12.2012 RM | Company 31.12.2011 RM |
|---|---|---|
| Aggregate costs | 1,674,481 | 346,758 |
| Less: Hire purchase financing | (335,000) | (100,000) |
| Cash payment | 1,339,481 | 246,758 |

# Notes To The Financial Statements
31 December 2012 (Cont'd)

## 5. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

| | Company | | |
|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Unquoted shares, at cost | | | |
| In Malaysia | 5,380,004 | 5,380,002 | 4,480,002 |
| Outside Malaysia | 10,459,995 | 10,459,995 | 10,459,995 |
| | 15,839,999 | 15,839,997 | 14,939,997 |
| Less: Accumulated impairment losses | (15,839,997) | (9,775,383) | (3,941,562) |
| | 2 | 6,064,614 | 10,998,435 |

Movement in impairment during the financial year are as follows:

| | Company | |
|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM |
| At the beginning of financial year | 9,775,383 | 3,941,562 |
| Impairment during the year | 6,064,614 | 5,833,821 |
| At end of the financial year | 15,839,997 | 9,775,383 |

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

| Name of the company | Country of incorporation | Effective interest | | | Principal activities |
|---|---|---|---|---|---|
| | | 31.12.2012 % | 31.12.2011 % | 1.1.2011 % | |
| **Direct holding:** | | | | | |
| GHL Transact Sdn. Bhd. | Malaysia | 100 | 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 | 100 | Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance. |

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

| Name of the company | Country of incorporation | Effective interest 31.12.2012 % | Effective interest 31.12.2011 % | Effective interest 1.1.2011 % | Principal activities |
|---|---|---|---|---|---|
| **Direct holding:** | | | | | |
| GHL EFTPOS Sdn. Bhd. | Malaysia | 100 | 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 | 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, Malaysia | 100 | 100 | 100 | Investment holding |
| GHL Global Sdn. Bhd. | Malaysia | 100 | 100 | 100 | Developing and selling of Net.Point software solution; software programmes and other related products and services. |
| GHL Loyalty Sdn. Bhd. | Malaysia | 100 | - | - | Promote and distribute of loyalty card and to act as operator to issue, manage, offer and promote loyalty card program to customers, company, society, partnership, association or any other entity. |

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

| Name of the company | Country of incorporation | Effective interest | | | Principal activities |
|---|---|---|---|---|---|
| | | 31.12.2012 | 31.12.2011 | 1.1.2011 | |
| | | % | % | % | |
| **Indirect holding:** | | | | | |
| Subsidiary company of GHL International Sdn. Bhd. | | | | | |
| GHL CardPay Sdn. Bhd. (Formerly known as Card Pay Sdn. Bhd.) | Malaysia | 100 | 100 | 100 | Third party acquirer for e-debit and MEPS cash transactions, sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance. |
| * GHLSYS Singapore Pte. Ltd. | Singapore | - | 100 | 100 | Dormant |
| Subsidiary company of GHL Asia Pacific Limited | | | | | |
| * PaymentOne (HK) Pte. Ltd. | Hong Kong | - | 100 | 100 | Dormant |
| * PaymentOne Singapore Pte. Ltd. | Singapore | - | 100 | 100 | Dormant |
| * GHL Systems Philippines, Inc. (formerly known as GHLSYS Philippines, Inc.) | Philippines | 99.99 | 99.99 | 99.99 | Provision of end-to-end payment services and solutions through the deployment of payment infrastructure, technology and services. |

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

| Name of the company | Country of incorporation | Effective interest | | | Principal activities |
|---|---|---|---|---|---|
| | | 31.12.2012 | 31.12.2011 | 1.1.2011 | |
| | | % | % | % | |
| **Indirect holding:** | | | | | |
| Subsidiary company of GHL Asia Pacific Limited | | | | | |
| GHL Systems Australia Pty. Ltd. | Australia | 100 | - | - | Sales of hardware, software and professional services. |
| * GHL (China) Co. Ltd. | Hong Kong | - | 100 | 100 | Engaged in provision of terminal software development and maintenance services. |
| *^GHL (Thailand) Co. Ltd. | Thailand | 89.99 | 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. |
| Subsidiary company of GHL (Thailand) Co. Ltd. | | | | | |
| * Conscious Object Development Co. Ltd. | Thailand | 100 | - | - | Software development. |
| 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. |

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

| Name of the company | Country of incorporation | Effective interest | | | Principal activities |
|---|---|---|---|---|---|
| | | 31.12.2012 | 31.12.2011 | 1.1.2011 | |
| | | % | % | % | |
| **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

^ Preferred shares with 89.99% of voting rights.

(c) Acquisition of subsidiary company

On 21 September 2012, GHL (Thailand) Co Ltd., a wholly owned subsidiary of GHL Asia Pacific Limited, has completed the acquisition of 10,000 ordinary shares of THB100 each fully paid-up in the capital of Conscious Object Development Co. Ltd ("COD") representing 100% of the equity interest of COD. Total cost of acquisition consist of cash consideration of THB5,000,000 and transferred of GHL (Thailand) Co Ltd. 6,020 ordinary shares and 20,780 preference shares of THB100 each. Accordingly, COD now is a wholly-owned subsidiary of GHL (Thailand) Co Ltd. whilst GHL (Thailand) Co Ltd. are effectively 89.99% owned subsidiaries of GHL Asia Pacific Limited.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

**Fair value of consideration transferred**

| | RM |
|---|---|
| Cash consideration | 497,065 |
| Equity instruments issued | 217,959 |
| Total consideration transferred | 715,024 |

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) Acquisition of subsidiary company (cont'd)

**Fair value of consideration transferred (cont'd)**

| | RM |
|---|---|
| Property, plant and equipment (Note 4) | 32,509 |
| Inventories | 29,357 |
| Trade and other receivables | 29,152 |
| Cash and cash equivalents | 46,368 |
| Trade and other payables | (134,957) |
| Total identifiable assets and liabilities | 2,429 |

**Net cash outflow arising from acquisition of subsidiary company**

| | RM |
|---|---|
| Purchase consideration settled in cash | 497,065 |
| Cash and cash equivalents acquired | (46,368) |
| | 450,697 |

**Goodwill arising from business combination**

Goodwill was recognised as a result of the acquisition as follows:

| | RM |
|---|---|
| Fair value of consideration transferred | 715,024 |
| Fair value of identifiable assets acquired and liabilities assumed | (2,429) |
| Goodwill (Note 7) | 712,595 |
| Impairment loss on goodwill (Note 25) | (712,595) |
| | - |

(d) Disposal of subsidiary company

GHL Asia Pacific Limited has entered into a Share Sales Agreement with HK New Huang PU Finance Holding Limited for the disposal of 1,560,000 ordinary shares of HKD1.00 each, representing 100% of the paid-up capital of its wholly-owned subsidiary, GHL (China) Company Limited for a total cash consideration of HKD10.00 on 12 April 2012.

The disposal of GHL (China) Co. Ltd. gave rise to a gain of RM619,905 in the Group's financial statements.

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(d) Disposal of subsidiary company (cont'd)

The effect of the disposal of GHL (China) Co. Ltd. on the financial position of the Group as at the date of disposal was as follows:

| | RM |
|---|---|
| Property, plant and equipment (Note 4) | 393,103 |
| Inventories | 18,060 |
| Trade and other receivables | 967,064 |
| Cash and bank balances | 202,742 |
| Trade and other payables | (2,196,983) |
| Tax payables | (3,887) |
| Net liabilities | (619,901) |
| Gain on disposal | 619,905 |
| Proceeds from disposal | 4 |
| Less: Cash and cash balances disposed | (202,742) |
| Net cash outflows from disposal | (202,738) |

(e) Struck off of subsidiary companies

PaymentOne (HK) Pte Ltd was struck off from the Companies Registry, Hong Kong pursuant to Section 291AA(9) of the Companies Ordinance on 14 September 2012. PaymentOne Singapore Pte Ltd was struck off from the register of Registrar of Companies and Businesses, Singapore pursuant to Section 344(2) of the Singapore Companies Act (Cap 50) on 8 August 2012. GHLSYS Singapore Pte Ltd was struck off from the register of Registrar of Companies and Businesses, Singapore pursuant to Section 344(2) of the Singapore Companies Act (Cap 50) on 5 June 2012.

(f) Incorporation of subsidiary companies

GHL Asia Pacific Limited had on 20 July 2012 incorporated a wholly-owned subsidiary in Australia, namely, GHL Systems Australia Pty Ltd. The paid-up share capital is AUD100,000 divided into 100,000 shares of AUD1.00 each.

On 19 October 2012, the Company incorporated a wholly-owned subsidiary, namely, GHL Loyalty Sdn Bhd with the issued and paid-up capital of RM2.00 comprising two (2) ordinary shares of RM1.00 each.

## 6. INTANGIBLE ASSET

| | Group<br>Software under development<br>RM |
|---|---|
| **Group** | |
| **2012** | |
| **Cost** | |
| At 1 January | - |
| Addition | 156,690 |
| At 31 December | 156,690 |
| **Amortisation and impairment loss** | |
| At 1 January | - |
| Amortisation for the year | - |
| At 31 December | - |
| **Net carrying amount** | |
| 31 December | 156,690 |

Intangible asset represents proprietary software developed internally. The cost incurred on development projects are recognised as intangible asset when it is probable that the projects have commercial and technological feasibility, and only if the cost can be measured reliably. Development costs that have been capitalised are amortised from the commencement of the commercial production on a straight-line basis over the period of its expected useful life, not exceeding 10 years.

## 7. GOODWILL ON CONSOLIDATION

| | | Group | |
|---|---|---|---|
| | Note | 31.12.2012<br>RM | 31.12.2011<br>RM |
| **Cost** | | | |
| At 1 January | | 2,255,434 | 2,255,434 |
| Addition | 5 | 712,595 | - |
| At 31 December | | 2,968,029 | 2,255,434 |
| **Accumulated impairment loss** | | | |
| At 1 January | | 2,255,434 | 1,159,195 |
| Impairment losses recognised | 25 | 712,595 | 1,096,239 |
| At 31 December | | 2,968,029 | 2,255,434 |
| **Net carrying amount** | | | |
| At 31 December | | - | - |
| At 1 January | | - | 1,096,239 |

## 7. GOODWILL ON CONSOLIDATION (CONT'D)

(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.

## 8. DEFERRED TAX (ASSETS)/LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 31.12.2012 RM | 31.12.2011 RM |
| At 1 January | 952,173 | - | 952,173 | - |
| Recognised in profit or loss (Note 26) | (1,344,700) | 952,173 | (144,700) | 952,173 |
| At 31 December | (392,527) | 952,173 | 807,473 | 952,173 |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets | (1,200,000) | - | - | - |
| Deferred tax liabilities | 807,473 | 952,173 | 807,473 | 952,173 |
| | (392,527) | 952,173 | 807,473 | 952,173 |

## 8. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

The components and movements of deferred tax liabilities and assets are as follows:

**Deferred tax liabilities of the Group and of the Company**

| | Accelerated capital allowances RM |
|---|---|
| At 1 January 2012 | 952,173 |
| Recognised in profit or loss | (144,700) |
| At 31 December 2012 | 807,473 |
| At 1 January 2011 | - |
| Recognised in profit or loss | 952,173 |
| At 31 December 2011 | 952,173 |

**Deferred tax assets of the Group**

| | Unutilised capital allowances RM |
|---|---|
| At 1 January 2012 | - |
| Recognised in profit or loss | (1,200,000) |
| At 31 December 2012 | (1,200,000) |

Deferred tax assets have not been recognised in respect of the following temporary differences due to uncertainty of its recoverability:

**Deferred tax assets not recognised**

| | 31.12.2012 RM | 31.12.2011 RM |
|---|---|---|
| **Group** | | |
| Unutilised tax losses | 9,504,900 | 6,750,000 |
| Unutilised capital allowances | 11,191,800 | 22,819,600 |
| Other deductible temporary differences | 27,143,500 | 26,405,400 |
| | 47,840,200 | 55,975,000 |

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

## 9. INVENTORIES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.12.2012 | 31.12.2011 | 1.1.2011 | 31.12.2012 | 31.12.2011 | 1.1.2011 |
| | RM | RM | RM | RM | RM | RM |
| **At cost:** | | | | | | |
| EDC equipment | 4,528,134 | 1,878,847 | 2,385,041 | - | - | - |
| Microchips | 2,168,941 | 1,232,465 | 1,593,248 | 2,168,941 | 1,232,465 | 1,593,248 |
| Others | 1,605,341 | 2,558,946 | 2,559,849 | 1,145,376 | 2,230,503 | 1,070,619 |
| | 8,302,416 | 5,670,258 | 6,538,138 | 3,314,317 | 3,462,968 | 2,663,867 |

## 10. TRADE RECEIVABLES

| | Group | | |
|---|---|---|---|
| | 31.12.2012 | 31.12.2011 | 1.1.2011 |
| | RM | RM | RM |
| Trade receivables | | | |
| - Related parties | 1,084,684 | 1,185,723 | 513,226 |
| - Third parties | 15,461,194 | 15,536,529 | 16,726,945 |
| | 16,545,878 | 16,722,252 | 17,240,171 |
| Less: | | | |
| Accumulated impairment losses | (4,792,709) | (5,394,156) | (4,066,780) |
| | 11,753,169 | 11,328,096 | 13,173,391 |

| | Company | | |
|---|---|---|---|
| | 31.12.2012 | 31.12.2011 | 1.1.2011 |
| | RM | RM | RM |
| Trade receivables | | | |
| - Related parties | - | 9,566 | 513,226 |
| - Third parties | 4,144,529 | 4,346,478 | 3,130,632 |
| | 4,144,529 | 4,356,044 | 3,643,858 |
| Less: | | | |
| Accumulated impairment losses | (1,712,578) | (1,517,242) | (1,557,681) |
| | 2,431,951 | 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 (31.12.2011: 30 to 180 days and 30 to 60 days, 1.1.2011: 30 to 180 days and 30 to 60 days) respectively. Other credit terms are assessed and approved on a case to case basis.

## 10. TRADE RECEIVABLES (CONT'D)

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

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

Movement in impairment on trade receivables (individually impaired) is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 31.12.2012 RM | 31.12.2011 RM |
| At 1 January | 5,394,156 | 4,066,780 | 1,517,242 | 1,557,681 |
| Impairment losses recognised (Note 25) | 262,031 | 1,506,463 | 195,336 | 87,411 |
| Impairment losses reversed (Note 25) | (221,779) | (204,008) | - | (127,850) |
| Written off | (588,542) | - | - | - |
| Exchange differences | (53,157) | 24,921 | - | - |
| At 31 December | 4,792,709 | 5,394,156 | 1,712,578 | 1,517,242 |

| | Group | | |
|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Neither past due nor impaired | 3,501,593 | 2,762,302 | 8,323,105 |
| Past due not impaired: | | | |
| Less than 30 days | 4,367,152 | 4,514,931 | 1,576,072 |
| 31 to 60 days | 1,926,154 | 1,767,742 | 724,429 |
| 61 to 90 days | 1,048,745 | 2,283,121 | 2,549,785 |
| More than 90 days | 909,525 | - | - |
| | 8,251,576 | 8,565,794 | 4,850,286 |
| | 11,753,169 | 11,328,096 | 13,173,391 |
| Impaired | 4,792,709 | 5,394,156 | 4,066,780 |
| | 16,545,878 | 16,722,252 | 17,240,171 |

## 10. TRADE RECEIVABLES (CONT'D)

Analysis of trade receivables ageing as at the end of financial year is as follow (Cont'd):

| | Company | | |
|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Neither past due nor impaired | 485,253 | 769,427 | 1,426,009 |
| Past due not impaired: | | | |
| Less than 30 days | 860,156 | 658,753 | 471,543 |
| 31 to 60 days | 461,428 | 474,801 | 159,978 |
| 61 to 90 days | 244,832 | 555,551 | 28,647 |
| More than 90 days | 380,282 | 380,270 | - |
| | 1,946,698 | 2,069,375 | 660,168 |
| | 2,431,951 | 2,838,802 | 2,086,177 |
| Impaired | 1,712,578 | 1,517,242 | 1,557,681 |
| | 4,144,529 | 4,356,044 | 3,643,858 |

As at 31 December 2012, the trade receivables of the Group and of the Company amounting to RM8,251,576 and RM1,946,698 (31.12.2011: RM8,565,794 and RM2,069,375, 1.1.2011: RM4,850,286 and RM660,168) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group and of the Company that are individually assessed to be impaired amounting to RM4,792,709 and RM1,712,578 (31.12.2011: RM5,394,156 and RM1,517,242, 1.1.2011: RM4,066,780 and RM1,557,681) respectively, related to customers that are in financial difficulties, have defaulted on payments and/or have disputed on the billings. These balances are expected to be recovered through the debts recovery process.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

The foreign currency exposure profile is as follows:

| | Group | | |
|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Peso | 775,227 | - | - |
| United States Dollar | 725,532 | 2,082,014 | 303,897 |

## 10. TRADE RECEIVABLES (CONT'D)

The foreign currency exposure profile is as follows (Cont'd):

| | Company | | |
|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Peso | 775,227 | - | - |
| United States Dollar | 468,595 | 942,851 | 286,136 |

## 11. OTHER RECEIVABLES

| | Group | | |
|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Other receivables | 917,327 | 1,066,615 | 696,587 |
| Deposits | 864,219 | 644,262 | 467,255 |
| Prepayments | 848,386 | 482,313 | 4,764,267 |
| | 2,629,932 | 2,193,190 | 5,928,109 |
| Less: Accumulated impairment losses | (488,351) | (541,859) | (154,915) |
| | 2,141,581 | 1,651,331 | 5,773,194 |

| | Company | | |
|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Other receivables | 250,784 | 175,392 | 163,416 |
| Deposits | 91,778 | 90,339 | 92,724 |
| Prepayments | 107,149 | 119,086 | 252,281 |
| | 449,711 | 384,817 | 508,421 |
| Less: Accumulated impairment losses | (158,866) | (161,866) | (154,915) |
| | 290,845 | 222,951 | 353,506 |

Movement of impairment on other receivables (individually impaired) is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 31.12.2012 RM | 31.12.2011 RM |
| At 1 January | 541,859 | 154,915 | 161,866 | 154,915 |
| Impairment losses recognised | - | 386,944 | - | 6,951 |
| Written off | (53,508) | - | (3,000) | - |
| At 31 December | 488,351 | 541,859 | 158,866 | 161,866 |

## 12. AMOUNTS OWING BY/(TO) SUBSIDIARY COMPANIES

(a) Amount owing by subsidiary companies

| | Company | | |
|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Amount owing by subsidiary companies | 54,498,685 | 52,382,630 | 53,446,574 |
| Less: Accumulated impairment losses | (47,858,240) | (13,435,447) | (3,458,968) |
| | 6,640,445 | 38,947,183 | 49,987,606 |

The amount of RM2,233,447 is bearing interest rate 4% to 6% during the financial year.

Movements in impairment (individually impaired) are as follows:

| | Company | |
|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM |
| At 1 January | 13,435,447 | 3,458,968 |
| Impairment losses recognised (Note 25) | 37,485,245 | 10,458,140 |
| Impairment losses reversed (Note 25) | (2,976,890) | (481,661) |
| Written off | (85,562) | - |
| At 31 December | 47,858,240 | 13,435,447 |

(b) Amount owing to a subsidiary company

In the previous financial year, this amount was unsecured, non-interest bearing advances and was repayable on demand.

## 13. TAX RECOVERABLE

This is in respect to tax paid in advance to the Inland Revenue Board.

## 14. FIXED DEPOSITS WITH LICENSED BANKS

Included in the fixed deposit of the Group and of the Company is an amount of RM1,534,279 and RM649,103 (31.12.2011: RM1,428,440 and RM569,533) pledged to licensed banks as securities for credit facilities granted to a subsidiary company and the Company respectively as disclosed in Note 19.

## 14. FIXED DEPOSITS WITH LICENSED BANKS (CONT'D)

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

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Interest rate (%) | | | | | | |
| (per annum) | 2.30 - 3.20 | 2.00 - 2.87 | 2.46 - 2.75 | 2.30 - 3.00 | 2.87 | 2.46 |
| Maturity (days) | 30 - 365 | 30 - 365 | 30 - 365 | 30 - 365 | 30 - 365 | 30 - 365 |

## 15. SHARE CAPITAL

| | Group/Company | |
|---|---|---|
| | 31.12.2012 Units | 31.12.2011 Units |
| Ordinary shares of RM0.50 each: | | |
| **Authorised** | | |
| At 1 January/31 December | 200,000,000 | 200,000,000 |
| **Issued and fully paid** | | |
| At 1 January | 145,802,100 | 145,802,100 |
| Shares issued during the financial year | 1,000,000 | - |
| At 31 December | 146,802,100 | 145,802,100 |

| | Group/Company | |
|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM |
| Ordinary shares of RM0.50 each: | | |
| **Authorised** | | |
| At 1 January/31 December | 100,000,000 | 100,000,000 |
| **Issued and fully paid** | | |
| At 1 January | 72,901,050 | 72,901,050 |
| Shares issued during the financial year | 500,000 | - |
| At 31 December | 73,401,050 | 72,901,050 |

## 15. SHARE CAPITAL (CONT'D)

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

Of the total 146,802,100 (31.12.2011: 145,802,100, 1.1.2011: 145,802,100) issued and fully paid ordinary shares, 1,415,901 (31.12.2011: 1,415,901, 1.1.2011: 1,415,901) ordinary shares are held as treasury shares by the Company. At 31 December 2012, the number of ordinary shares in issue after deducting treasury shares held is 145,386,199 (31.12.2011: 144,386,199, 1.1.2011: 144,386,199) ordinary shares of RM0.50 each.

## 16. RESERVES

| | 31.12.2012<br>RM | 31.12.2011<br>RM | 1.1.2011<br>RM |
|---|---|---|---|
| **Group** | | | |
| **Non-distributable:** | | | |
| ESOS reserves | - | 513,578 | 257,915 |
| Foreign exchange reserves | (515,759) | (1,138,537) | (1,255,024) |
| Accumulated losses | (30,935,981) | (35,819,733) | (9,770,809) |
| | (31,451,740) | (36,444,692) | (10,767,918) |
| **Company** | | | |
| **Non-distributable:** | | | |
| ESOS reserves | - | 513,578 | 257,915 |
| (Accumulated losses)/ Retained earnings (Distributable) | (54,322,797) | (14,466,232) | 1,423,792 |
| | (54,322,797) | (13,952,654) | 1,681,707 |

## 17. TREASURY SHARES

| | Group/Company | |
|---|---|---|
| | 31.12.2012<br>RM | 31.12.2011<br>RM |
| At 1 January/31 December | 638,221 | 638,221 |

As at 31 December 2012, the total number of treasury shares held by the Company is 1,415,901 (31.12.2011: 1,415,901, 1.1.2011: 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.

## 18. HIRE PURCHASE PAYABLES

| | Group | | |
|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Minimum hire purchase payments | | | |
| Within one year | 876,772 | 822,243 | 536,116 |
| Between one and five years | 844,697 | 1,196,098 | 43,721 |
| | 1,721,469 | 2,018,341 | 579,837 |
| Less: Future finance charge | (80,856) | (96,166) | (8,227) |
| Present value of hire purchase liabilities | 1,640,613 | 1,922,175 | 571,610 |
| Present value of hire purchase liabilities | | | |
| Within one year | 828,314 | 753,941 | 527,889 |
| Between one and five years | 812,299 | 1,168,234 | 43,721 |
| | 1,640,613 | 1,922,175 | 571,610 |
| Analysed as: | | | |
| Repayable within twelve months | 828,314 | 753,941 | 527,889 |
| Repayable after twelve months | 812,299 | 1,168,234 | 43,721 |
| | 1,640,613 | 1,922,175 | 571,610 |

| | Company | | |
|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Minimum hire purchase payments | | | |
| Within one year | 110,712 | 57,915 | 527,112 |
| Between one and five years | 307,199 | 62,905 | 43,902 |
| | 417,911 | 120,820 | 571,014 |
| Less: Future finance charge | (37,676) | (6,711) | (16,441) |
| Present value of hire purchase liabilities | 380,235 | 114,109 | 554,573 |
| Present value of hire purchase liabilities | | | |
| Within one year | 95,450 | 53,930 | 510,852 |
| Between one and five years | 284,785 | 60,179 | 43,721 |
| | 380,235 | 114,109 | 554,573 |
| Analysed as: | | | |
| Repayable within twelve months | 95,450 | 53,930 | 510,852 |
| Repayable after twelve months | 284,785 | 60,179 | 43,721 |
| | 380,235 | 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% (31.12.2011: 4.5% and 2.71%, 1.1.2011: 4.5% and 2.71%) per annum respectively.

## 19. BANK BORROWINGS

| | Group/Company | | |
|---|---|---|---|
| | 31.12.2012 | 31.12.2011 | 1.1.2011 |
| | RM | RM | RM |
| **Secured** | | | |
| Term loans | 2,281,633 | 2,546,516 | 2,801,069 |
| Banker acceptance | 450,000 | - | - |
| | 2,731,633 | 2,546,516 | 2,801,069 |
| **Analysed as:** | | | |
| **Repayable within twelve months** | | | |
| **Secured** | | | |
| Term loans | 392,382 | 203,174 | 182,518 |
| Banker acceptance | 450,000 | - | - |
| | 842,382 | 203,174 | 182,518 |
| **Repayable after twelve months** | | | |
| **Secured** | | | |
| Term loans | 1,889,251 | 2,343,342 | 2,618,551 |
| | 2,731,633 | 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 4; and

(b) pledge of fixed deposits of the Company and of its subsidiary company as disclosed in Note 14.

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

The weighted average banker acceptance and term loan average effective interest rate of the Group and of the Company for the above facilities are 5.6% and 5.6% (31.12.2011: 5.6% and 5.6%, 1.1.2011: 5.6% and 5.6%) per annum respectively.

The maturity of borrowings is as follows:

| | Group/Company | | |
|---|---|---|---|
| | 31.12.2012 | 31.12.2011 | 1.1.2011 |
| | RM | RM | RM |
| Within one year | 842,382 | 203,174 | 182,518 |
| Between one to two years | 392,383 | 215,119 | 195,518 |
| Between two to three years | 392,383 | 230,441 | 209,443 |
| Between three to four years | 392,383 | 246,854 | 224,361 |
| Between four to five years | 392,383 | 264,436 | 240,341 |
| After five years | 319,719 | 1,386,492 | 1,748,888 |
| | 2,731,633 | 2,546,516 | 2,801,069 |

## 20. DEFERRED INCOME

| | Group | | |
|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Non-current portion | 4,289,562 | 2,073,759 | - |
| Current portion (Note 22) | 1,288,436 | 438,666 | - |
| | 5,577,998 | 2,512,425 | - |

Deferred income represents advance receipt from EDC terminal leasing arrangement.

## 21. TRADE PAYABLES

The Group's and the Company's normal trade credit terms range from 30 to 90 days and 30 to 60 days (2011: 30 to 90 days and 30 to 60 days) respectively. Other credit terms are assessed and approved on a case to case basis.

## 22. OTHER PAYABLES

| | Group | | |
|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
| Other payables | 6,226,300 | 7,210,028 | 7,040,142 |
| Deposits | 4,038,000 | 5,552,727 | 4,213,034 |
| Accruals | 4,225,861 | 3,941,269 | 3,189,628 |
| Deferred income (Note 20) | 1,288,436 | 438,666 | - |
| | 15,778,597 | 17,142,690 | 14,442,804 |

## 22. OTHER PAYABLES (CONT'D)

| | Company | | |
|---|---|---|---|
| | 31.12.2012 | 31.12.2011 | 1.1.2011 |
| | RM | RM | RM |
| Other payables | 279,035 | 183,108 | 382,937 |
| Deposits | 1,879 | 1,879 | 1,879 |
| Accruals | 2,247,230 | 3,969,289 | 2,157,297 |
| | 2,528,144 | 4,154,276 | 2,542,113 |

## 23. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| | RM | RM | RM | RM |
| Rental of EDC equipment | 21,362,879 | 17,114,886 | 132,030 | - |
| Sales of value-added solutions | 32,111,977 | 45,611,412 | 15,984,724 | 24,573,789 |
| | 53,474,856 | 62,726,298 | 16,116,754 | 24,573,789 |

## 24. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| | RM | RM | RM | RM |
| Interest expenses on: | | | | |
| Banker acceptance | 3,320 | - | 3,320 | - |
| Term loans | 185,673 | 183,958 | 138,137 | 148,467 |
| Hire purchase | 22,190 | 40,295 | 7,728 | 15,913 |
| | 211,183 | 224,253 | 149,185 | 164,380 |

## 25. PROFIT/(LOSS) BEFORE TAXATION

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

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 31.12.2012 RM | 31.12.2011 RM |
| Auditors' remuneration | | | | |
| - statutory audit | 108,025 | 81,318 | 40,000 | 15,000 |
| - non-audit services | 11,800 | 5,000 | 10,000 | 5,000 |
| Bad debts written-off | 1,655 | 6,741 | 2,374,418 | 141,858 |
| Directors' remuneration (Note (a)) | 1,711,264 | 2,621,930 | 1,456,273 | 1,846,642 |
| Depreciation of property, plant and equipment | 5,921,955 | 6,113,616 | 1,807,681 | 2,025,028 |
| Impairment loss on property, plant and equipment | 193,888 | 20,861,429 | 193,888 | - |
| Impairment loss on investment in subsidiary companies | - | - | 6,064,614 | 5,833,821 |
| Impairment loss on goodwill | 712,595 | 1,096,239 | - | - |
| Impairment loss on trade receivables | 262,031 | 1,506,463 | 195,336 | 87,411 |
| Impairment loss on other receivables | - | 386,944 | - | 6,951 |
| Impairment loss on amount owing by subsidiary companies | - | - | 37,485,245 | 10,458,140 |
| Interest income | (277,291) | (204,502) | (98,617) | (39,840) |
| Inventories written off | 862,977 | - | 812,019 | - |
| (Gain)/Loss on disposal of property, plant and equipment | (410,003) | 1,853,175 | (7,932) | 19,671 |
| (Gain)/Loss on disposal of subsidiary company | (619,905) | - | - | - |
| (Gain)/Loss on foreign exchange | | | | |
| - Realised | - | 35,502 | 149,092 | 63,570 |
| - Unrealised | 10,776 | (38,008) | 24,643 | (147,186) |
| Loss on strike off of subsidiary companies | 75,732 | - | - | - |
| Property, plant and equipment written off | 227,200 | 4,452 | 1,623 | 1,477 |
| Property, plant and equipment written back | (3,257) | (5,775) | - | - |
| (Reversal)/Provision for loss on disposal of property, plant and equipment | (400,000) | 400,000 | (400,000) | 400,000 |
| Rental of premises | 1,181,101 | 1,135,963 | 247,522 | 275,271 |
| Reversal of impairment loss on trade receivables | (221,779) | (204,008) | - | (127,850) |
| Reversal of impairment loss on amounts owing by subsidiary companies | - | - | (2,976,890) | (481,661) |
| Share based payment | - | 255,663 | - | 255,663 |
| Staff costs (Note 30) | 19,155,603 | 18,027,622 | 3,558,077 | 5,711,746 |
| Waiver of debts | - | - | (3,105,900) | - |

## 25. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

Profit/(Loss) before taxation is derived after charging/(crediting) (Cont'd):

**(a) Directors remuneration:**

| | Group | | Company | |
|---|---|---|---|---|
| | **31.12.2012** | **31.12.2011** | **31.12.2012** | **31.12.2011** |
| | **RM** | **RM** | **RM** | **RM** |
| **Company's Directors** | | | | |
| **Executive Directors** | | | | |
| Salaries and other emoluments | 1,081,240 | 1,531,949 | 1,081,240 | 1,491,949 |
| EPF | 129,600 | 187,908 | 129,600 | 187,908 |
| **Non Executive Directors** | | | | |
| Fees | 245,433 | 166,785 | 245,433 | 166,785 |
| | 1,456,273 | 1,886,642 | 1,456,273 | 1,846,642 |
| **Other Directors** | | | | |
| **Directors of the subsidiaries** | | | | |
| Salaries and other emoluments | 254,991 | 735,288 | - | - |
| | 1,711,264 | 2,621,930 | 1,456,273 | 1,846,642 |

## 26. TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | **31.12.2012** | **31.12.2011** | **31.12.2012** | **31.12.2011** |
| | **RM** | **RM** | **RM** | **RM** |
| Current tax provision: | | | | |
| Malaysia income tax | 186,401 | 21,210 | 135,966 | 4,455 |
| Underprovision in prior year | - | 9 | - | - |
| | 186,401 | 21,219 | 135,966 | 4,455 |
| Witholding tax | (9,568) | (6,953) | - | - |
| Deferred tax (Note 8): | | | | |
| Relating to origination and reversal of temporary differences | (1,441,100) | 952,173 | (241,100) | 952,173 |
| Under provision in prior year | 96,400 | - | 96,400 | - |
| | (1,344,700) | 952,173 | (144,700) | 952,173 |
| Tax (credit)/expenses for the financial year | (1,167,867) | 966,439 | (8,734) | 956,628 |

## 26. TAXATION (CONT'D)

Malaysian income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit/(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 | |
|---|---|---|
| | 31.12.2012<br>RM | 31.12.2011<br>RM |
| Profit/(Loss) before taxation | 3,183,885 | (25,082,485) |
| Taxation at Malaysian statutory tax rate of 25% (2011: 25%) | 795,971 | (6,270,621) |
| Pioneer status tax incentive | (211,700) | (122,080) |
| Expenses not deductible for tax purposes | 1,727,804 | 5,693,343 |
| Income not subject to tax | (1,532,974) | (741,000) |
| Deferred tax assets not recognised | 958,000 | 5,673,790 |
| Deferred tax recognised on unutilised capital allowances | (773,300) | - |
| Reversal of deferred tax assets not recognised | - | (3,139,016) |
| Utilisation of prior year unrecognised tax losses and capital allowances | (2,218,500) | (121,033) |
| Under provision of taxation in respect of prior year | - | 9 |
| Under provision of deferred tax in prior year | 96,400 | - |
| Witholding tax | (9,568) | (6,953) |
| Tax (credit)/expense for the financial year | (1,167,867) | 966,439 |

| | Company | |
|---|---|---|
| | 31.12.2012<br>RM | 31.12.2011<br>RM |
| Loss before taxation | (40,378,877) | (14,933,396) |
| Taxation at Malaysian statutory tax rate of 25% (2011: 25%) | (10,094,719) | (3,733,349) |
| Expenses not deductible for tax purposes | 12,102,385 | 4,994,692 |
| Income not subject to tax | (2,112,800) | (304,715) |
| Under provision of deferred tax in prior year | 96,400 | - |
| Tax (credit)/expense for the financial year | (8,734) | 956,628 |

## 27. EARNINGS PER SHARE

(a) Basic earnings per share

The earnings per share has been calculated based on the consolidated profit/(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 | |
|---|---|---|
| | **31.12.2012** | **31.12.2011** |
| | **RM** | **RM** |
| Net profit/(loss) for the financial year attributable to the owners of the parent | 4,370,174 | (26,048,924) |
| Weighted number of ordinary shares issue | 146,802,100 | 145,802,100 |
| Adjusted for: | | |
| Treasury shares | (1,415,901) | (1,415,901) |
| | 145,386,199 | 144,386,199 |

(b) Fully diluted earnings per share

Fully diluted earnings per share has been calculated based on the consolidated profit/(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 issued and issuable during the financial year as follows:

| | Group | |
|---|---|---|
| | **31.12.2012** | **31.12.2011** |
| | **RM** | **RM** |
| Net profit/(loss) for the financial year | 4,370,174 | (26,048,924) |
| Weighted number of ordinary shares issue | 146,802,100 | 145,802,100 |
| Adjusted for: | | |
| Treasury shares | (1,415,901) | (1,415,901) |
| Assumed exercise of ESOS at no consideration | * | * |
| | 145,386,199 | 144,386,199 |

* 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.

## 28. SECTION 108 TAX CREDIT AND TAX EXEMPT INCOME

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from the year of assessment 2008. Under the single tier system, the tax on a company's profit is a final tax and the dividends distributed to its shareholders would be exempted from tax. Unutilised Section 108 balances as at 31 December 2012 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.

As at 31 December 2012, the Company has balance in the Section 108 balance amounting to RM182,400 (2011: RM182,400) and tax exempt income of RM38,287,200 (2011: RM38,287,200).

## 29. EMPLOYEE'S 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.

(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.

## 29. EMPLOYEE'S SHARE OPTION SCHEME (CONT'D)

(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:

| | Exercise prices RM | Exercise period |
|---|---|---|
| **31.12.2011/1.1.2011** | | |
| Ninth Grant | 0.50 | 03.11.2009 - 02.11.2012 |
| **31.12.2012** | | |
| Ninth Grant | 0.50 | 03.11.2009 - 02.11.2012 |
| Tenth Grant | 0.50 | 08.02.2012 - 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 ------> | | | | | |
|---|---|---|---|---|---|---|
| | Outstanding at 1 January | Granted | Exercise | Lapsed | Outstanding at 31 December | Exercisable at 31 December |
| **Group/Company** | | | | | | |
| **31.12.2012** | | | | | | |
| Ninth Grant | 9,322,900 | - | - | 9,322,900 | - | - |
| Tenth Grant | - | 8,906,400 | 1,000,000 | 7,906,400 | - | - |
| | 9,322,900 | 8,906,400 | 1,000,000 | 17,229,300 | - | - |
| WAEP | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| **31.12.2011** | | | | | | |
| 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 | 0.50 |

## 29. EMPLOYEE'S 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 | 08.02.2012 | 03.11.2009 |
|---|---|---|
| Fair value of share options (RM) | - | 0.163 |
| Weighted average share price (RM) | 0.302 | 0.433 |
| Weighted average exercise price (RM) | 0.500 | 0.500 |
| Expected volatility | 62.65% | 109% |
| Expected option life (years) | 0.750 | 3.000 |
| Risk-free interest rate, p.a. | 3.71% | 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.

## 30. STAFF COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2012<br>RM | 31.12.2011<br>RM | 31.12.2012<br>RM | 31.12.2011<br>RM |
| Staff costs (excluding Directors) comprise: | | | | |
| Charged to statements of comprehensive income | 19,155,603 | 17,771,959 | 3,558,077 | 5,456,083 |
| Share based payment | - | 255,663 | - | 255,663 |
| Total staff costs for the financial year | 19,155,603 | 18,027,622 | 3,558,077 | 5,711,746 |

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 RM1,352,296 and RM342,618 (31.12.2011 : RM1,856,746 and RM534,262) respectively.

## 31. SEGMENTAL REPORTING

The Group has five 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) Philippines
(c) Thailand
(d) China
(e) Australia

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.

## 31. SEGMENTAL REPORTING (CONT'D)

| | Malaysia RM | Philippines RM | Thailand RM | Australia RM | China RM | Adjustment and elimination RM | Consolidated RM |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| **REVENUE** | | | | | | | |
| **External sales** | | | | | | | |
| Shared Services | 28,984,860 | 6,473,271 | 3,641,138 | - | 137,431 | - | 39,236,700 |
| Solution Services | 6,634,568 | 2,562,893 | 1,225,560 | - | - | - | 10,423,021 |
| Transaction Payment Acquisition | 2,309,404 | 1,204,517 | 21,379 | - | 279,835 | - | 3,815,135 |
| **Inter-segment sales** | 15,305,337 | - | - | - | - | (15,305,337) | - |
| Total revenue | 53,234,169 | 10,240,681 | 4,888,077 | - | 417,266 | (15,305,337) | 53,474,856 |
| **RESULTS** | | | | | | | |
| Segment results | 2,587,267 | 989,028 | (71,256) | (480,320) | 351,783 | (258,725) | 3,117,777 |
| Interest income | | | | | | | 277,291 |
| Interest expenses | | | | | | | (211,183) |
| Profit before taxation | | | | | | | 3,183,885 |
| Taxation | | | | | | | 1,167,867 |
| Net profit for the financial year | | | | | | | 4,351,752 |
| **Assets:** | | | | | | | |
| Additions to non-current assets | 6,960,591 | 6,771,442 | 962,966 | - | - | - | 14,694,999 |
| Segment assets | 51,703,891 | 16,243,079 | 6,237,819 | 208,278 | - | (3,207,869) | 71,185,198 |
| **Liabilities:** | | | | | | | |
| Segment liabilities | 25,805,575 | 2,505,714 | 1,543,193 | 38,049 | - | - | 29,892,531 |

## 31. SEGMENTAL REPORTING (CONT'D)

| | Malaysia RM | Philippines RM | Thailand RM | Australia RM | China RM | Adjustment and elimination RM | Consolidated RM |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| **OTHER INFORMATION** | | | | | | | |
| Impairment loss on goodwill | 712,595 | - | - | - | - | - | 712,595 |
| Bad debts written off | 1,655 | - | - | - | - | - | 1,655 |
| Depreciation of property, plant and equipment | 3,531,036 | 1,680,867 | 492,908 | - | 217,144 | - | 5,921,955 |
| Gain on disposal of property, plant and equipment | (408,120) | - | (1,883) | - | - | - | (410,003) |
| Impairment loss on property, plant and equipment | 193,888 | - | - | - | - | - | 193,888 |
| Impairment loss on trade receivables | 240,780 | 57,701 | (36,450) | - | - | - | 262,031 |
| Unrealised (gain)/loss on foreign exchange | (457,954) | (275,153) | (140,936) | - | - | 884,819 | 10,776 |
| Property, plant and equipment written off | (227,200) | - | - | - | - | - | (227,200) |
| Property, plant and equipment written back | (3,257) | - | - | - | - | - | (3,257) |
| Reversal for loss on disposal of property, plant and equipment | (400,000) | - | - | - | - | - | (400,000) |
| Reversal of impairment loss on trade receivables | (47,284) | (63,658) | (110,837) | - | - | - | (221,779) |

## 31. SEGMENTAL REPORTING (CONT'D)

| | Malaysia RM | Singapore RM | Hong Kong RM | Philippines RM | Thailand RM | China RM | Adjustment and elimination RM | Consolidated RM |
|---|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | | |
| **REVENUE** | | | | | | | | |
| **External sales** | | | | | | | | |
| Shared Services | 30,607,331 | - | - | 8,435,448 | 3,308,455 | 3,041,906 | - | 45,393,140 |
| Solution Services | 11,189,256 | - | - | 192,396 | 89,774 | 428,289 | - | 11,899,715 |
| Transaction Payment Acquisition | 2,064,497 | - | - | 1,079,918 | 4 | 2,289,024 | - | 5,433,443 |
| **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 expenses | | | | | | | | (224,253) |
| Loss before taxation | | | | | | | | (25,082,485) |
| Taxation | | | | | | | | (966,439) |
| Net loss for the financial year | | | | | | | | (26,048,924) |
| **Assets:** | | | | | | | | |
| 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 |
| **Liabilities:** | | | | | | | | |
| Segment liabilities | 19,068,221 | - | - | 2,958,973 | 498,926 | 4,142,472 | - | 26,668,592 |

## 31. SEGMENTAL REPORTING (CONT'D)

| | Malaysia RM | Singapore RM | Hong Kong RM | Philippines RM | Thailand RM | China RM | Adjustment and elimination RM | Consolidated 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 loss on trade receivables | 268,589 | - | - | 205,055 | 435,936 | 596,883 | - | 1,506,463 |
| Impairment loss 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 loss on trade receivables | (182,270) | - | - | - | - | (21,738) | - | (204,008) |

## 32. SIGNIFICANT EVENTS

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

(i) On 8 February 2012, the Board of Directors offered options under Employees' Share Option Scheme to the Directors and/or employees of GHL Systems and its subsidiaries. The exercise price of the options is offered at RM0.50 per share, and the total numbers of options or shares offered is 8,906,400. The vesting period of the options or shares offered is from 8 February 2012 to 2 November 2012.

(ii) GHL Asia Pacific Limited had on 12 April 2012 entered into a Share Sales Agreement to dispose its entire holding in its wholly-owned subsidiary, GHL (China) Company Limited to a purchaser name HK New Huang PU Finance Holdings Limited. The details of the disposal are stated in Note 5 (d).

(iii) GHLSYS Singapore Pte. Ltd. had on 5 June 2012 been struck off from the register of Registrar of Companies and Businesses, Singapore pursuant to Section 344(2) of the Singapore Companies Act (Cap 50).

(iv) GHL Asia Pacific Limited had on 20 July 2012 incorporated GHL Systems Australia Pty Ltd. The paid-up share capital is AUD100,000 divided into 100,000 shares of AUD1.00 each.

(v) PaymentOne Singapore Pte. Ltd. had on 8 August 2012 been struck off from the register of Registrar of Companies and Businesses, Singapore pursuant to Section 344(2) of the Singapore Companies Act (Cap 50).

(vi) PaymentOne (HK) Pte Limited had on 14 September 2012 been struck off from the Companies Registry, Hong Kong pursuant to Section 291AA(9) of the Companies Ordinance.

(vii) On 21 September 2012, GHL Thailand Co Ltd had acquired 10,000 ordinary shares of THB100 each fully paid-up in the capital of Conscious Object Development Co. Ltd. ("COD") representing 100% of the equity interest in COD. The details of the acquisition are stated in Note 5 (c).

(viii) On 19 October 2012, GHL Loyalty was incorporated under the Companies Act, 1965 with the issued and paid-up capital of RM2.00 comprising two (2) ordinary shares of RM1.00 each.

(ix) On 1 November 2012, a total of 1,000,000 new ordinary shares of RM0.50 each were allotted and issued pursuant to the Company's Employee Share Option Scheme. The scheme has since expired on 2 November 2012.

## 33. SUBSEQUENT EVENTS

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

(a) GHL Systems Philippines Inc, had on 7 January 2013 incorporated a legal entity in the Philippines namely Pinoytek Solusyon, Inc. which holds 40% of the equity interest in Pinoytek. The authorised share capital of Pinoytek is PHP10,000,000 divided into 100,000 shares of common stock of PHP100 each. The paid up capital is PHP2,500,000 divided into 25,000 shares of common stock of PHP100 each.

## 33. SUBSEQUENT EVENTS (CONT'D)

(b) GHL Payment Services Sdn Bhd was incorporated on 11 January 2013 under Companies Act, 1965 with an issued and paid-up capital of RM2.00 comprising of two (2) ordinary shares of RM1.00 each.

(c) GHL BPO1 Sdn Bhd was incorporated on 11 January 2013 under Companies Act, 1965 with an issued and paid-up capital of RM2.00 comprising of two (2) ordinary shares of RM1.00 each.

(d) GHL ePayments Sdn Bhd was incorporated on 29 March 2013 under Companies Act, 1965 with an issued and paid-up capital of RM2.00 comprising of two (2) ordinary shares of RM1.00 each.

(e) On 2 April 2013, the shareholders during Extraordinary General Meeting have approved the below proposed corporate exercises:-

(i) Proposed capital reduction of the issued and paid-up share capital of GHL pursuant to Section 64(1) of the Companies Act, 1965 ("Act"), involving the cancellation of RM0.30 of the par value of every existing ordinary share of RM0.50 each in GHL ("Share(s)") ("Proposed Capital Reduction");

(ii) Proposed renounceable rights issue of up to [36.35 million] new ordinary shares of RM0.20 each ("Rights Shares") on the basis of one (1) Right Share for every four (4) GHL Shares held after the Proposed Capital Reduction on an entitlement date to be determined later ("Entitlement Date") ("Proposed Rights Issue");

(iii) Proposed exemption under Paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-Over and Mergers 2010 ("Code") to Mr. Loh Wee Hian and Ms Teo Kwee Hwa from the obligation to extend a mandatory take-over offer for the remaining GHL Shares not already held by them which may arise pursuant to the Rights Issue ("Proposed Exemption");

(iv) Proposed establishment of an executives' share scheme up to fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares) at any point in time ("Proposed Executives' Share Scheme"); and

(v) Proposed increase in GHL's authorised share capital from RM100.00 million comprising 200.00 million GHL Shares to RM500.00 million comprising 2.5 billion GHL Shares ("Proposed Increase in Authorised Share Capital").

## 34. CONTINGENT LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2012 RM | 31.12.2011 RM | 31.12.2012 RM | 31.12.2011 RM |
| Unsecured: | | | | |
| Banker's guarantee in favour of third parties | | | | |
| - performance bond | 326,296 | 338,000 | 103,000 | 238,000 |

## 35. COMMITMENTS

(a) Non-cancellable operating lease:

| | Group | |
|---|---|---|
| | 31.12.2012 | 31.12.2011 |
| | RM | RM |
| Future minimum rentals payable: | | |
| Within one year | 852,721 | 1,060,015 |
| Between one and two years | 1,348,969 | 662,368 |
| Between two and three years | 12,000 | - |
| | 2,213,690 | 1,722,383 |

Operating lease payments represents rentals payable by the Group in respect of land and buildings. The lease terms are between one and three years, and the majority of lease agreements are renewable at the end of the lease period at market rate. None of the leases includes contingent rentals.

(b) Capital commitment

| | Group | |
|---|---|---|
| | 31.12.2012 | 31.12.2011 |
| | RM | RM |
| Approved but not contracted for: | | |
| Purchase of EDC equipment | 1,987,700 | - |

## 36. RELATED PARTIES

(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 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM |
| **Subsidiary Companies:** | | | | |
| Sales of other hardware | - | - | 1,258,631 | 1,520,440 |
| Rental and license fee | - | - | 5,473,115 | 6,292,520 |
| Hosting services | - | - | 312,000 | 312,000 |
| Purchase of goods and services | - | - | 1,328,600 | 1,643,865 |
| Settlement of liabilities by the company on behalf of the subsidiary companies | - | - | 2,928,695 | 1,211,328 |
| Settlement of liabilities by the subsidiary companies on behalf of the Company | - | - | 2,928,695 | 2,821,176 |

## 36. RELATED PARTIES (CONT'D)

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| **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") | 919,878 | 3,135,487 | 174,957 | 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") | 394,070 | 630,521 | 386,835 | 629,121 |

# The Company Executive Vice Chairman and major shareholder, Loh Wee Hian, 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 Independent Non Executive Director and major shareholder Goh Kuan Ho is currently General Manager of Microtree.

(b) Information regarding outstanding balances arising from related party transactions as at 31 December 2012 is disclosed in Notes 10 and 12 respectively.

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

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| Short-term employee benefits | 2,995,351 | 3,491,785 | 1,653,848 | 3,300,582 |
| Share based payment | - | 95,756 | - | 90,512 |

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

## 36. RELATED PARTIES (CONT'D)

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

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

| | <------ No. of Share Option ------> | | | | | | |
|---|---|---|---|---|---|---|---|
| | Outstanding at January | Bonus Issue | Granted | Exercise | Lapsed | Outstanding at 31 December | Exercisable at 31 December |
| **Group/Company** | | | | | | | |
| **31.12.2012** | | | | | | | |
| Ninth Grant | 7,415,400 | - | - | - | 7,415,400 | - | - |
| Tenth Grant | - | - | 5,974,500 | 1,000,000 | 4,974,500 | - | - |
| | 7,415,400 | - | 5,974,500 | 1,000,000 | 12,389,900 | - | - |
| WAEP | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| **31.12.2011** | | | | | | | |
| Ninth Grant | 7,187,500 | 357,200 | - | - | 129,300 | 7,415,400 | 4,892,400 |
| WAEP | 0.50 | 0.50 | 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 29.

## 37. 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").

## 37. MATERIAL LITIGATION (CONT'D)

(a) 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;

(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.

## 37. MATERIAL LITIGATION (CONT'D)

(a) 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.

The case was referred by the Court for mediation to the Philippine Mediation Center where mediation hearings were held within the months of April to June 2012. With the assistance of the Mediator, the parties agreed to settle the case which resulted to the execution and signing of a Compromise Agreement dated 18 June 2012.

As required by Philippine laws, the Compromise Agreement was approved by the Court on 31 August 2012, and the Court rendered a Compromise Judgment based thereon.

The Compromise Judgment thus closed the case with finality.

## 38. 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 3 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:

| | Loan and receivables RM | Financial liabilities at amortised cost RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| **31.12.2012** | | | |
| **Financial Assets** | | | |
| Trade and other receivables | 13,894,750 | - | 13,894,750 |
| Fixed deposits with licensed banks | 1,551,645 | - | 1,551,645 |
| Cash and bank balances | 15,441,272 | - | 15,441,272 |
| Total financial assets | 30,887,667 | - | 30,887,667 |
| **Financial Liabilities** | | | |
| Trade and other payables | - | 20,170,806 | 20,170,806 |
| Hire purchase payables | - | 1,640,613 | 1,640,613 |
| Bank borrowings | - | 2,731,633 | 2,731,633 |
| Total financial liabilities | - | 24,543,052 | 24,543,052 |
| **31.12.2011** | | | |
| **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 | - | 19,173,969 | 19,173,969 |
| Hire purchase payables | - | 1,922,175 | 1,922,175 |
| Bank borrowings | - | 2,546,516 | 2,546,516 |
| Total financial liabilities | - | 23,642,660 | 23,642,660 |

## 38. FINANCIAL INSTRUMENTS (CONT'D)

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

| | Loan and receivables RM | Financial liabilities at amortised cost RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| **1.1.2011** | | | |
| **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 |
| **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** | | | |
| **31.12.2012** | | | |
| **Financial Assets** | | | |
| Trade and other receivables | 2,722,796 | - | 2,722,796 |
| Fixed deposits with licensed banks | 649,103 | - | 649,103 |
| Cash and bank balances | 2,274,673 | - | 2,274,673 |
| Total financial assets | 5,646,572 | - | 5,646,572 |
| **Financial Liabilities** | | | |
| Trade and other payables | - | 3,358,485 | 3,358,485 |
| Hire purchase payables | - | 380,235 | 380,235 |
| Bank borrowings | - | 2,731,633 | 2,731,633 |
| Total financial liabilities | - | 6,470,353 | 6,470,353 |

## 38. FINANCIAL INSTRUMENTS (CONT'D)

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

| | Loan and receivables RM | Financial liabilities at amortised cost RM | Total RM |
|---|---|---|---|
| **Company** | | | |
| **31.12.2011** | | | |
| **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 other 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 |
| **1.1.2011** | | | |
| **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 subsidiary companies | - | 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 |

## 38. FINANCIAL INSTRUMENTS (CONT'D)

(b) 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.

(c) 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 14.

(d) 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 their 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.

| | On demand or within 1 year RM | 1 - 2 years RM | 2 - 3 years RM | 3 - 4 years RM | 4 - 5 years RM | After 5 years RM | Total contractual cash flows RM | Carrying amount RM |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **31.12.2012** | | | | | | | | |
| Trade and other payables | 20,170,806 | - | - | - | - | - | 20,170,806 | 20,170,806 |
| Hire purchase payables | 876,772 | 594,478 | 116,052 | 78,154 | 56,014 | - | 1,721,470 | 1,640,613 |
| Bank borrowings | 853,020 | 403,020 | 403,020 | 403,020 | 403,020 | 735,525 | 3,200,625 | 2,731,633 |
| | 21,900,598 | 997,498 | 519,072 | 481,174 | 459,034 | 735,525 | 25,092,901 | 24,543,052 |

## 38. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity risk (Cont'd)

| | On demand or within 1 year RM | 1 - 2 years RM | 2 - 3 years RM | 3 - 4 years RM | 4 - 5 years RM | After 5 years RM | Total contractual cash flows RM | Carrying amount RM |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **31.12.2011** | | | | | | | | |
| Trade and other payables | 19,173,969 | - | - | - | - | - | 19,173,969 | 19,173,969 |
| Hire purchase payables | 822,243 | 661,329 | 534,769 | - | - | - | 2,018,341 | 1,922,175 |
| Bank borrowings | 403,020 | 403,020 | 403,020 | 403,020 | 403,020 | 1,135,143 | 3,150,243 | 2,546,516 |
| | 20,399,232 | 1,064,349 | 937,789 | 403,020 | 403,020 | 1,135,143 | 24,342,553 | 23,642,660 |
| **1.1.2011** | | | | | | | | |
| Trade and other payables | 19,688,998 | - | - | - | - | - | 19,688,998 | 19,688,998 |
| Hire purchase payables | 536,116 | 43,721 | - | - | - | - | 579,837 | 571,610 |
| Bank borrowings | 403,020 | 403,020 | 403,020 | 403,020 | 403,020 | 1,528,426 | 3,543,526 | 2,801,069 |
| | 20,628,134 | 446,741 | 403,020 | 403,020 | 403,020 | 1,528,426 | 23,812,361 | 23,061,677 |
| **Company** | | | | | | | | |
| **31.12.2012** | | | | | | | | |
| Trade and other payables | 3,358,485 | - | - | - | - | - | 3,358,485 | 3,358,485 |
| Hire purchase payables | 110,712 | 101,689 | 74,748 | 74,748 | 56,014 | - | 417,911 | 380,235 |
| Bank borrowings | 853,020 | 403,020 | 403,020 | 403,020 | 403,020 | 735,525 | 3,200,626 | 2,731,633 |
| | 4,322,217 | 504,709 | 477,768 | 477,768 | 459,034 | 735,525 | 6,977,022 | 6,470,353 |
| **31.12.2011** | | | | | | | | |
| Trade and other payables | 5,059,594 | - | - | - | - | - | 5,059,594 | 5,059,594 |
| Hire purchase payables | 57,915 | 62,905 | - | - | - | - | 120,820 | 114,109 |
| Bank borrowings | 403,020 | 403,020 | 403,020 | 403,020 | 403,020 | 1,135,143 | 3,150,243 | 2,546,516 |
| | 5,520,529 | 465,925 | 403,020 | 403,020 | 403,020 | 1,135,143 | 8,330,657 | 7,720,219 |
| **1.1.2011** | | | | | | | | |
| Trade and other payables | 3,454,360 | - | - | - | - | - | 3,454,360 | 3,454,360 |
| Amount owing to a subsidiary company | 454,882 | - | - | - | - | - | 454,882 | 454,882 |
| Hire purchase payables | 527,112 | 43,902 | - | - | - | - | 571,014 | 554,573 |
| Bank borrowings | 403,020 | 403,020 | 403,020 | 403,020 | 403,020 | 1,528,425 | 3,543,525 | 2,801,069 |
| | 4,839,374 | 446,922 | 403,020 | 403,020 | 403,020 | 1,528,425 | 8,023,781 | 7,264,884 |

## 38. FINANCIAL INSTRUMENTS (CONT'D)

(e) 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 RM | Fixed deposits with licensed banks RM | Cash and bank balances RM | Total RM |
| **Group** | | | | |
| **31.12.2012** | | | | |
| USD | 670,820 | - | 529,137 | 1,199,957 |
| PHP | 775,227 | - | - | 775,227 |
| RMB | - | - | 214 | 214 |
| **31.12.2011** | | | | |
| 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 |
| **1.1.2011** | | | | |
| 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 |

## 38. FINANCIAL INSTRUMENTS (CONT'D)

(e) Market risks (Cont'd)

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

| | <---- Financial Assets | | | | ----> |
|---|---|---|---|---|---|
| | Trade and other receivables RM | Amount owing by subsidiary companies RM | Fixed deposits with licensed banks RM | Cash and bank balances RM | Total RM |
| **Company** | | | | | |
| **31.12.2012** | | | | | |
| AUD | - | 318,317 | - | - | 318,317 |
| USD | 468,595 | 3,433,637 | - | 126,705 | 4,028,937 |
| PHP | 775,227 | - | - | - | 775,227 |
| **31.12.2011** | | | | | |
| 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 |
| **1.1.2011** | | | | | |
| 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 |

| | <----- Financial Liabilities | -----> | |
|---|---|---|---|
| | Trade and other payables RM | Hire purchase payables RM | Total RM |
| **Group** | | | |
| **31.12.2012** | | | |
| USD | 3,945,653 | - | 3,945,653 |
| SGD | 2,003 | - | 2,003 |

## 38. FINANCIAL INSTRUMENTS (CONT'D)

(e) Market risks (Cont'd)

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

| | <----- Financial Liabilities -----> | | |
|---|---|---|---|
| | Trade and other payables RM | Hire purchase payables RM | Total RM |
| **Group** | | | |
| **31.12.2011** | | | |
| 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 |
| **1.1.2011** | | | |
| USD | 2,785,300 | - | 2,785,300 |
| 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** | | | |
| **31.12.2012** | | | |
| USD | 621,668 | - | 621,668 |
| SGD | 2,003 | - | 2,003 |
| **31.12.2011** | | | |
| USD | 1,538,140 | - | 1,538,140 |
| **1.1.2011** | | | |
| USD | 877,459 | - | 877,459 |

(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.

## 38. FINANCIAL INSTRUMENTS (CONT'D)

(e) Market risks (Cont'd)

(ii) Foreign currency risk sensitivity (Cont'd)

| | Increase/(Decrease) in Profit/(Loss) before taxation | |
|---|---|---|
| | Group | Company |
| | RM | RM |
| **31.12.2012** | | |
| AUD | - | (31,832) |
| USD | 274,570 | (340,727) |
| PHP | (77,523) | - |
| RMB | (21) | - |
| SGD | 200 | 200 |
| PHP | - | (77,523) |
| | 197,226 | (449,882) |
| **31.12.2011** | | |
| 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 |
| **1.1.2011** | | |
| 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.

## 38. FINANCIAL INSTRUMENTS (CONT'D)

(e) 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 per annum %** | **31.12.2012 RM** | **31.12.2011 RM** | **1.1.2011 RM** |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| **Group** | | | | |
| Fixed deposits with licensed banks | 4.50 | 1,551,645 | 2,482,440 | 2,121,037 |
| **Company** | | | | |
| Fixed deposits with licensed banks | 2.87 | 649,103 | 1,623,533 | 1,240,091 |
| **Financial Liabilities** | | | | |
| **Group/Company** | | | | |
| Bank borrowings | 5.04 | 2,731,633 | 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 RM11,800 and RM20,825 (31.12.2011: RM641 and RM9,230, 1.1.2011: RM6,800 and RM15,610) respectively. This analysis assumes that all other variables remain unchanged.

## 38. FINANCIAL INSTRUMENTS (CONT'D)

(e) Market risks (Cont'd)

(iv) Interest rate risk sensitivity (Cont'd)

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.

(f) 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.

## 38. FINANCIAL INSTRUMENTS (CONT'D)

(f) Fair values of financial assets and financial liabilities (Cont'd)

(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:

| | 31.12.2012 | | 31.12.2011 | | 1.1.2011 | |
|---|---|---|---|---|---|---|
| | Carrying amount RM | Fair value RM | Carrying amount RM | Fair value RM | Carrying amount RM | Fair value RM |
| **Group** | | | | | | |
| **Financial liabilities** | | | | | | |
| Hire purchase payables (non-current) | 812,299 | 802,065 | 1,168,234 | 1,027,978 | 43,721 | 42,664 |
| Contingent liabilities | 326,296 | @ | 338,000 | @ | 278,500 | @ |
| **Company** | | | | | | |
| **Financial liabilities** | | | | | | |
| Hire purchase payables (non-current) | 284,785 | 284,993 | 60,179 | 52,954 | 43,721 | 42,664 |
| Contingent liabilities | 103,000 | @ | 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.

## 39. CAPITAL MANAGEMENT

The Group's management manage its capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholders value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital managed at Group level, which comprises shareholders' funds, cash and cash equivalents, bank borrowings.

## 39. CAPITAL MANAGEMENT (CONT'D)

The gearing ratios are as follows:

| | 31.12.2012 RM | 31.12.2011 RM | 1.1.2011 RM |
|---|---|---|---|
| Total loan and borrowing | 4,372,246 | 4,468,691 | 3,372,679 |
| Less: Cash and cash equivalents | (15,458,638) | (19,468,397) | (10,729,317) |
| Net debt | (11,086,392) | (14,999,706) | (7,356,638) |
| Total equity | 41,292,667 | 35,818,137 | 61,494,911 |
| Gearing ratio | N/A | N/A | N/A |

There were no changes in the Group's approach to capital management during the financial year.

## 40. EXPLANATION OF TRANSITION TO MFRS

As stated in Note 2(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 3 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have financial impact to the financial statements of the Group and of the Company.

## 41. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 8 April 2013.

# Supplementary Information On The Disclosure Of Realised And Unrealised Profits Or Losses

The following analysis of realised and unrealised accumulated losses of the Group and of the Company at 31 December 2012 is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared 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.

The accumulated losses of the Group and of the Company as at 31 December 2012 is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2012<br>RM | 31.12.2011<br>RM | 31.12.2012<br>RM | 31.12.2011<br>RM |
| (Accumulated losses)/Retained profits | | | | |
| - Realised | (46,230,542) | (54,849,220) | (54,298,154) | (14,613,418) |
| - Unrealised | (10,776) | 38,008 | (24,643) | 147,186 |
| | (46,241,318) | (54,811,212) | (54,322,797) | (14,466,232) |
| Less: Consolidation adjustment | 15,305,337 | 18,991,479 | - | - |
| | (30,935,981) | (35,819,733) | (54,322,797) | (14,466,232) |

The disclosure of realised and unrealised profit or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

# List Of Property

| Title/ Location | Description/ Existing Use | Registered Owner | Age of Building (Years) | Land Area | Tenure | Net Book Value as at 31.12.2012 (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 | 8 | 570 sq m | Leasehold Expired on 27 Aug 2102 | 4,530,303 | 4,875,000 |

# Shareholding Statistics
## As At 30 April 2013

| | |
|---|---|
| Authorized Share Capital | RM 100,000,000.00 |
| Issued and Fully Paid-up Capital | RM 73,401,050.00 |
| Class of Shares | Ordinary shares of RM0.50 each fully paid |
| Voting Rights | One vote per RM0.50 share |

### BREAKDOWN OF SHAREHOLDINGS

| Size of Holdings | No. of holders | % | No. of shares | % |
|---|---|---|---|---|
| Less than 100 | 1,961 | 29.84 | 71,253 | 0.05 |
| 100 - 1,000 shares | 919 | 13.98 | 432,500 | 0.30 |
| 1001 - 10,000 shares | 2,591 | 39.43 | 9,114,232 | 6.27 |
| 10,001 - 100,000 shares | 988 | 15.03 | 26,205,530 | 18.02 |
| 100,001 to less than 5% of issued shares | 111 | 1.69 | 60,043,746 | 41.30 |
| 5% and above of issued shares | 2 | 0.03 | 49,518,938 | 34.06 |
| **Total** | **6,572** | **100.00** | **145,386,199** | **100.00** |

### SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2013

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 | 26.76 | 3,258,800 | 2.24 |
| Goh Kuan Ho | 10,619,104 | 7.30 | - | - |

### DIRECTORS' SHAREHOLDINGS AS AT 30 APRIL 2013

| | | No. of Shares Held | | | |
|---|---|---|---|---|---|
| Name of Directors | Note | Direct Interest | % | Indirect Interest | % |
| Loh Wee Hian | 1 | 38,899,834 | 26.76 | 3,258,800 | 2.24 |
| Goh Kuan Ho | | 10,619,104 | 7.30 | - | - |
| Kanagaraj Lorenz | | 1,003,000 | 0.69 | - | - |
| Ng King Kau | | 677,900 | 0.47 | - | - |

**Notes:**

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

# Shareholding Statistics
## As At 30 April 2013 (Cont'd)

### STATEMENT OF SHAREHOLDINGS
### THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 30 APRIL 2013

| No | Shareholders | Holdings | % |
|---|---|---|---|
| 1 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>*CIMB FOR LOH WEE HIAN (PB)* | 38,899,834 | 26.76 |
| 2 | GOH KUAN HO | 10,619,104 | 7.30 |
| 3 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR CHIN SIN VOO (E-BWK/STP)* | 3,900,000 | 2.68 |
| 4 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>*CIMB FOR LOH HIN YAW (PB)* | 3,258,800 | 2.24 |
| 5 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>*CIMB FOR GOH HENG LOO (PB)* | 3,138,600 | 2.16 |
| 6 | TAY BENG LOCK | 2,670,767 | 1.84 |
| 7 | ONG HOCK LON | 2,600,100 | 1.79 |
| 8 | HONG CHIN CHAI | 2,509,900 | 1.73 |
| 9 | HDM NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR CHIN CHUN YEAN (M01)* | 2,000,000 | 1.38 |
| 10 | HONG CHIN TECK | 2,000,000 | 1.38 |
| 11 | TOK KIM WAH | 1,880,600 | 1.29 |
| 12 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>*CIMB FOR FOONG CHOONG HENG (PB)* | 1,405,600 | 0.97 |
| 13 | ECML NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR WONG YOKE YUNG (03MG00018)* | 1,350,000 | 0.93 |
| 14 | GOH HENG LOO | 1,311,768 | 0.90 |
| 15 | LIM CHEE SING | 1,265,000 | 0.87 |
| 16 | JF APEX NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR SEOW SOON FAT* | 1,260,100 | 0.87 |
| 17 | CHEW CHEE SENG | 1,032,730 | 0.71 |
| 18 | KANAGARAJ LORENZ | 1,003,000 | 0.69 |

# Shareholding Statistics
## As At 30 April 2013 (Cont'd)

### STATEMENT OF SHAREHOLDINGS
### THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 30 APRIL 2013 (CONT'D)

| No | Shareholders | Holdings | % |
|---|---|---|---|
| 19 | ONG BOEY HWA | 945,000 | 0.65 |
| 20 | NG SUIT YONG | 850,000 | 0.58 |
| 21 | CHIN SUI HEONG | 849,500 | 0.58 |
| 22 | CHONG CHIN CHIN | 700,000 | 0.48 |
| 23 | TAN SIEW KOON | 700,000 | 0.48 |
| 24 | NG KING KAU | 677,900 | 0.47 |
| 25 | CHEW SOH IMM | 640,000 | 0.44 |
| 26 | M&A NOMINEE (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR WONG YOKE YUNG (PNG)* | 630,000 | 0.43 |
| 27 | HSBC NOMINEES (ASING) SDN BHD<br>*EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)* | 612,671 | 0.42 |
| 28 | HLIB NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR LIM CHEE SING (M)* | 602,300 | 0.41 |
| 29 | SALLY CHEOK SWEE LING | 578,600 | 0.40 |
| 30 | CHIN YOKE SUN | 560,000 | 0.39 |

# Notice Of Nineteenth
## Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Nineteenth Annual General Meeting of GHL Systems Berhad ("GHL" or "the Company") will be held at Banyan & Casuarina, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on **Thursday, 27 June 2013** at **9.30 a.m.** for the following purposes:-

### AGENDA

**A. Ordinary Business**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. *(See Note 2)*

2. To re-elect the following Directors who are retiring in accordance with Article 127 of the Articles of Association of the Company:-

   2.1 Mr. Loh Wee Hian *(Ordinary Resolution 1)*

   2.2 Mr. Fong Seow Kee *(Ordinary Resolution 2)*

3. To approve the Directors' fees in respect of the financial year ended 31 December 2012. *(Ordinary Resolution 3)*

4. To appoint Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 4)*

   Notice of Nomination from a shareholder pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Annexure A" has been received by the Company for the nomination of Messrs BDO who have given their consent to act, for the appointment as Auditors and of the intention to propose the following resolution:-

   "THAT Messrs BDO be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs UHY and to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors of the Company to determine their remuneration."

**B. Special Business**

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

5. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** *(Ordinary Resolution 5)*

   "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."

6. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** *(Ordinary Resolution 6)*

"THAT approval be and is hereby given to the Company and its subsidiary to enter into recurrent related party transactions of a revenue or trading nature as set out in the Circular to Shareholders dated 4 June 2013 ("Circular") with the specific related party mentioned therein which are necessary for the Group's day-to-day operations, subject to the following:-

(a) that the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public and not detrimental to the minority shareholders of the Company;

(b) that the transactions are made on arms length basis and on normal commercial terms;

(c) that disclosure will be made in the circular/annual report of the Company, providing the breakdown of the aggregate value of recurrent related party transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate during the financial year based on the types of transaction and the name of the related party involved and its relationship with the Company where:-

    (i) the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1 million; or

    (ii) any one of the percentage ratios of such aggregated transactions is equal to or exceeds one percent (1%),

    whichever is higher; and

(d) that such approval shall only continue to be in force until:-

    (i) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed Renewal of Shareholders' Mandate is approved, at which time it will lapse, unless by a resolution passed at the AGM the mandate is again renewed;

    (ii) the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

    (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier."

# Notice Of Nineteenth
## Annual General Meeting (Cont'd)

**C. Other Business**

7. 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
4 June 2013

# Notice Of Nineteenth
## Annual General Meeting (Cont'd)

**NOTES:-**

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 not more than two (2) proxies 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 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 appear in the Record of Depositors as at 21 June 2013 shall be eligible to attend, speak and vote at the Meeting.

2. **Audited Financial Statements for the financial year ended 31 December 2012**

   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 5 - Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965

   The Proposed Ordinary Resolution 5 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 Eighteenth Annual General Meeting held on 18 June 2012 and which will lapse at the conclusion of the Nineteenth 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. Ordinary Resolution 6 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature

   The Proposed Ordinary Resolution 6, if passed, will enable the Company and its subsidiary to enter into recurrent related party transactions of revenue or trading natures, particulars of which are set out in the Circular to Shareholders dated 4 June 2013 accompanying the Company's 2012 Annual Report.

**ANNEXURE A**

Loh Wee Hian
Lot 565, Lorong Udara Nyaman
Country Height, 43000 Kajang
Selangor Darul Ehsan

Date: 06 MAY 2013

The Board of Directors
**GHL SYSTEMS BERHAD**
Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Dear Sirs,

**RE: GHL SYSTEMS BERHAD ("GHL")**
**- NOTICE OF NOMINATION OF AUDITORS**

Pursuant to Section 172 (11) of the Companies Act, 1965, I, being a shareholder of **GHL** hereby give notice of my intention to nominate **Messrs BDO** for the appointment as Auditors of GHL, subject to their consent to act and to propose the following proposed ordinary resolution to be tabled at the forthcoming Nineteenth Annual General Meeting of GHL, to replace the retiring Auditors, Messrs UHY:-

"THAT Messrs BDO be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs UHY and to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors of the Company to determine their remuneration."

Yours faithfully,

LOH WEE HIAN

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

# Proxy Form

| No. of ordinary shares held | CDS Account No. |
|---|---|
| | |

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 Nineteenth Annual General Meeting of the Company to be held at Banyan & Casuarina, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on **Thursday, 27 June 2013** at **9.30 a.m.** and at any adjournment thereof, to vote as indicated below:-

| **Ordinary Business** | | **FOR** | **AGAINST** |
|---|---|---|---|
| **Ordinary Resolution 1** | Re-election of Mr. Loh Wee Hian as Director pursuant to Article 127 of the Company's Articles of Association | | |
| **Ordinary Resolution 2** | Re-election of Mr. Fong Seow Kee as Director pursuant to Article 127 of the Company's Articles of Association | | |
| **Ordinary Resolution 3** | Approval of Directors' fees for the financial year ended 31 December 2012 | | |
| **Ordinary Resolution 4** | To appoint Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration | | |
| **Special Business** | | | |
| **Ordinary Resolution 5** | Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965 | | |
| **Ordinary Resolution 6** | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue of Trading Nature | | |

(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 ...........................................................%
**100%**

Dated this _________ day of ____________________ 2013

______________________________________
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 not more than two (2) proxies 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 appear in the Record of Depositors as at 21 June 2013 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

*2nd Fold here*

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