



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

the **ASEAN** payment people

ANNUAL REPORT 2013 [www.ghl.com](http://www.ghl.com)



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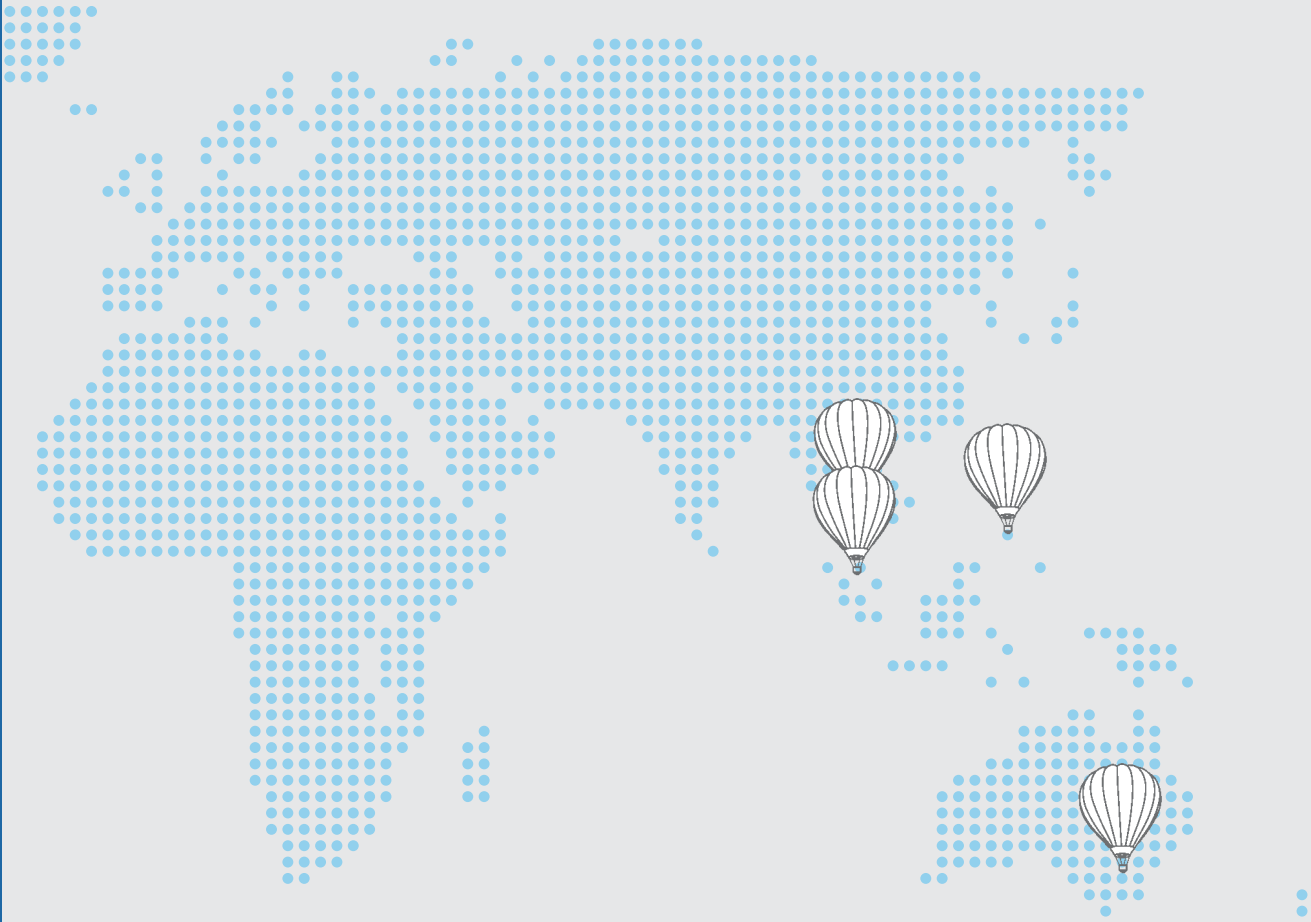
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# Vision And Mission

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



# 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.

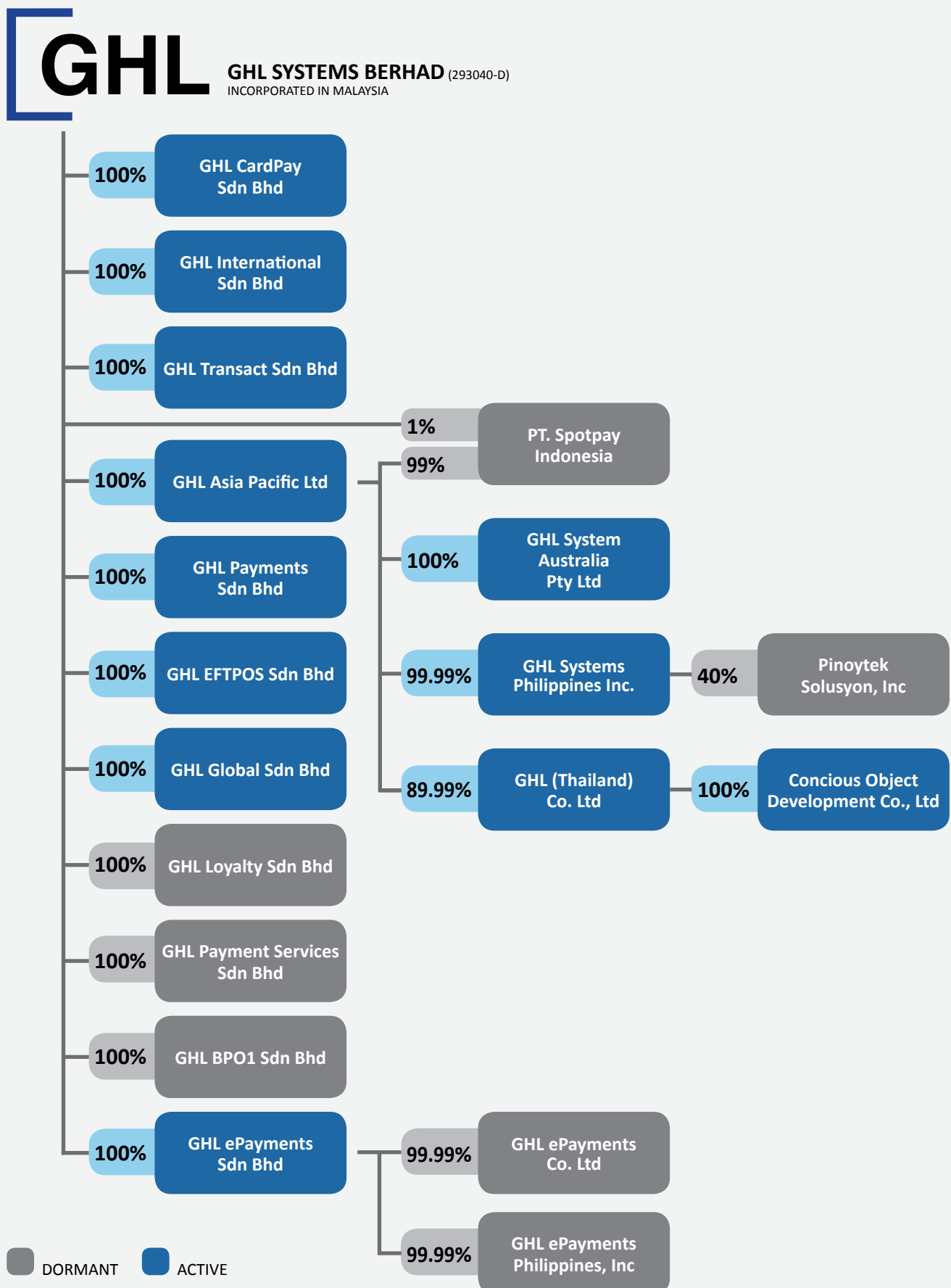
Not only that, our commitment to constant Research & Development has enabled us to pioneer groundbreaking innovations that reinforce our leading position in the payment solutions space time and again.

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

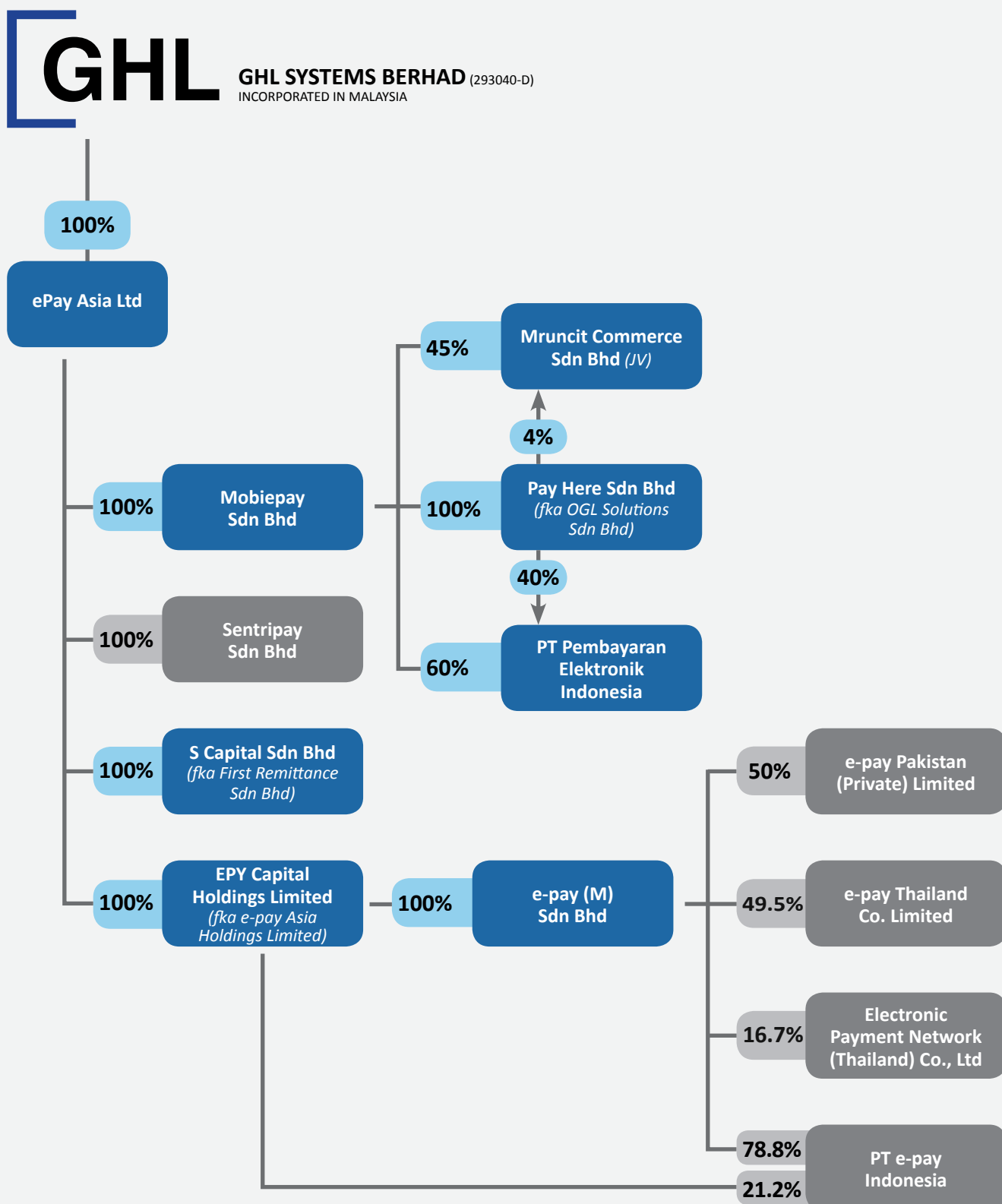
As At 21 April 2014



# Corporate Structure

As At 21 April 2014

(Cont'd)



DORMANT  ACTIVE

# 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*)  
**Brahmal a/I Vasudevan** (*Non-Independent & Non-Executive Director*)  
**Lim Sze Mei** (*Non-Independent & Non-Executive Director*)

## COMPANY SECRETARY

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

## AUDIT & RISK COMMITTEE

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

## NOMINATION & REMUNERATION COMMITTEE

Fong Seow Kee (*Chairman*)  
Goh Kuan Ho  
Datuk Kamaruddin Bin Taib  
Brahmal a/I Vasudevan

## AUDITORS

BDO (AF0206)  
12th Floor, Menara Uni Asia,  
1008 Jalan Sultan Ismail,  
50250 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  
Standard Chartered 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.





# Corporate Information

(Cont'd)

## LEGAL ADVISORS

### **Wong Beh & Toh**

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

### **HH Goh & Co.**

36 Jalan Pipit,  
Off Jalan Ipoh 3rd Miles,  
51100 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](http://www.ghl.com)

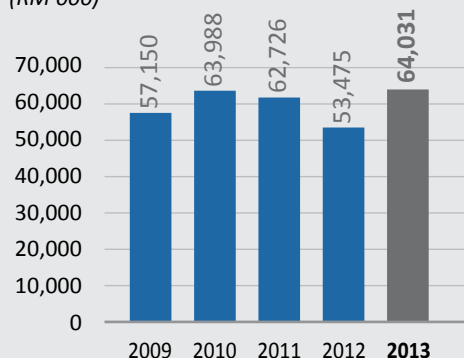




# Financial Highlights

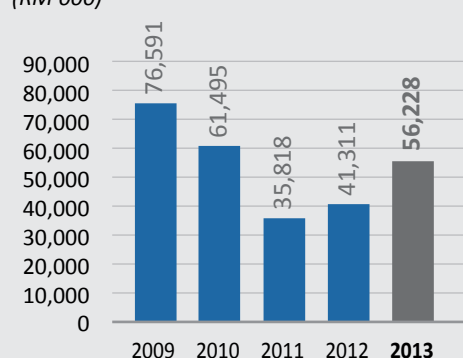
## Revenue

(RM'000)



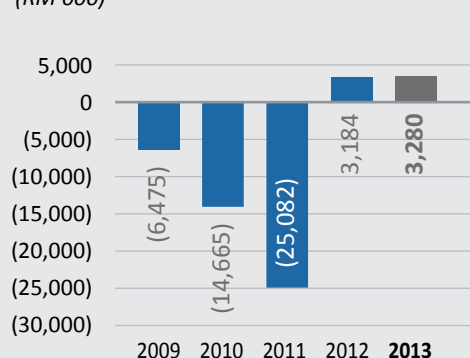
## Shareholders' Equity

(RM'000)



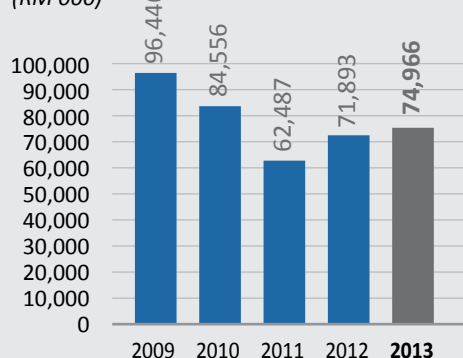
## Profit/(Loss) Before Tax

(RM'000)



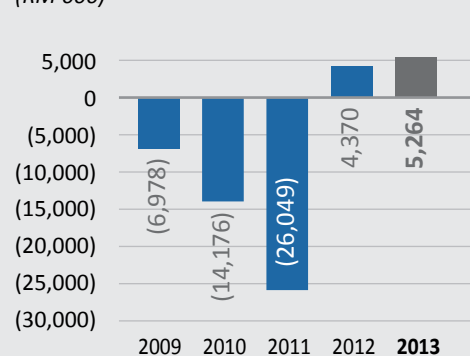
## Total Assets

(RM'000)



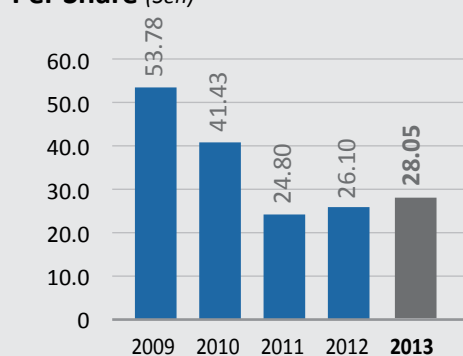
## Net Profit/(Loss)

(RM'000)



## Net Tangible Assets

Per Share (Sen)



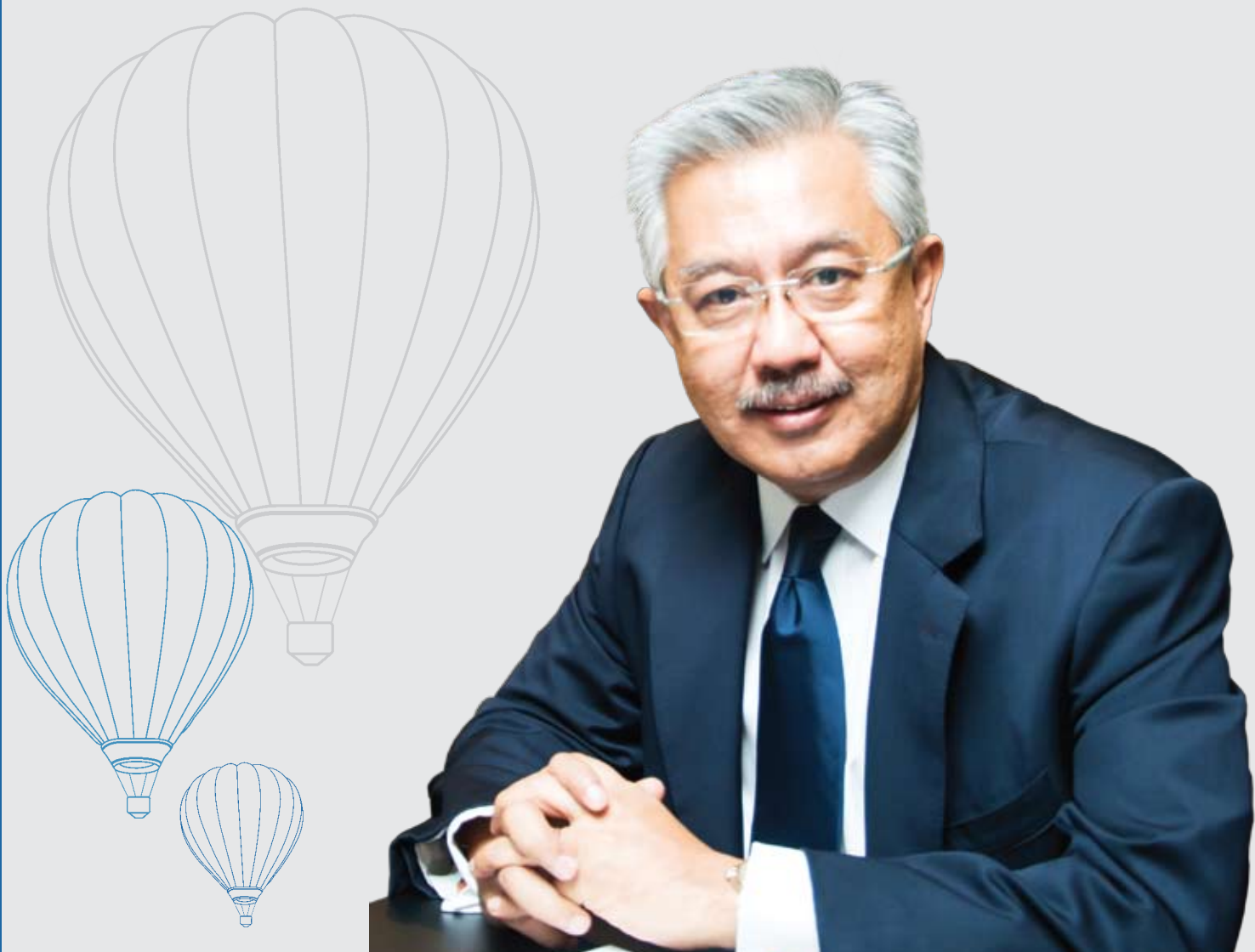
# Key Performance Indicators

Financial Year Ended 31 December Actual/Restated	Format	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual
<b>KEY FINANCIALS DATA</b>						
<b>STATEMENT OF COMPREHENSIVE INCOME</b>						
Revenue	RM'000	57,150	63,988	62,726	53,475	64,031
Gross Profit	RM'000	38,593	40,172	42,936	40,336	40,352
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	RM'000	4,490	1,450*	3,213*	9,317	11,904
Profit/(Loss) Attributable To Equity Holders	RM'000	(6,978)	(14,176)	(26,049)	4,370	5,264
<b>STATEMENT OF FINANCIAL POSITION</b>						
Share Capital	RM'000	69,431	72,901	72,901	73,401	37,077
Shareholders' Equity	RM'000	76,591	61,495	35,818	41,311	56,228
Net Assets	RM'000	76,591	61,495	35,818	41,311	56,228
Net Tangible Assets	RM'000	74,678	60,399	35,818	38,311	52,010
Total Borrowings	RM'000	3,093	3,373	4,469	4,372	974
Cash And Bank Balances	RM'000	14,733	12,693	20,897	16,993	14,097
<b>STATEMENT OF CASH FLOW</b>						
Net Operating Cash Flow	RM'000	9,873	4,395	13,481	(1,603)	(4,888)
Cash And Cash Equivalents	RM'000	13,616	10,729	19,468	15,459	13,997
<b>RATIO ANALYSIS</b>						
<b>PER SHARE DATA</b>						
Basic Earnings Per Share	sen	(5.04)	(9.96)	(18.04)	2.87	3.10
Net Cash Per Share	sen	8.38	6.45	11.27	8.60	7.08
Net Assets Per Share	RM	0.55	0.43	0.25	0.28	0.30
Net Tangible Assets Per Share	RM	0.54	0.42	0.25	0.26	0.28
<b>PROFITABILITY</b>						
Gross Profit Margin	%	67.53	62.78	68.45	75.43	63.02
EBITDA Margin	%	7.86	2.27	5.12	17.42	18.59
Net Profit Margin	%	(12.24)	(22.15)	(41.53)	8.14	8.07
<b>GROWTH RATES</b>						
Revenue Growth	%	9.39	11.96	(1.97)	(14.75)	19.74
Gross Profit Growth	%	9.15	4.09	6.88	(6.06)	0.04
<b>GEARING</b>						
Gearing Ratio	times	0.04	0.05	0.12	0.11	0.02
Net Gearing Ratio	times	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
<b>VALUATION</b>						
Market Capitalisation	RM'000	56,934	61,237	42,283	39,637	131,625

Note:

\* EBITDA exclude the exceptional items.

# Chairman's Statement



“ Dear Shareholders,

I am pleased to present to you, GHL SYSTEMS BERHAD's Annual Report and financial statement for the 12 months ended 31st December 2013.

”

# Chairman's Statement

## (Cont'd)

2013 has been an eventful year as the group sought to build on the turnaround achieved in 2012. Your board has remained unchanged and Executive Deputy Chairman, Mr Loh Wee Hian, myself and the rest of the board continue to strive to bring the group to greater heights. I would like to congratulate the board, management and staff for turning in another tireless shift in getting the group to strengthen our motto; GHL – The ASEAN payment people.

### FINANCIAL AND OPERATIONAL HIGHLIGHTS

GHL group's financial performance for the year ended 31 December 2013 recorded revenues of RM64.0 million, +20.7% improvement compared to RM53 million for the corresponding period in 2012. The Shared Services division continued to be the leading contributor at 62.4% (FY2012 –58.9%) followed by Transaction Payment Acquisition ("TPA") at 19.1% (FY2012 – 19.2%) and Solution Services 18.5% (FY2012 – 21.9%). In absolute Ringgit terms, all three divisions recorded higher revenues compared to the same period in 2012. The group's net profit for the year increased by 18.7% to RM5.2 million (FY2012 RM4.4 million). This was despite RM0.9 million non-cash executive share scheme (ESS) option cost expensed off and one off cost relating to financial and advisory cost of RM1.5 million for e-pay Asia Limited acquisition.

Annuity based revenue for 2013 increased by RM8.8 million which amounted to 72.8% of the total revenue as compared to 71.4% for 2012. Higher rental and maintenance revenue plus improved revenues from TPA enabled the group to strengthen further its annuity incomes. This is in line with the group's strategy to increase the percentage of recurring income as opposed to one off sales.

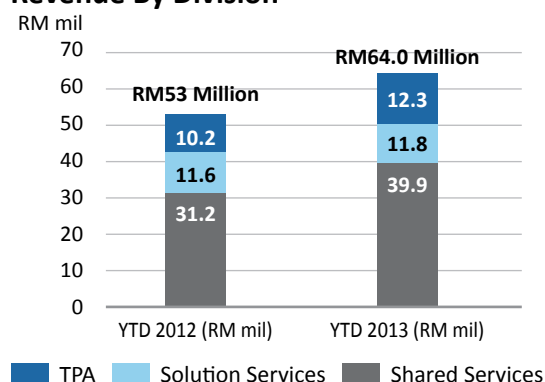
### Geographical performances

GHL's Malaysian operations continues to be the largest contributor (64.2% vs 70.9% in 2012) but its contribution of group revenue is reducing as overseas revenue from the Philippines and Thailand markets have started to gain momentum. FY13 revenues from the Malaysian operations of RM41.1 million was higher by 8.4% year on year ('yoy'), derived mainly from the Shared Services division. EDC terminal sales during 2013 were higher than a year ago but rental and card revenues were flat. Solution Services revenues were similarly flat compared to 2012 and contributed about 19.0% to overall Malaysia operations. Malaysian TPA revenues were up +9.4% due to higher merchant acquisition rate.

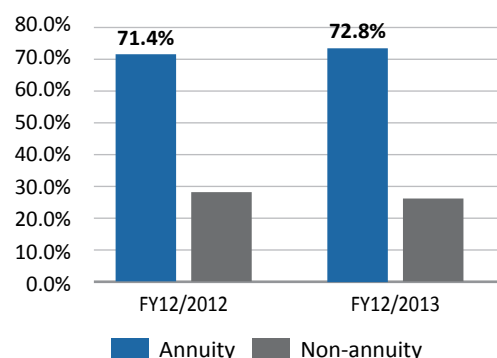
Malaysia recorded a breakeven profit before interest and tax (EBIT) of RM0.14 million mainly due to executive share scheme (ESS) option cost expensed off and one off advisory and professional fees for the proposed acquisition of e-pay Asia Limited ("EPY") announced in early October 2013 and which was expensed off in 4Q13. The overall prospects for Malaysia remains positive as e-payments steadily gains wider acceptance and 2014 is expected to perform better with the consolidation of EPY's earnings.

Bank Negara Malaysia recently announced the need to increase the usage of online payment and mobile banking not only for the convenience, but also to reduce the cost of doing business through the redeployment of resources in cash handling.

### Revenue By Division



### GHL - Annuity Based Revenues



# Chairman's Statement

## (Cont'd)

On 2nd May 2013, Bank Negara Malaysia had announced the fee for Interbank GIRO or IBG transactions that is performed online via internet banking and mobile banking, was reduced to 10 sen per transaction, previously it was at RM2.00, and from 1st January 2015, the bank will charge a processing fee of 50 sen on the issuer of the cheque. All these measures augur well for your Company.

The group's Philippines business performed strongly in 2013, recording revenues of RM16.8million (+64.2% yoy) and accounting for 26.3% of group revenues compared to 19.3% in 2012. Philippines' Shared Services segment was the main growth driver and almost doubled its size (+97.6%) with TPA in second place (+55.9% yoy) whereas Solution Services declined marginally at -15.8%. In terms of profitability, Philippine's EBIT increased by 186% from RM0.99 million (2012) to RM2.83 million in 2013. Some of the key projects delivered in the Philippines in 2013 were Starbucks prepaid and loyalty system and Shoemart's payment gateway.

Thailand operations also recorded an improvement in 2013 revenues of RM5.67 million (2012 – RM4.89 million). Overall Shared Services was up 16.1% yoy due to higher rental and maintenance revenue but EDC terminal sales was down. Solution Services contribution was flat compared to the previous year due to higher hardware sales in 2012. TPA revenues doubled in 2013 to RM0.65 million from RM0.32 million in 2012 but the value remains small when compared to the other two divisions. In terms of profitability, the group's Thai operations recorded a loss at EBIT level of RM1.0 million due to investment in preparation for the launch of a new TPA business which was signed and launched with Thanachart Bank of Thailand in March 2014. The group is optimistic as this marks the group's entrance into the TPA space as a merchant acquirer in partnership with Thanachart Bank.

Apart from the three main operating units in Malaysia, Thailand and Philippines, the group had marginal EBIT losses in Australia of RM0.92 million due to office overheads but it nevertheless recorded revenues of RM0.44 million in 2013.

## SIGNIFICANT EVENTS

### ***1) Capital Reduction and increase in authorised share capital***

In November 2012, GHL proposed to reduce its issued and paid-up share capital via cancellation of RM0.30 of the par value of every existing ordinary share of RM0.50 each in GHL pursuant to Section 64(1) of the Companies Act, 1965.

On 22 May 2013, the High Court of Malaya at Kuala Lumpur has granted the Order confirming the Proposed Capital Reduction of GHL Systems Berhad ("GHL") and it has been lodged with the Companies Commission of Malaysia on 18 June 2013 pursuant to Section 64(6) of the Companies Act, 1965. This resulted in the issued and paid-up share capital of GHL being reduced from RM73.4 million comprising 146.8 million ordinary shares of RM0.50 each to RM29.4 million comprising 146.8 million ordinary shares of RM0.20 each effective 18 June 2013. The number of paid up share capital in the company remained unchanged but the par value was reduced from RM0.50 to RM0.20.

As the Capital Reduction and the Increase In Authorised Share Capital are inter-conditional upon each other, the authorised share capital of GHL was therefore consequently increased from RM40,000,000 (200,000,000 ordinary shares of RM0.20) each to RM500,000,000 (2,500,000,000 ordinary shares of RM0.20 each) with effect on 18 June 2013.

# Chairman's Statement

## (Cont'd)

### **II) Rights Issue – July 2013**

As part of the above mentioned capital reduction exercise, GHL also proposed and completed a renounceable rights issue of 36.3 million new ordinary shares of RM0.20 each on the basis of one (1) new rights share for every four (4) existing ordinary shares of RM0.20 each held in GHL at an issue price of RM0.24 per share. The total gross proceeds raised from the rights issue amounted to RM8.72 million. The new rights shares were listed on the Main Market of Bursa Malaysia on 31 July 2013.

### **III) Acquisition of e-pay Asia Limited**

GHL Systems Berhad had on 4 October 2013 announced its intention to undertake a voluntary takeover offer to acquire all of the shares in e-pay Asia Limited, a public company listed on the Australian Securities Exchange pursuant to Chapter 6 of the Australian Corporations Act, 2001. In the offer, the shareholders of EPY were able to exchange their shares in EPY for either i) a cash consideration of AUD0.40 per ordinary share in EPY or ii) 2.75 new GHL shares.

On 12 February 2014, the Offer became free from all its remaining conditions and accordingly the Offer also became unconditional. On 18 February 2014, GHL had commenced compulsory acquisition on the remaining EPY Shares not owned by GHL in accordance with the Corporations Act. A total of 150.6 million new GHL shares were issued in March and April 2014 to the shareholders of e-pay Asia Limited due to the acquisition exercise.

### **IV) Issuance of 20% new shares to Cycas**

GHL had on 4 October 2013 entered into a share subscription agreement with Cycas for the proposed issuance and allotment of up to such number of new GHL Shares equivalent to twenty percent (20%) of the enlarged issued and paid up share capital of GHL (i.e. after the completion of the Proposed EPY Acquisition and the Proposed Share Issuance) to Cycas at an issue price of RM0.42 per GHL Share to be satisfied in cash. GHL has obtained its shareholders' approval for the Proposed Share Issuance on 10 February 2014. Cycas is a private equity fund which is managed by Creador Sdn Bhd. The total amount of new GHL shares issued to Cycas totalled 84.1 million shares.

As a result of the events highlighted above, GHL Systems Bhd's paid up and issued capital has strengthen to RM84.2 million, comprising of 421.2 million ordinary shares of RM0.20 each.

## **BOARD AND MANAGEMENT**

With the completion of the issuance of new shares to Cycas, I wish to welcome both Mr Brahmal Vasudevan, Founder & Chief Executive Officer and Ms Lim Sze Mei, Director, both from Creador Sdn Bhd, representing Cycas on the Board of GHL Systems Bhd. Mr Brahmal Vasudevan has also been appointed to the Nomination & Remuneration Committee and Ms Lim Sze Mei has been appointed to the Audit & Risk Committee.

The appointment of both of them to the board will augur well for your Company. As stated in my Chairman's statement last year, our Board Meetings are very robust and engaging, it is expected to be more rigorous due to the vast experience the two new Directors will bring to your Company.

# Chairman's Statement

## (Cont'd)

With the addition of Ms Lim Sze Mei, I am please to share, that your Company's gender diversity in the Board has increased from 17% to 25%.

Similarly, with the completion of the e-pay Asia Limited acquisition, I would also like to welcome Danny Leong Kah Chern, formerly the CEO of e-pay Malaysia, as the new CEO of Malaysia for your Company.

We continue to equip ourselves through seminars and courses in order to remain at the forefront of initiatives within the regulatory and governance sphere.

### CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

As a responsible corporate citizen, we play our role in the Corporate Social Responsibilities ("CSR") involving local community to ensure that we contribute to the well being of the people and environment where we operate.

In Malaysia, we participated in a Peat Swamp Rehabilitation Program organised by Global Environment Centre ("GEC") at Raja Musa Forest Reserve, Selangor. Other than monetary donation, volunteers from our employees have also contributed their time and efforts in one of the GEC tree planting days in October 2013.

Our subsidiary in Philippines also launched their first CSR program in June 2013, in partnership with Black Pencil Project ("BPP"), called Kits for Kids. This program aims to provide school supplies and materials that would help in sustaining good quality education for the students in remote areas of the country. Tinucan Elementary School and Cayabu Elementary School in Tanay, Rizal are the beneficiaries of the said program. In addition to this, BPP will also stand as the ambassador for GHL in extending donations wherever and whenever necessary.

GHL believes that these programs are just the primary steps in order to give back to the people. This year, we are committed to further promote and formulate other Corporate Social Responsibility programs and activities that will make our vision and mission into a reality.

### RECENT EVENTS

On 15th April 2014, your Company launched the eGHL Payment Gateway in the presence of Ms. Ng Wan Peng, the Chief Operating Officer, Multimedia Development Corporation (MDeC). Through eGHL, the group will be able to provide online merchants with a capability to accept online payments from consumers initially in Malaysia. The group intends to expand this service to its operations in Thailand and Philippines in 2014 and is presently in the process of securing the necessary licenses and regulatory approvals in those countries before it can proceed further in the implementation. As e-commerce is growing exponentially within ASEAN, the group expects that the present investment in building eGHL will contribute to future growth as online payments becomes a larger component of the overall retail payment segment.



# Chairman's Statement

## (Cont'd)

### CHALLENGES

Like any mergers and acquisitions, the main challenge in the acquisition of e-pay Asia Limited by GHL Systems Bhd will be the integration of both GHL Systems Bhd and e-pay Asia Limited into a total solution provider in the payment ecosystem. The tone at the top has been set by the Board, to ensure that all the stakeholders have clarity in the outcome of what your Company wants to achieve. To achieve this, a systematic integration process is being put into place.

### OUTLOOK AND PROSPECTS

As the compulsory acquisition of e-pay Asia Limited was only completed in end March 2014, the group is focused on strengthening its product offering and geographical footprint in Malaysia as well as to identify operational synergies and cost efficiencies. It is the group's plans to achieve cross selling opportunities between GHL and e-pay to generate higher profitability and market share.

Apart from the e-pay Asia Limited acquisition, in 2014, the group is slated to launch several new initiatives such as internet payment services as well as directly contracting with merchants for the provision of card payment services via a TPA model. While this TPA launch will initially be in Thailand, it will be expanded to our other operations in Philippines and Malaysia. These initiatives should provide the group with organically driven growth over the next few years.

The group is optimistic about its 2014 prospects and will continue to identify and augment its product and service offerings in the region especially in areas and countries where we still lack a presence. As GDP per capita rises and middle income segment in the region grows, GHL is well placed to take advantage of the irreversible shift from cash to e-payments in ASEAN.

### APPRECIATION AND THANK YOU

I have noticed that the shareholders attendances in our General Meetings are on the increase, we appreciate that. The Board and I, wish to thank all of you, our Shareholders that have been with GHL on this continuous journey and your strong on-going support.

I would like to thank the board members, management and staff of the GHL family across Malaysia, Philippines, Thailand, and Australia for their continued dedication and hard work put in this past financial year. Suffice to say, all of us are focussed on the task and challenges as the group forges ahead to cement our position as the leading payment solutions provider in the ASEAN region.

Terima Kasih.

**Datuk Kamaruddin bin Taib**

Independent Non-Executive Chairman

21 April 2014

# 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. 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 an Independent and Non-Executive Director of IRIS Corporation Berhad, a company listed on Bursa Malaysia.

Currently, he is as an Independent & Non-Executive Chairman of Alkhair International Islamic Bank Berhad, an Independent & Non-Executive Director of Great Eastern Assurance (Malaysia) Berhad as well as an Independent & Non-Executive Chairman of Great Eastern Takaful Berhad.



# Directors' Profile

## (Cont'd)

### 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/Executive Director*

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.



# Directors' Profile

## (Cont'd)

### 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 & Risk Committee Chairman*

Fong Seow Kee, born in 1957, was appointed to the Board on 28 December 2010. He is the Chairman of both the Audit and Risk Committee and the Nomination 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 member 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 advisory and venture capital fund manager.

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.





# Directors' Profile

(Cont'd)

## GOH KUAN HO

*Independent Non-Executive Director*

Goh Kuan Ho, born in 1964, was appointed to the GHL Systems' Board of Directors in 1994 and resigned in 2001. She was re-appointed as a non-independent non-executive Director when the company was listed in 2003. She is also the member of the Nomination and Remuneration Committee and member of the Audit and Risk Committee of the Company. She was re-designated as independent non-executive director on 17 Aug 2012.

Goh has amassed a wealth of experience in sales and marketing in the IT sector. She started her career in the IT industry as an Administrator when she joined Nortek Computer Sdn Bhd in 1984. In the subsequent years, she further honed her skills in customer service, IT retail and corporate account management in several other companies including Jardine OneSolution (2001) Sdn Bhd and Microtree Sdn Bhd.





# Directors' Profile

(Cont'd)



## **BRAHMAL A/L VASUDEVAN**

*Non-Independent & Non-Executive Director*

Brahmal, born in 1968, was appointed as Non-Independent Non-Executive Director on 16 April 2014. He holds a Bachelor of Aeronautical Engineering from Imperial College of Science, Technology and Medicine, University of London and received a Masters in Business Administration from Harvard University Graduate School of Business Administration. He is the Founder and Chief Executive Officer of Creador, a Non-Executive Director of Usaha Tegas Sdn Bhd, Hathway Cable & Datacom Limited and PT MNC Sky Vision Tbk and Founder of Pacific Straits Foundation.

Brahmal previously spent 11 years at General Partner and Managing Director of ChrysCapital, a leading private equity firm focused on growth capital investments in India. Prior to ChrysCapital, Brahmal was a Director of Marketing at ASTRO Malaysia Holdings Berhad where he was involved in strategy, marketing and expansion into neighbouring countries. Brahmal started his career as British American Tobacco and also worked at the Boston Consulting Group.



# Directors' Profile

## (Cont'd)

### LIM SZE MEI

*Non-Independent & Non-Executive Director*

Sze Mei, born in 1975, was appointed as Non-Independent Non-Executive Director on 16 April 2014. She received a BSc in Finance and International Business with summa cum laude honours from University of Bridgeport, U.S.A.

She is a Director at Creador. Prior to joining Creador in 2011, Sze Mei spent 4 years at Parkway Holdings, a leading healthcare group in Singapore, where as Vice-President, she was responsible for various corporate development functions, including acquisition of new assets and the IPO of Parkway Life REIT. She was previously Vice-President, Investments at Khazanah Nasional Berhad, Malaysia's sovereign wealth fund where she was involved in several large transactions. Sze Mei also led the IPO process for Air Asia, a leading low-cost carrier in South East Asia and was previously at JP Morgan where she held roles in investment banking and corporate lending. She started her career in equity research at SG Securities Asia.



# 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

### Innovation Centre

#### GHL Systems Berhad

L5-E-7B Enterprise 4,  
Technology Park Malaysia, Bukit Jalil,  
57000 Kuala Lumpur, Malaysia.

Tel : +603-8998 3600  
Fax : +603-8998 3301  
Email : enquiry@ghl.com

### Helpdesk (Customer Service):

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

### GHL Systems Philippines, Inc.

16F Lepanto Condominium,  
8747 Paseo De Roxas Avenue,  
1226 Makati City, Philippines.

Tel : +63-2-8560853  
Fax : +63-2-8560825  
Email : enquiryph@ghl.com

### GHL Systems Australia Pty. Ltd.

Suite 2501, Level 25,  
31 Market Street,  
Sydney NSW 2000.

Email : enquiryau@ghl.com

### GHL (Thailand) Co. Ltd.

117-118, 28th floor, Sinn Sathorn Tower,  
Krunghthonburi Road, Klongtongsai,  
Klongsan Bangkok 10600 Thailand.

Tel : +66(0)2 440 0111& 1800 788137 (Toll-Free)  
Fax : +66(0)2 440 0577  
Email : enquiryth@ghl.com

### GHL Systems Berhad

Space 1, 4 Floor, Building 38 Optical Valley Headquarters,  
Tangxun Lake North Road,  
East Lake New Technology Development Zone,  
Wuhan City,

Hubei Province, PRC 430074

Tel : +027-5066 6957  
Email : enquirych@ghl.com

### e-pay (M) Sdn Bhd.

16-18, Jalan PJS 11/28A,  
Bandar Sunway,  
46150 Petaling Jaya,  
Selangor Darul Ehsan,  
Malaysia.

Tel : +603-5632 2488  
Fax : +603-5623 6000  
Email : info@e-pay.com.my



# Statement On Corporate Governance

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’ interest. 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 2013.

## THE BOARD OF DIRECTORS

### Board Charter

A Board Charter (the “Charter”) that clearly sets out the role, functions, composition, operation and process of the Board was adopted by the Board in 2012. 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 also acts as a guideline 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](http://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.

The Board is constantly mindful of safeguarding the interests of shareholders in discharging its stewardship and duties. Followings are the Board’s 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.
- ✓ Maintain an effective investor relations programme.
- ✓ Review the adequacy and integrity of the Group’s internal control systems.

The Board has delegated certain responsibilities to dedicated Board Committees with clear Terms of Reference to discharge these responsibilities more effectively.

# Statement On Corporate Governance

## (Cont'd)

### Board Meeting

The Board meets at least 4 times a year on quarter basis, 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.

Six Board Meetings were held during the financial year ended 31 December 2013 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	6 out of 6
Loh Wee Hian	Vice Chairman / Executive Director	6 out of 6
Kanagaraj Lorenz	Chief Executive Officer / Executive Director	6 out of 6
Ng King Kau	Executive Director	5 out of 6
Fong Seow Kee	Senior Independent Non-Executive Director	6 out of 6
Goh Kuan Ho	Independent Non-Executive Director	6 out of 6

### Information For The Board

Adequate Board papers are provided to the Directors 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 Group Chief Executive Officer ("CEO"), Group Chief Finance Officer ("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 attends 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.

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

### 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 16 to 23 of this annual report.

# Statement On Corporate Governance

## (Cont'd)

### 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 as no one individual director 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. The Board has also appointed a Senior Independent Non-Executive Director to furtherance the Board balance.

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 to maximise the shareholders' value.

### Board Evaluation

The Board and its Committees evaluate their performance and governance processes annually to improve the collective and individual contributions and effectiveness. For FY2013, a self-assessment on the performance of the Board as a whole, its Committees and individual directors was facilitated by Nomination and Remuneration Committee ("NRC"). 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 NRC, 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. Both these committees, which are the Audit and Risk Committee ("ARC") and NRC, 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 where appropriate, make recommendations to the Board. On Board reserved matters, the Committees shall deliberate and thereafter make 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.

During the financial year, the Board resolved to combine the Nomination Committee and Remuneration Committee to form the NRC to better carry out the best practices in MCCG Guide and new requirements in MMLR by Bursa more efficiently.

Both ARC and NRC have presented their respective reports highlighting their composition, terms of reference and summary of activities during FY2013 as laid out on pages 33 to 40 and pages 45 to 49 respectively. Terms of Reference and composition of all Board Committees are available at the Company's official website: [www.ghl.com](http://www.ghl.com).

# Statement On Corporate Governance

## (Cont'd)

### 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 appropriate calibre to run the Group successfully. Remuneration packages of executive directors are structured so as to link rewards to the achievement of corporate and individual performance.

Executive Directors' basic salaries are fixed for the duration of their contract. Any revision to the basic salary will be reviewed and recommended by NRC, 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 NRC and approved by the Board.

In addition, The ED are also entitled to participate in the Company's Executives' Shares Scheme ("ESS") which was approved by shareholder on 2 April 2013. Information of the ESS together with the number of options granted to the EDs had been announced via Bursa website on 4 September 2013.

Other benefits in kind such as car, driver, petrol allowance 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 NRC 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 2013, a total sum of RM2,173,640 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	-	120,000	-	120,000
Loh Wee Hian	650,000	-	78,620	728,620
Kanagaraj Lorenz	520,000	-	63,020	583,020
Ng King Kau	520,000	-	62,400	582,400
Fong Seow Kee	-	120,000	-	120,000
Goh Kuan Ho	-	39,600	-	39,600
<b>Total</b>	<b>1,690,000</b>	<b>279,600</b>	<b>204,040</b>	<b>2,173,640</b>



# Statement On Corporate Governance

## (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	1,690,000	-
Directors Fees	-	279,600
EPF	204,040	-
<b>Total</b>	<b>1,894,040</b>	<b>279,600</b>

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
100,000 – 150,000	-	2
550,000 – 600,000	2	-
700,000 – 750,000	1	-
<b>Total</b>	<b>3</b>	<b>3</b>

## 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	Growing In An Increasingly Competitive Landscape
	Strategy & Risk Managing Uncertainty
	5 <sup>th</sup> Annual Corporate Governance Summit
	Governance In Groups
	The Personal Data Protection Act – Issues and Implications
	Financial Service Act Briefing
	Nominating Committee Program for Directors
	International Meeting – Product Road Map (in-house)

# Statement On Corporate Governance

(Cont'd)

Director	Training Programme / Conference Seminar
Datuk Kamaruddin Bin Taib	<p>The 17<sup>th</sup> Malaysian Banking Summit “Future Banking: Driving Growth, Prosperity &amp; Transformation”</p> <p>Advocacy Sessions On Corporate Disclosure For Directors</p> <p>4<sup>th</sup> ASEAN Payment Card Forum</p>
Loh Wee Hian	<p>CARTES Asia</p> <p>International Meeting – Product Road Map (in-house)</p> <p>The 17<sup>th</sup> Malaysian Banking Summit “Future Banking: Driving Growth, Prosperity &amp; Transformation”</p> <p>4<sup>th</sup> ASEAN Payment Card Forum</p>
Kanagaraj Lorenz	<p>CARTES Melbourne</p> <p>International Meeting – Product Road Map (in-house)</p> <p>4<sup>th</sup> ASEAN Payment Card Forum</p>
Ng King Kau	<p>International Meeting – Product Road Map (in-house)</p> <p>Advocacy Sessions On Corporate Disclosure For Directors</p> <p>4<sup>th</sup> ASEAN Payment Card Forum</p>
Fong Seow Kee	<p>Audit Committee Conference 2013</p> <p>Nominating Committee Program for Directors</p> <p>International Meeting – Product Road Map (in-house)</p> <p>The 17<sup>th</sup> Malaysian Banking Summit “Future Banking: Driving Growth, Prosperity &amp; Transformation”</p> <p>Advocacy Sessions On Corporate Disclosure For Directors</p> <p>4<sup>th</sup> ASEAN Payment Card Forum</p> <p>World Capital Markets Symposium</p>
Goh Kuan Ho	Governance In Action

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.

# Statement On Corporate Governance

## (Cont'd)

### 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 33 to 40 of this Annual Report.

### 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 41 to 44 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 to announce results of the Group quarterly via Bursa Link and material transactions and events 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](http://www.ghl.com).

Mr Fong Seow Kee, the ARC and NRC Chairman, is the Board appointed Senior Independent Non-Executive Director. He is available to investors who have concerns that cannot be addressed through the Chairman and CEO.

# Statement On Corporate Governance

## (Cont'd)

### 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 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 MCGG 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, for agenda that requires poll voting accordance to listing rules, the board will inform shareholders in advance and poll voting will be conducted manually. Nevertheless, 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 21 April 2014.

# Audit And Risk Committee Report

The Audit and Risk Committee Report provides insights into the manner in which the Audit and Risk Committee has discharged its function for the Group in Financial Year 2013 ("FY 2013") 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 2013 as follows:

1. **FONG SEOW KEE** – *Chairman*  
(Senior Independent Non-Executive Director)
2. **GOH KUAN HO**  
(Independent Non-Executive Director)
3. **DATUK KAMARUDDIN BIN TAIB**  
(Independent Non-Executive Director)

## TERMS OF REFERENCE

Please refer to the terms of reference set out on pages 37 to 40.

## ATTENDANCE OF MEETINGS

The Audit and Risk Committee held seven (7) meetings during FY 2013. 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. The details of attendance of the Audit Committee member are as follows:

Name Of The Committee Member	Total Attendance Of Meetings
Fong Seow Kee	7/7
Goh Kuan Ho	6/7
Datuk Kamaruddin Bin Taib	7/7

# Audit And Risk Committee Report

## (Cont'd)

The Group Chief Financial Officer (“CFO”) was invited to all ARC meetings to facilitate direct communication in relation to group financial results while the Risk Management Committee (“RMC”) Chairman i.e. Group Chief Executive Officer (“CEO”) was invited to all ARC meetings to provide information regarding the Group’s Risk Management activities. The relevant members of management, the Group’s in-house internal auditor, the representatives of outsourced Internal Auditors and the External Auditors were invited to attend the meetings of the Committee, where appropriate, to brief the ARC on the relevant audit findings. The External Auditors were also given opportunities twice during the financial year, to raise any matters they considered important for the Committee’s attention, without the presence of management.

### SUMMARY OF ACTIVITIES DURING FINANCIAL YEAR ENDED 31 DECEMBER 2013

The Committee reports regularly to the Board on its activities, deliberations and recommendations in discharging its duties and responsibilities as set out in its terms of reference, which the Committee reviewed to ensure it is in line with the Main Market Listing Requirements of Bursa Malaysia (“MMLR”), the Malaysian Code on Corporate Governance 2012 (“MCCG”) and MCCG Guide.

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

#### Regarding financial reporting:

- a. Reviewed annual report and the audited financial statements of the Company and the Group for FY 2013 together with the external auditor and Group CFO 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”) prior to recommending the same to the Board for approval.
- b. Reviewed the quarterly unaudited financial results of the Company and of the Group for FY 2013 together with the Group CFO, focusing particularly on significant changes to accounting policies and practices, compliance with accounting standards and other legal requirements prior to recommending the same to the Board of Directors for approval and release to Bursa Malaysia.
- c. Reviewed with the management of the Group to ensure 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.

#### Regarding external audit:

- a. The Committee carried out a review on the independence, suitability, objectivity and cost effectiveness of existing external auditor and other candidate firms during the financial year. After deliberation, the Committee recommended a change of external auditor starting from FY2013. The Committee obtained affirmation from the new 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.
- b. 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.

# Audit And Risk Committee Report

## (Cont'd)

- c. Reviewed the audit results, audit reports, the issues and resolution highlighted in the management letter and the response from the management. The Committee also considered the external auditor's suggestions to improve the accounting procedures and internal control measures.

### **Regarding risk management and internal control:**

- a. Reviewed the progress of Risk Management Committee ("RMC") in its on-going identification and monitoring of key risks and the controls and processes implemented in managing these risks.
- b. 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.
- c. 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.
- d. Continuously monitored whistleblowing program and procedures as part of the risk management structure and good corporate governance practice.

### **Regarding internal audit:**

- a. Reviewed the suitability and competency of the outsourced internal auditor before recommending to the Board on their appointment.
- b. 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.
- c. Reviewed the adequacy of resources and reporting structure of in-house internal audit function to execute the audit plan effectively and independently.
- d. 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.
- e. Reviewed the status update by in-house internal auditor on the recommended corrective actions adopted by management to ensure key issues were adequately addressed.

### **Regarding related party transaction:**

- a. Reviewed quarterly the related party transactions and recurrent related party transactions undertaken by the Group 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.
- b. Reviewed the procedures for securing the shareholders' mandate for recurrent related party transactions.



# Audit And Risk Committee Report

## (Cont'd)

### Other activities:

- a. 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 2013 are reported under the Statement on Corporate Governance.
- b. Reviewed the Statement of Risk Management and Internal Control and Corporate Governance Statement prior to their inclusion in the Company's Annual Report for FY 2013.
- c. Conducted a self-assessment to evaluate the Committee's overall effectiveness in discharging its responsibilities.
- d. Obtained update on Executives Share Scheme ("ESS") from ESS Committee and verified allocation of ESS to executives at the end of financial year 2013, as being in compliance with the ESS By-Law 5.2.

### 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 of the Group. 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 2013, the major activities undertaken by internal audit function were as follows:

- ✓ Reviewed the Group's compliance with the MCCG Guide.
- ✓ Reviewed the adequacy and effectiveness of critical processes including management information system, credit control and collection, outsourcing, sales and marketing, 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 risk management function and facilitated Group risk assessment in accordance to 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 internal audit function, including both in-house and outsourced internal auditor, in respect of the financial year was approximately RM113,000.

# Audit And Risk Committee Report

(Cont'd)

## 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.

# Audit And Risk Committee Report

## (Cont'd)

### **Quorum**

A minimum of three (3) members shall form the quorum, majority 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 Finance 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.

# Audit And Risk Committee Report

## (Cont'd)

### (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 Finance 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.

# Audit And Risk Committee Report

## (Cont'd)

(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 recognises the importance of a sound framework of risk management and internal controls for good corporate governance and to safeguards the Group's assets and shareholders' interests. Towards this end, the Board is committed to maintain 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 also acknowledges the inherent limitations in system of risk management and internal controls causes 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. The Group is also committing resources to grow its overseas markets in Thailand, Philippines and Australia while seeking favourable merger and acquisition opportunities in ASEAN.

The Board is aware that expansion into newer areas of business and operating in different countries involves new and different risk considerations which can change rapidly. The Board has during FY2013, continuously strengthened the Groups' governance and risk management framework to identify, assess, mitigate, report and monitor significant risks in an effective manner. The Board recognises the integral role of key management in the risk management and internal control process. The Board had established the Risk Management Committee (RMC) comprising senior management to identify and assess the Group's risks and thereafter to design, implement and monitor appropriate risk management processes and internal controls to address and mitigate such risks.

### Risk Management Framework

The Risk Management Committee ("RMC") was established by the Board in 2012 as a key component of the Risk Management Framework. The RMC, which is headed by the Groups' Chief Executive Officer ("CEO"), comprises the Group's Chief Financial Officer ("CFO") and country heads and financial controllers from each country. The responsibilities of RMC are as below:

- 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 Group's 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 Internal Audit function was 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.

The RMC met twice in 2013 to conduct a half-yearly risk assessment and reported both findings to the Audit & Risk Committee. As at year end, The RMC Chairman i.e. Group CEO and Group CFO reviewed the RMC effectiveness and concluded to change the frequency of meetings to quarterly in 2014.

### KEY INTERNAL CONTROL PROCESSES

The Group's internal control system comprises the following key processes:

#### Organisation Structure

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

#### Board Committees

Board Committees are established and operate under clearly defined Terms of Reference, which are reviewed regularly, to objectively and independently focus on certain responsibilities delegated by the Board.

#### Policies and Procedures

The Group has defined procedures and controls to ensure the completeness and accuracy of financial information reporting. Human Resources policies 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

The Audit & Risk Committee comprises exclusively independent non-executive directors and is delegated by the Board the responsibility to periodically review the effectiveness, adequacy and integrity of the Group's 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 issues highlighted are appropriately addressed by the RMC and reports its findings to the Board.



# Statement On Risk Management And Internal Control

## (Cont'd)

### Internal Audit Function

As part of the Group's efforts to establish a sound framework for risk management and internal control, an in-house audit function is established 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 Group's internal controls system is regularly reviewed for adequateness, effectiveness and properly implemented. In providing this assurance, the in-house internal auditor works closely with the outsourced internal auditor who also reports its findings on quarterly basis to the Audit & Risk Committee. These audit findings are regularly followed up by in-house internal auditor to ensure effective implementation of audit recommendations. The Group Internal Auditor is 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 2013, 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 in-house Group Internal Auditor to determine the Group's 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, the Audit & Risk Committee carried out an annual assessment on the outsourced internal audit service provider and decided to place a greater reliance on in-house internal auditor for following year's internal audit.

### Operational Monitoring and Controls

Regular management meetings are held and reports to the Executive Directors 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.

### Control Environment

Annual appraisal systems are implemented for the employees at all levels within the group, enforcing dialogue between management and subordinates for continuous improvement on employees' performance. Trainings are provided to employees at any level, whoever the head of department deemed necessary, 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 outsourced to external service provider is tested from time to time and enhanced whenever required. The technology division continues to enhance the DR capability which covers all key aspects of the business, including our overseas subsidiaries.

# Statement On Risk Management And Internal Control

## (Cont'd)

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

PCI DSS is an actionable framework established by Payment Card Industry Security Standards Council ("PCI SSC") to ensure the safe handling of cardholder information at every step. PCI DSS covers systems, policies and procedure around the following:

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

The Company first obtained the Certificate of PCI DSS 2.0 Compliance in 2012 by meeting all the requirements on above mentioned controls set out by PCI SSC for payment software industry. In 2013, the Company is again assessed by PCI SSC qualified security assessor and continues to be PCI DSS 2.0 compliant. The Company appreciates the importance of maintaining high security standard and will continue to maintain the best practice of PCI DSS.

### **Insurance**

Adequate insurance of major assets; building and machinery in all operating divisions and subsidiaries 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 subsidiaries.

## **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 2013. Both the Group CEO and Group CFO have given the same assurance to the Board. The Board however recognises that risk management is an evolving process in a changing business environment and is committed to continuously monitor the adequacy and effectiveness of and where appropriate, enhancing the Group's risk management framework and internal control system.

## **REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS**

As required by Paragraph 15.23 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants, which does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group. Based on the procedures performed, nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control has not been prepared, in all material respects, in accordance with the disclosures as required pursuant to the "Statement on Risk Management and Internal Control - Guidelines for Directors of Public Listed Issuers".

This statement is approved by the Board of Directors on 21 April 2014.

# Nomination And Remuneration Committee Report

The Nomination and Remuneration Committee Report provides information on the manner in which the Nomination and Remuneration Committee has carried out its duties and responsibilities for the Group in Financial Year 2013 (“FY 2013”) and also a summary of its various activities.

## FORMATION

The first Nomination Committee meeting of GHL Systems Bhd was held on February 2003.

On 28 May 2013, the Board of Directors resolved that the Nomination Committee and Remuneration Committee be combined and renamed as the Nomination and Remuneration Committee (“NRC” or “the Committee”).

## COMPOSITION

The NRC comprises of three members, exclusively independent non-executive directors, during FY 2013 as follows:

1. FONG SEOW KEE – *appointed as Chairman on 21 February 2013*  
(Senior Independent Non-Executive Director)
2. GOH KUAN HO  
(Independent Non-Executive Director)
3. DATUK KAMARUDDIN BIN TAIB  
(Independent Non-Executive Director)

## TERMS OF REFERENCE

The terms of reference are set out on pages 48 to 49.

## ATTENDANCE OF MEETINGS

The NRC held four (4) meetings during FY 2013. The details of attendance of the NRC member are as follows:

Name Of The Committee Member	Total Attendance Of Meetings
Fong Seow Kee	4/4*
Goh Kuan Ho	4/4*
Datuk Kamaruddin Bin Taib	4/4*

\* Nomination Committee meetings before it combined with Remuneration Committee is included.

# Nomination And Remuneration Committee Report

(Cont'd)

## SUMMARY OF ACTIVITIES DURING FINANCIAL YEAR ENDED 31 DECEMBER 2013

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:

### 1. Review terms of reference of the Committee.

Terms of reference was reviewed and revised to be in line with the recommendation of the Malaysia Code on Corporate Governance 2012 and to ensure it remains consistent with the Committee's objectives and responsibilities. Please refer to page 25 to page 32 for full terms of reference of the Committee.

### 2. Review size, structure and composition of Board and Board Committees.

The Committee carried out a review on the size, structure and composition of board and board committees based on the following criteria:

- ✓ The status of the chairman in terms of whether he or she is also the CEO, an executive director, a non-executive director or an independent director.
- ✓ The presence of a lead independent director.
- ✓ Balance and diversity of gender as well as skills, experience and knowledge on business / management, industry, overseas market, strategic planning, sales, marketing and customer, production and quality assurance, legal, finance and accounting, information technology, human resources management, corporate governance and risk management and internal control.
- ✓ MMLR's rules and MCCG's recommendation and best practice.

Base on the skill matrix evaluation, the Committee recommended strengthening the board composition with a new director with information technology background. Overall, the Committee is satisfied with the current size of the Group's Board and that there is an appropriate mix of knowledge, skills, attributes and core competencies in the Board's composition.

### 3. Facilitate Board, Board Committee and Director assessment and review the results.

The Committee carried out annual assessment of Board and Board Committees as a whole and of each Director. Assessment on Board as a whole and Board Committees covered four main areas, namely structure, roles and responsibilities, risk management and standard of conduct. Assessment on each individual Director emphasize on their skills and knowledge, contribution to business strategies and Group's performance, contribution to Board processes, time commitment and standard of conduct. In addition for Non-Executive Directors, independence will be assessed base on their annual declaration and other requirements stated in MMLR.

The Committee reviewed the evaluation form used for above mentioned assessment before it is conducted to ensure necessary criteria are included. When deliberating on the performance of a particular Director who is also a member of the Nominating Committee, that member abstains from the discussions in order to avoid any conflict of interests.

The results of the FY2013 assessments were satisfactory and the Committee recommended further enhancement on the Group's investor relations program.

# Nomination And Remuneration Committee Report

(Cont'd)

## 4. Facilitate board discussion on key management's annual appraisal results

The Committee will also facilitate a discussion at board meeting regarding the annual appraisal results of key management i.e. Group Chief Executive Officer ("CEO") and Group Chief Financial Officer ("CFO"). The appraisers are asked to highlight to the board any exception in the appraisal results for Group CEO and Group CFO to effectively discharge his role. The appraisal includes assessment on key performance indicators and personal core competency. The appraisal also facilitates the appraiser and appraisee to assess the need of personal development plan in order to better discharging his increasingly challenging roles.

## 5. Review Board's service contract and succession plan.

The Committee reviewed the Executive Directors' service contract based on the Board Charter's guideline and their respective contribution to the Group. The Committee recommended to extend all executive directors' service contract which had expired during the financial year. The tenure of service contract are not longer than a continuous period of three years in line with the Board Charter.

The Committee also reviewed the succession plan of all directors and key management base on the individual willingness to continue and necessity. The Committee is satisfied with current succession planning that minimizes the impact on business continuity.

## 6. Review induction and training needs of directors.

The Committee reviewed the training attended by individual director every six months and recommended training suitable for individual director based on annual assessment result, skill matrix and past training record. The Committee concluded that all Directors have received sufficient and appropriate training during FY2013 that is relevant and would serve to enhance their effectiveness in the Board and the Board Committees. The details of the Directors' training are set out on page 29 to page 30.

## 7. Review nomination and election process.

The Committee has reviewed the nomination and election process and established a clear and transparent nomination and election policy:

- ✓ The Committee may either outsource the search for director candidates to external professional firm to ensure that a diverse range of candidates are considered or consider recommendations by any board member. The Committee however should not be influenced by major controlling / dominant shareholders or the CEO / executive directors.
- ✓ The director candidate should be interviewed by at least Board Chairman, NRC Chairman and CEO and should at least meet all board members.
- ✓ The number of director candidates recommended by the nominating committee should be greater than the available board seats, where possible.
- ✓ New appointed director are subject to election by shareholders at the first Annual General Meeting ("AGM") after their appointment.
- ✓ At least one-third (1/3) of the remaining Directors be subject to re-election by rotation at each AGM and all directors shall retire from office at least once every three (3) years. The Directors retiring from office shall be eligible for re-election by the shareholders.
- ✓ An independent director who had served on the Board for a period of nine years or more shall submit a Declaration of Independence if she or he wishes to continue to serve as an Independent Director. NRC shall consider the re-appointment based on the Declaration of Independence, assessment criteria and guidelines set out in the policy and make the appropriate recommendation to the Board. This shall also subject to re-election by shareholder in the next AGM.

# Nomination And Remuneration Committee Report

(Cont'd)

## NOMINATION & REMUNERATION TERMS OF REFERENCE

### 1. Objective

The principal objective of the Nomination cum Remuneration Committee ("the Committee" or "NRC") is as follows:

- ✓ to support and advise the Board of Directors ("Board") in fulfilling their responsibilities to shareholders in ensuring the Board are comprised of individuals with an optimal mix of qualifications, skills and experience; and
- ✓ to recommend remuneration policies and packages for executive directors, non-executive directors and chief officers that link rewards to corporate and individual performance.

### 2. Composition

The Committee shall be appointed by the Board of Directors with at least three (3) members of which comprise exclusively non-executive directors, a majority of whom are independent. The Company Secretary shall be the Secretary ("Secretary") of the Committee.

The members of the Committee shall appoint the Chairman of the Committee who shall be a senior independent non-executive director of the Company.

If the number of members reduce to less than 3, the Board shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

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

### 3. Frequency of Meetings

The Committee shall meet at least twice a year but the member may meet as frequently as may be required.

The quorum for the meeting and/or for the sanction and endorsement of approvals in writing shall be any three (3) members, majority of whom shall be independent director.

### 4. Notice and Minutes of Meetings

The Committee may regulate its own procedures and in particular calling of meetings and notice of such meeting to be given.

The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

### 5. Duties and Responsibilities

Nomination matters:

- i. The Committee shall regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- ii. The Committee has to facilitate the evaluation of the effectiveness of Board as a whole, the various Committees and each individual Director's contribution and independence to the effectiveness on the decision making process of the Board;

# Nomination And Remuneration Committee Report

(Cont'd)

- iii. The Committee shall be responsible for identifying and nominating, for the approval of the Board, candidates to fill board vacancies as and when they arise;
- iv. In determining the process for the identification of suitable new candidates, the Committee will ensure that an appropriate review or search is undertaken by an independent third party to ensure the requirement and qualification of the candidate nominated;
- v. The Committee shall review the induction and training needs of each individual Director;
- vi. The Committee shall select, monitor and oversee succession planning.
- vii. Provide a report summarising its activities for the year in compliance with the Malaysia Corporate Governance Code, listing rules and any relevant regulations. The report can be incorporated into the corporate governance statement in the annual report or included as a separate report.

Remuneration matters:

- viii. The Committee shall review the Group's policy for determining the executive remuneration and any amendments to that policy from time to time and make recommendations to the Board as the Committee thinks fit;
- ix. The Committee shall consider and make recommendations to the Board on the directors' fees and the executive directors' remuneration package;
- x. The Committee shall oversee any major changes in key senior management's remuneration and benefit structures throughout the Group.

## 6. Rights and Authorities

- i. The Committee is authorized to seek any information it requires from management of the Company in order to perform its duties;
- ii. The Committee is authorized to call for any appropriate person to be in attendance to make presentations or furnish or provide independent advice on any matters within the scope of responsibilities.

## 7. Revision and updates

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



# Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

## 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 subsidiaries are disclosed in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	5,165,327	(406,722)
Attributable to:		
Owners of the parent	5,263,660	(406,722)
Non-controlling interests	(98,333)	-
	5,165,327	(406,722)

## DIVIDEND

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year. The Directors do not recommend the payment of any final 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 other than those disclosed in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased by way of:

- (a) rights issue of 36,346,550 new ordinary shares of RM0.20 each at RM0.24 per share for cash on the basis of one (1) new ordinary shares for every four (4) existing ordinary shares for capital expenditure and general working capital purposes; and
- (b) issuance of 2,238,200 new ordinary shares of RM0.20 each for cash pursuant to the exercise of Executives' Share Scheme ("ESS").

# Directors' Report

## (Cont'd)

### ISSUE OF SHARES AND DEBENTURES (continued)

The newly issued shares rank *pari passu* in all respects with the existing shares of the Company. There were no other issues of shares during the financial year.

There were no issues of debentures during the financial year.

### TREASURY SHARES

The shareholders of the Company, by a special resolution passed at the Extraordinary General Meeting held on 7 May 2007, authorised the Company's plan to purchase its own shares. The authority granted by the shareholders was subsequently renewed during the subsequent Annual General Meetings of the Company, up to the last meeting held on 5 May 2010. The authority had expired at the conclusion of the 17th Annual General Meeting of the Company held on 27 April 2011.

The Company has the right to retain, cancel, resell the shares it purchased and/or distribute these shares as dividends. As treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended. Of the total 185,386,850 (2012: 146,802,100) issued and fully paid ordinary shares of RM0.20 each as at 31 December 2013, 1,415,901 (2012: 1,415,901) ordinary shares of RM0.20 each amounting to RM638,221 (2012: RM638,221) are held as treasury shares by the Company.

The number of outstanding ordinary shares of RM0.20 each in issue after deducting the treasury shares is 183,970,949 (2012: 145,386,199) as at 31 December 2013.

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year apart from the issue of options pursuant to the ESS.

The ESS of the Company came into effect on 30 August 2013. The ESS shall be in force for a period of five (5) years until 29 August 2018 ("the scheme period"). The main features of the ESS are as follows:

- (a) Eligible Executive Directors and executives are those who meet the following criteria:
  - (i) if he has attained the age eighteen (18) years of age and is not an undischarged bankrupt;
  - (ii) if he is employed on a full time basis and is on the payroll of any corporation in the Group and has not served a notice to resign or received a notice of termination;
  - (iii) if his employment has been confirmed in writing;
  - (iv) if he is an Executive Director of the Company, the specific allocation of Scheme Shares and Options granted by the Company to him in his capacity as an Executive Director of the Company under the Scheme has been approved by the shareholders of the Company at a general meeting;
  - (v) if he is serving in a specific designation under an employment contract for a fixed duration but not if he is merely employed for a specific project; and
  - (vi) if he fulfils any other criteria and/or falls within such category as may be set by ESS Committee from time to time.

# Directors' Report

(Cont'd)

## OPTIONS GRANTED OVER UNISSUED SHARES (continued)

The ESS of the Company came into effect on 30 August 2013. The ESS shall be in force for a period of five (5) years until 29 August 2018 ("the scheme period"). The main features of the ESS are as follows (continued):

- (b) The maximum number of options to be offered under the ESS based on the issued and paid-up ordinary share capital as at 31 December 2013, excluding treasury shares held, is 27,595,600;
- (c) The options granted may be exercised any time upon the satisfaction of vesting conditions of each tranche;
- (d) The option price of a new ordinary share under the ESS shall be at a discount of not more than ten percent (10%) of the five (5)-days weighted average market price of the shares as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad immediately preceding the date of offer, or at the par value of the ordinary shares of RM0.20 each, whichever is higher;
- (e) Upon exercise of the options, the shares issued rank pari passu in all respects with the then existing ordinary shares of the Company; and
- (f) The employees and Directors to whom the options have been granted have no right to participate, by virtue of these options, in any ordinary share issue of any other company.

The details of the options over the ordinary shares of the Company are as follows:

	Option price RM	<-----Number of options over ordinary shares of RM0.20 each----->					Exercisable as at 31.12.2013
		Outstanding as at 1.1.2013	<-----financial year----->			Outstanding as at 31.12.2013	
			Granted	Exercised	Retracted*		
<b>Date of offer</b>							
3 September 2013							
- first tranche	0.34	-	6,366,666	(2,238,200)	(100)	4,128,366	4,128,366
- second tranche	0.34	-	6,366,667	-	(100,000)	6,266,667	-
- third tranche	0.34	-	6,366,667	-	(100,000)	6,266,667	-
			- 19,100,000	(2,238,200)	(200,100)	16,661,700	4,128,366

\* Due to resignation

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 3 December 2013 from having to disclose the list of option holders to whom options have been granted during the financial year and details of their holdings pursuant to Section 169(11) of the Companies Act, 1965 in Malaysia except for information of executives who were granted 500,000 options and above.

# Directors' Report

(Cont'd)

## OPTIONS GRANTED OVER UNISSUED SHARES (continued)

Other than the Directors' options disclosed under the Directors' interests, the following executives were granted 500,000 options and above under the ESS during the financial year:

	<---Number of options over ordinary shares of RM0.20 each--->			
	Balance as at 1.1.2013	Granted	Exercised	Balance as at 31.12.2013
Amphol Suwantherangkoon	-	1,000,000	-	1,000,000
Soo Cheng Hoe	-	1,000,000	(300,000)	700,000
Ng Chin Keong	-	1,000,000	(333,000)	667,000
Yap Chih Ming	-	1,000,000	-	1,000,000
Rey Maria R. Chumacera	-	1,000,000	-	1,000,000
Passpunnee Mahayos	-	500,000	-	500,000
Law Kim Ling	-	500,000	(166,600)	333,400
Czareenah S. Amiscaray	-	500,000	-	500,000

The Employee Share Option Scheme ("ESOS") that was approved by shareholders of the Company at the Extraordinary General Meeting held on 15 May 2008 and became effective on 3 November 2009 for a period of 3 years, had lapsed on 2 November 2012.

## CAPITAL REDUCTION EXERCISE

During the financial year, the Company completed a capital reduction exercise pursuant to Section 64(1) of the Companies Act, 1965 in Malaysia to reduce the issued and paid-up capital of the Company from 146,802,100 ordinary shares of RM0.50 each as of 18 June 2013 to 146,802,100 ordinary shares of RM0.20 each by way of cancellation of RM0.30 in par value of ordinary share.

## DIRECTORS

The Directors who have held for office since the date of the last report are:

Loh Wee Hian	
Goh Kuan Ho	
Fong Seow Kee	
Ng King Kau	
Kanagaraj Lorenz	
Datuk Kamaruddin Bin Taib	
Brahmal A/L Vasudevan	(appointed on 16 April 2014)
Lim Sze Mei	(appointed on 16 April 2014)

# Directors' Report

(Cont'd)

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares in the Company and of its related corporations during the financial year ended 31 December 2013 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	Number of ordinary shares of RM0.20 each *		
	Balance		Balance
	as at 1.1.2013	Bought	as at 31.12.2013

### Shares in the Company

#### Direct interests:

Loh Wee Hian	38,899,834	12,714,289	51,614,123
Goh Kuan Ho	10,619,104	2,654,776	13,273,880
Kanagaraj Lorenz	1,003,000	1,327,600	2,330,600
Ng King Kau	677,900	321,400	999,300
Fong Seow Kee	-	400,000	400,000

#### Indirect interests:

Loh Wee Hian	3,258,800	814,700	4,073,500
Fong Seow Kee	-	24,700	24,700

\* After the Company completed a capital reduction exercise to reduce the par value of ordinary shares from RM0.50 each to RM0.20 each as of 18 June 2013.

	Number of options over ordinary shares of RM0.20 each		
	Balance		Balance
	as at 1.1.2013	Granted	as at 31.12.2013

### Share options in the Company

Loh Wee Hian	-	1,800,000	-	1,800,000
Kanagaraj Lorenz	-	1,800,000	(600,000)	1,200,000
Ng King Kau	-	1,800,000	-	1,800,000

By virtue of his interest in the shares of the Company, Loh Wee Hian is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

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

# Directors' Report

(Cont'd)

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have 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 the 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 other than those as disclosed in Note 29 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted pursuant to the ESS disclosed in Note 28 to the financial statements.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

### (I) AS AT THE END OF THE FINANCIAL YEAR

- (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 proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual.

### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
  - (i) which would render the amounts 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 material extent; and
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (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.
- (d) In the opinion of the Directors:
  - (i) there has not arisen in 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 financial year in which this report is made; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

# Directors' Report

(Cont'd)

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

### (III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 34 to the financial statements.

### SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The significant event subsequent to the end of the reporting period is disclosed in Note 35 to the financial statements.

### AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.



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**Loh Wee Hian**  
Director



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**Kanagaraj Lorenz**  
Director

Kuala Lumpur  
21 April 2014



# Statement By Directors

In the opinion of the Directors, the financial statements set out on pages 60 to 156 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions 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 2013 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 36 to the financial statements on page 157 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,



Loh Wee Hian  
Director



Kanagaraj Lorenz  
Director



Kuala Lumpur  
21 April 2014

## Statutory Declaration

I, Kanagaraj Lorenz, being the Director primarily responsible for the financial management of GHL Systems Berhad, do solemnly and sincerely declare that the financial statements set out on pages 60 to 157 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly )  
declared by the abovenamed at )  
Kuala Lumpur this )  
21 April 2014

Before me:

  
  
Suite 5.1A, 5th Flr., Wisma Sime Darby  
Jalan Raja Laut  
50350 Kuala Lumpur

# Independent Auditors' Report

## To The Members Of GHL Systems Berhad

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of GHL Systems Berhad, which comprise statements of financial position as at 31 December 2013 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 60 to 156.

The financial statements of the Group and of the Company for the financial year ended 31 December 2012 were audited by another firm of chartered accountants whose report dated 8 April 2013 expressed an unqualified opinion on those statements.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITORS' RESPONSIBILITY

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

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

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

### OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 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)

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries 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 subsidiaries of which we have not acted as auditors, which are indicated in Note 9 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company 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 subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 36 to the financial statements 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

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.



**BDO**  
AF : 0206  
Chartered Accountants

Kuala Lumpur  
21 April 2014



**Rejeesh A/L Balasubramaniam**  
2895/08/14 (J)  
Chartered Accountant

# Statements Of Financial Position

As At 31 December 2013

		Group		Company	
	Note	2013 RM	2012 RM	2013 RM	2012 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	32,807,380	27,590,652	6,631,869	7,086,327
Intangible assets	8	4,218,820	3,000,441	3,267,335	2,843,751
Investments in subsidiaries	9	-	-	695,749	2
Trade and other receivables	10	-	-	2,980,841	1,364,240
Deferred tax assets	11	2,443,243	1,200,000	-	-
		39,469,443	31,791,093	13,575,794	11,294,320
Current assets					
Inventories	12	6,596,082	8,302,416	2,501,080	3,314,317
Trade and other receivables	10	14,156,896	14,602,369	8,826,042	8,613,591
Current tax assets		646,468	204,022	255,000	186,444
Cash and cash equivalents	13	14,097,422	16,992,917	5,276,593	2,923,776
		35,496,868	40,101,724	16,858,715	15,038,128
TOTAL ASSETS		74,966,311	71,892,817	30,434,509	26,332,448
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	37,077,370	73,401,050	37,077,370	73,401,050
Treasury shares	14	(638,221)	(638,221)	(638,221)	(638,221)
Reserves	15	1,420,886	(515,759)	2,635,895	-
Retained earnings/(Accumulated losses)		18,368,309	(30,935,981)	(10,688,889)	(54,322,797)
		56,228,344	41,311,089	28,386,155	18,440,032
Non-controlling interests		(116,755)	(18,422)	-	-
TOTAL EQUITY		56,111,589	41,292,667	28,386,155	18,440,032

# Statements Of Financial Position

As At 31 December 2013

(Cont'd)

		Group		Company	
	Note	2013 RM	2012 RM	2013 RM	2012 RM
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	16	366,050	2,701,550	322,515	2,174,036
Deferred tax liabilities	11	294,844	807,473	278,293	807,473
Deferred income	19	3,175,178	4,289,562	-	242,172
		3,836,072	7,798,585	600,808	3,223,681
<b>Current liabilities</b>					
Borrowings	16	608,174	1,670,696	129,107	937,832
Deferred income	19	1,848,795	2,077,679	344,592	547,071
Trade and other payables	20	12,129,884	18,800,746	973,847	3,183,832
Current tax liabilities		431,797	252,444	-	-
		15,018,650	22,801,565	1,447,546	4,668,735
<b>TOTAL LIABILITIES</b>		18,854,722	30,600,150	2,048,354	7,892,416
<b>TOTAL EQUITY AND LIABILITIES</b>		74,966,311	71,892,817	30,434,509	26,332,448

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 2013

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Revenue	23	64,031,377	53,474,856	14,636,717	16,116,754
Cost of sales		(23,679,830)	(13,138,804)	(6,383,644)	(5,309,379)
Gross profit		40,351,547	40,336,052	8,253,073	10,807,375
Other operating income		1,082,349	911,185	8,715,062	6,492,225
Administrative expenses		(26,170,924)	(23,032,263)	(9,714,978)	(7,447,658)
Distribution expenses		(8,724,114)	(7,466,485)	(311,036)	(1,071,692)
Other operating expenses		(3,318,412)	(7,630,712)	(8,208,347)	(49,108,559)
Interest income		215,395	277,291	356,969	98,617
Finance costs		(155,641)	(211,183)	(136,166)	(149,185)
Profit/(Loss) before taxation	24	3,280,200	3,183,885	(1,045,423)	(40,378,877)
Taxation	25	1,885,127	1,167,867	638,701	8,734
Profit/(Loss) for the financial year		5,165,327	4,351,752	(406,722)	(40,370,143)
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translations	25(e)	(699,250)	622,778	-	-
Total other comprehensive (loss)/income, net of tax		(699,250)	622,778	-	-
Total comprehensive income/(loss)		4,466,077	4,974,530	(406,722)	(40,370,143)
Profit/(Loss) attributable to:					
Owners of the parent		5,263,660	4,370,174	(406,722)	(40,370,143)
Non-controlling interests		(98,333)	(18,422)	-	-
		5,165,327	4,351,752	(406,722)	(40,370,143)

# Statements Of Profit Or Loss And Other Comprehensive Income

For The Financial Year Ended 31 December 2013 (Cont'd)

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		4,564,410	4,992,952	(406,722)	(40,370,143)
Non-controlling interests		(98,333)	(18,422)	-	-
		4,466,077	4,974,530	(406,722)	(40,370,143)
Earnings per ordinary share attributable to equity holders of the Company (sen):					
Basic	26	3.10	2.87		
Fully diluted	26	3.00	2.87		

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



# Statements Of Changes In Equity

For The Financial Year Ended 31 December 2013

Group	Note	Share capital RM	Treasury shares RM	Exchange translation reserve RM	Share options reserve RM	Accumulated losses RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2012		72,901,050	(638,221)	(1,138,537)	513,578	(35,819,733)	35,818,137	-	35,818,137
Profit for the financial year		-	-	-	-	4,370,174	4,370,174	(18,422)	4,351,752
Foreign currency translations, net of tax		-	-	622,778	-	-	622,778	-	622,778
Total comprehensive income		-	-	622,778	-	4,370,174	4,992,952	(18,422)	4,974,530
Transactions with owners									
Share options granted under ESOS expired	28	-	-	-	(513,578)	513,578	-	-	-
Ordinary shares issued pursuant to ESOS	14	500,000	-	-	-	-	500,000	-	500,000
Total transactions with owners		500,000	-	-	(513,578)	513,578	500,000	-	500,000
Balance as at 31 December 2012		73,401,050	(638,221)	(515,759)	-	(30,935,981)	41,311,089	(18,422)	41,292,667

# Statements Of Changes In Equity

For The Financial Year Ended 31 December 2013

(Cont'd)

Group	Note	Share capital RM	Treasury shares RM	Share premium RM	Exchange translation reserve RM	Share options reserve RM	(Accumulated losses)/ Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2013		73,401,050	(638,221)	-	(515,759)	-	(30,935,981)	41,311,089	(18,422)	41,292,667
Profit for the financial year		-	-	-	-	-	5,263,660	5,263,660	(98,333)	5,165,327
Foreign currency translations, net of tax		-	-	-	(699,250)	-	-	(699,250)	-	(699,250)
Total comprehensive income		-	-	-	(699,250)	-	5,263,660	4,564,410	(98,333)	4,466,077
Transactions with owners:										
Capital reduction	14	(44,040,630)	-	-	-	-	44,040,630	-	-	-
Share options granted under ESS	27	-	-	-	-	868,685	-	868,685	-	868,685
Ordinary shares issued pursuant to:										
- ESS	14	447,640	-	535,826	-	(222,478)	-	760,988	-	760,988
- rights issue	14	7,269,310	-	1,453,862	-	-	-	8,723,172	-	8,723,172
Total transactions with owners		(36,323,680)	-	1,989,688	-	646,207	44,040,630	10,352,845	-	10,352,845
Balance as at 31 December 2013		37,077,370	(638,221)	1,989,688	(1,215,009)	646,207	18,368,309	56,228,344	(116,755)	56,111,589

# Statements Of Changes In Equity

For The Financial Year Ended 31 December 2013

(Cont'd)

Company	Note	Share capital RM	Treasury shares RM	Share options reserve RM	Accumulated losses RM	Total equity RM
Balance as at 1 January 2012		72,901,050	(638,221)	513,578	(14,466,232)	58,310,175
Loss for the financial year		-	-	-	(40,370,143)	(40,370,143)
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive loss		-	-	-	(40,370,143)	(40,370,143)
Transactions with owners:						
Share options granted under ESOS expired	28	-	-	(513,578)	513,578	-
Ordinary shares issued pursuant to ESOS	14	500,000	-	-	-	500,000
Total transactions with owners		500,000	-	(513,578)	513,578	500,000
Balance as at 31 December 2012		73,401,050	(638,221)	-	(54,322,797)	18,440,032

Company	Note	Share capital RM	Treasury shares RM	Share premium RM	Share options reserves RM	Accumulated losses RM	Total equity RM
Balance as at 1 January 2013		73,401,050	(638,221)	-	-	(54,322,797)	18,440,032
Loss for the financial year		-	-	-	-	(406,722)	(406,722)
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	(406,722)	(406,722)
Transactions with owners:							
Capital reduction	14	(44,040,630)	-	-	-	44,040,630	-
Share options granted under ESS	27	-	-	-	868,685	-	868,685
Ordinary shares issued pursuant to:							
- ESS	14	447,640	-	535,826	(222,478)	-	760,988
- rights issue	14	7,269,310	-	1,453,862	-	-	8,723,172
Total transactions with owners		(36,323,680)	-	1,989,688	646,207	44,040,630	10,352,845
Balance as at 31 December 2013		37,077,370	(638,221)	1,989,688	646,207	(10,688,889)	28,386,155

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

# Statements Of Cash Flows

For The Financial Year Ended 31 December 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM	RM	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit/(Loss) before taxation		3,280,200	3,183,885	(1,045,423)	(40,378,877)
Adjustments for:					
Bad debts written off/(back)		3,819	1,655	(1,963)	2,374,418
Depreciation of property, plant and equipment	7	7,666,142	5,131,955	1,076,876	1,017,681
Amortisation of:					
- intangible assets	8	802,269	790,000	790,000	790,000
- deferred income	19	(1,845,991)	(723,133)	(547,071)	(321,023)
Impairment losses on:					
- property, plant and equipment	7	-	193,888	-	193,888
- investments in subsidiaries	9	-	-	-	6,064,614
- goodwill on consolidation	8	-	712,595	-	-
- trade and other receivables	10	143,248	262,031	6,064,533	37,680,581
Interest expense		155,641	211,183	136,166	149,185
Interest income		(215,395)	(277,291)	(356,969)	(98,617)
Inventories written off	12(a)	158,737	862,977	134,258	812,019
Gain on disposal of:					
- property, plant and equipment		(11,544)	(410,003)	(16,598)	(7,932)
- subsidiary		-	(619,905)	-	-
Property, plant and equipment written off		144,361	223,943	42,562	1,623
Reversal for loss on disposal of property, plant and equipment		-	(400,000)	-	(400,000)
Reversal of impairment losses on trade and other receivables	10	(159,537)	(221,779)	(8,076,545)	(2,976,890)
Loss on strike off of subsidiaries	9(f)	-	75,732	-	-
Waiver of debts		-	-	-	(3,105,900)
Share options granted under ESS	27	868,685	-	372,943	-
(Gain)/Loss on foreign exchange					
- unrealised		(221,292)	10,776	(498,429)	24,643
Operating profit/(loss) before changes in working capital		10,769,343	9,008,509	(1,925,660)	1,819,413
(Increase)/Decrease in inventories		(9,560,404)	(14,652,014)	678,979	(663,368)
(Increase)/Decrease in trade and other receivables		(339,766)	(2,156,849)	625,356	(470,971)
(Decrease)/Increase in trade and other payables		(6,178,910)	2,085,748	(2,212,598)	(470,738)
Advance receipts for deferred income	19	502,723	4,047,588	102,420	105,239
Cash (used in)/generated from operations		(4,807,014)	(1,667,018)	(2,731,503)	319,575
Interest received		215,395	277,291	344,733	98,617
Interest paid		(155,641)	(211,183)	(136,166)	(149,185)
Tax paid		(468,306)	(1,890)	(148,750)	(204,455)
Tax refunded		327,659	-	201,951	-
Net cash (used in)/from operating activities		(4,887,907)	(1,602,800)	(2,469,735)	64,552

# Statements Of Cash Flows

For The Financial Year Ended 31 December 2013

(Cont'd)

		Group		Company	
	Note	2013 RM	2012 RM	2013 RM	2012 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of:					
- property, plant and equipment	7	(1,904,934)	(2,051,513)	(468,544)	(1,339,481)
- intangible asset	8	(2,020,648)	(156,690)	(1,213,584)	-
Acquisitions of subsidiaries for cash, net of cash acquired	9	-	(450,697)	(200,005)	(2)
Proceeds from disposal of property, plant and equipment		71,113	717,849	20,162	290,594
Net cash outflow from disposal of subsidiaries	9(e)	-	(202,738)	-	-
Withdrawal/(Placement) in deposits pledged		1,434,279	(105,839)	549,103	(79,569)
Repayments from/(Advances to) subsidiaries		-	-	61,551	(1,470,133)
Net cash used in investing activities		(2,420,190)	(2,249,628)	(1,251,317)	(2,598,591)
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of borrowings		770,000	450,000	770,000	450,000
Proceeds from issuance of shares:					
- ordinary shares pursuant to ESS/ESOS	28	760,988	500,000	760,988	500,000
- rights issue	14(c)	8,723,172	-	8,723,172	-
Repayments of:					
- hire purchase creditors		(874,066)	(766,562)	(128,613)	(68,874)
- borrowings		(3,501,633)	(264,883)	(3,501,633)	(264,881)
Net cash from/(used in) financing activities		5,878,461	(81,445)	6,623,914	616,245
Net (decrease)/increase in cash and cash equivalents		(1,429,636)	(3,933,873)	2,902,862	(1,917,794)
Effect of exchange rate changes on cash and cash equivalents		(31,580)	(75,886)	(942)	(24,643)
Cash and cash equivalents at beginning of financial year		15,458,638	19,468,397	2,274,673	4,217,110
Cash and cash equivalents at end of financial year	13	13,997,422	15,458,638	5,176,593	2,274,673

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

# Notes To The Financial Statements

31 December 2013

## 1. CORPORATE INFORMATION

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

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

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

The consolidated financial statements for the financial year ended 31 December 2013 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 21 April 2014.

## 2. 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 subsidiaries are disclosed in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 60 to 156 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 1965 in Malaysia. However, Note 36 to the financial statements set out on page 157 has been 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 ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.1 Basis of accounting (continued)

The preparation of financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

### 4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) Power over the investee;
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from other contractual agreements; and
- (c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.2 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (a) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (b) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

### 4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- (c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.



# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.3 Business combinations (continued)

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

- (a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.
- (b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.7(a) to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

### 4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.4 Property, plant and equipment and depreciation (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods are as follows:

Long term leasehold land	99 years
Buildings	50 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

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

### 4.5 Leases and hire purchase

#### (a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the incremental borrowing rate of the Group is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.5 Leases and hire purchase (continued)

#### (a) Finance leases and hire purchase (continued)

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

#### (b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

### 4.6 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.7 Intangible assets

#### (a) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### (b) Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination. In-process research and development projects acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development is not met.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.7 Intangible assets (continued)

#### (b) Other intangible assets (continued)

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed at the end of each reporting period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

#### Research and development

Expenditure on development activities of internally developed products is recognised as an intangible asset when it relates to the production of new or substantively improved products and processes and when the Group can demonstrate that it is technically feasible to develop the product or processes, adequate resources are available to complete the development and that there is an intention to complete and sell the product or processes to generate future economic benefits.

Capitalised development costs are amortised on a straight line basis over a period of five (5) to ten (10) years. Development expenditure not satisfying the criteria mentioned and expenditure arising from research or from the research phase of internal projects are recognised in profit or loss as incurred.

Development assets are tested for impairment annually.

### 4.8 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries), inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the CGU or groups of CGU of the Group that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.8 Impairment of non-financial assets (continued)

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments*.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' 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. Such reversals are recognised as income immediately in profit or loss.

### 4.9 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out formula. The cost comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### 4.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.10 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at 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 issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

#### (a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

##### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

##### (ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.10 Financial instruments (continued)

#### (a) Financial assets (continued)

##### (ii) Held-to-maturity investments (continued)

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

##### (iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

##### (iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

Cash and cash equivalents include cash and bank balances, bank overdrafts, fixed deposits pledged to financial institutions, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.



# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.10 Financial instruments (continued)

#### (a) Financial assets (continued)

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 marketplace convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

#### (b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

##### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

##### (ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a 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.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.10 Financial instruments (continued)

#### (b) Financial liabilities (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

#### (c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are classified as 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. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Main Market Listing Requirements.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.11 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

#### Loans and receivables

The Company collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national and local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables is reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

### 4.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing cost is recognised in profit or loss in the period in which they are incurred.

### 4.13 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by a foreign subsidiary on distributions to the Group and Company, and real property gains taxed payable on disposal of properties, if any.

Taxes in the profit or loss and other comprehensive income comprise current tax and deferred tax.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.13 Income taxes (continued)

#### (a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by foreign subsidiaries on distribution of retained earnings to companies in the Group), and real property gains taxes payable on disposal of properties.

#### (b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.14 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions for restructuring are recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

### 4.15 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

### 4.16 Employee benefits

#### (a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed as employees have rendered their services to the Group.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.16 Employee benefits (continued)

#### (a) Short term employee benefits (continued)

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

#### (b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

#### (c) Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions but excluding the impact of any non-market performance and service vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees could provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. The Group recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

If the options are exercised, the Company issues new shares to the employees. The proceeds received, net of any directly attributable transaction costs are recognised in ordinary share capital at nominal value, and any excess would be recognised in share premium.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.17 Foreign currencies

#### (a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

#### (b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

#### (c) Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of each reporting period.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Services rendered

Revenue in respect of the rendering of services is recognised when the stage of completion at the end of each reporting period and the cost incurred can be reliably measured. The stage of completion is determined by the services performed to date as a percentage of total services to be performed.

(c) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(d) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.

### 4.19 Operating segments

Operating segments are defined as components of the Group that:

- (a) Engages in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.



# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.19 Operating segments (continued)

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
  - (i) The combined reported profit of all operating segments that did not report a loss; and
  - (ii) The combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

### 4.20 Earnings per share

- (a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

- (b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

### 4.21 Fair value measurements

The fair value of an asset or a liability, (except for share-based payment and lease transactions) is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.21 Fair value measurements (continued)

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) The condition and location of the asset; and
- (b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

## 5. ADOPTION OF NEW MFRSS AND AMENDMENT TO MFRSS

### 5.1 New MFRSS adopted during the financial year

The Group and Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year.

Title	Effective Date
Amendments to MFRS 101 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 119 <i>Employee Benefits (2011)</i>	1 January 2013
MFRS 127 <i>Separate Financial Statements</i>	1 January 2013
MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2013
Amendments to MFRS 1 <i>Government Loans</i>	1 January 2013
Amendments to MFRS 7 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRSs <i>Annual Improvements 2009 – 2011 Cycle</i>	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 5. ADOPTION OF NEW MFRSS AND AMENDMENT TO MFRSs (continued)

### 5.1 New MFRSs adopted during the financial year (continued)

There is no material effect upon the adoption of the above standards, amendments and interpretations during the financial year other than:

- (a) Amendments to MFRS 101 is mandatory for annual periods beginning on or after 1 July 2012.

These Amendments require that items other comprehensive income must be grouped into two sections:

- (i) Those that are or may be reclassified into profit or loss; and
- (ii) Those that will not be reclassified into profit or loss.

The Group has changed the presentation of the statements of profit or loss and other comprehensive income according to these Amendments.

- (b) MFRS 10 is mandatory for annual periods beginning on or after 1 January 2013.

This Standard supersedes MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation - Special Purpose Entities*, and introduces a single "control model" for all entities, including special purpose entities ("SPEs"), whereby all of the following conditions must be present:

- (i) Power over the investee;
- (ii) Exposure, or rights, to variable returns from involvement with the investee; and
- (iii) Ability to use power over investee to affect its returns.

Other changes introduced by MFRS 10 include:

- (i) The introduction the concept of "de facto" control for entities with less than a fifty percent (50%) ownership interest in an entity, but which have a large shareholding compared to other shareholders;
- (ii) Potential voting rights are only considered when determining if there is control when they are substantive (holder has practical ability to exercise) and the rights are currently exercisable; and
- (iii) Specific guidance for the concept of 'silos', where groups of assets (and liabilities) within one entity are ring-fenced.

The adoption of MFRS 10 has resulted in the consolidation of the forty percent (40%) voting interest of the Company in Pinoytek Solusyen, Inc., the effect of which is detailed in Note 9 to the financial statements.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 5. ADOPTION OF NEW MFRSS AND AMENDMENT TO MFRSS (continued)

### 5.1 New MFRSS adopted during the financial year (continued)

- (c) MFRS 12 is mandatory for annual periods beginning on or after 1 January 2013.

This Standard prescribes the disclosure requirements relating to interests of an entity in subsidiaries, joint arrangements, associates and structured entities. This Standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the relationship of the reporting entity with other entities.

Following the adoption of this Standard, the Group has disclosed the requirements applicable to the Group in Note 9 to the financial statements.

- (d) MFRS 13 is mandatory for annual periods beginning on or after 1 January 2013.

This Standard is now the sole MFRS containing the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements and/or disclosures are required or permitted by other MFRSS.

As a result, the guidance and requirements relating to fair value measurement that were previously located in other MFRSS have now been relocated to MFRS 13.

Whilst there have been some rewording of the previous guidance on MFRS 13, there are very few changes to the previous fair value measurement requirements. Instead, MFRS 13 is intended to clarify the measurement objective, harmonise the disclosure requirements, and improve consistency in application of fair value measurement.

MFRS 13 did not materially impact any fair value measurements of the assets or liabilities of the Group. It has only a presentation and disclosure impact and therefore, has no effect on the financial position or performance of the Group.

### 5.2 New MFRSS that have been issued, but only effective for annual periods beginning on or after 1 January 2014

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

Title	Effective Date
Amendments to MFRS 10 <i>Consolidated Financial Statements: Investment Entities</i>	1 January 2014
Amendments to MFRS 12 <i>Disclosure of Interest in Other Entities: Investment Entities</i>	1 January 2014
Amendments to MFRS 127 <i>Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21 <i>Leases</i>	1 January 2014
<i>Defined Benefit Plans: Employee Contributions</i> (Amendments to MFRS 119)	1 July 2014

# Notes To The Financial Statements

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## 5. ADOPTION OF NEW MFRSS AND AMENDMENT TO MFRSS (continued)

### 5.2 New MFRSS that have been issued, but only effective for annual periods beginning on or after 1 January 2014 (continued)

Title	Effective Date
Amendments to MFRSS <i>Annual Improvements 2010 – 2012 Cycle</i>	1 July 2014
Amendments to MFRSS <i>Annual Improvements 2011 – 2013 Cycle</i>	1 July 2014
<i>Mandatory Effective Date of MFRS 9 and Transition Disclosures</i>	Deferred
<i>MFRS 9 Financial Instruments (2009)</i>	Deferred
<i>MFRS 9 Financial Instruments (2010)</i>	Deferred
<i>MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)</i>	Deferred

The Group is in the process of assessing the impact of implementing these accounting standards, amendments and interpretation, since the effects would only be observable for the future financial years.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### 6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period other than the revision in the useful life of the buildings arising from the re-assessment by the Directors, which resulted in additional depreciation charges of RM37,409 during the financial year.

### 6.2 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

#### (a) Classification of leasehold land

The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117 *Leases*.

#### (b) Classification of non-current bank borrowings

Term loan agreements entered into by the Group include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise its right to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

# Notes To The Financial Statements

31 December 2013

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## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### 6.2 Critical judgements made in applying accounting policies (continued)

#### (c) Operating lease commitments – the Group as lessor

The Group has entered into leases on its EDC equipment. The Group has determined that it retains all the significant risks and rewards of ownership of the equipment which are leased out as operating leases due to the lease term is not for the major part of the economic life of the asset.

#### (d) Contingent liabilities

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

### 6.3 Key sources of estimation uncertainty

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

#### (a) Depreciation of EDC equipment

The cost of EDC equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates that the useful lives of these equipment to be within five (5) years, which are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. A ten percent difference (10%) in the average useful lives of these assets from the management's estimates would result in approximately nine percent (9%) variance in profit for the financial year.

#### (b) Impairment of intangible assets

The Group reviews the carrying amounts of the intangible assets as at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value-in-use is estimated. Determining the value-in-use of intangible assets requires the determination of future cash flows expected to be generated from the continued use, and ultimate disposition of such assets. Significant judgement is required in the estimation of the present value of future cash flows generated by the intangible assets, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's assessment for impairment of intangible assets.

#### (c) Impairment of investments in subsidiaries

The Directors review the investment in a subsidiary for impairment when there is an indication of impairment. The recoverable amount of the investment in a subsidiary is assessed by reference to the value in use of the subsidiary.

# Notes To The Financial Statements

31 December 2013

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## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### 6.3 Key sources of estimation uncertainty (continued)

#### (c) Impairment of investments in subsidiaries (continued)

The value in use is the net present value of the projected future cash flows derived from the business operations of the subsidiary discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect its income and cash flows. Judgement had also been used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiary.

#### (d) Consolidation of an entity in which the Group holds less than majority of voting rights

The Group considers that it controls Pinoytek Solusyen, Inc. even though it owns less than fifty percent (50%) of the voting rights. This is because key management personnel of Pinoytek Solusyen, Inc., who have the ability to direct the relevant activities, are current employees of the Group. Furthermore, significant portion of Pinoytek Solusyen, Inc.'s activities involve and are conducted on behalf of the Group.

#### (e) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

#### (f) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits would be available against which the losses and capital allowances could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

#### (g) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### 6.3 Key sources of estimation uncertainty (continued)

#### (h) Executives' share scheme/Employees' share option scheme

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the employee share options at the date at which they are granted. Judgement is required in determining the most appropriate valuation model for the share options granted, depending on the terms and conditions of the grant. The Group is also required to use judgement in determining the most appropriate inputs to the valuation model including volatility and dividend yield. The assumptions and model used are disclosed in Note 28 to the financial statements.

#### (i) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 32 to the financial statements.

#### (j) Fair value measurement

The fair value measurement of the financial and non-financial assets and liabilities of the Group utilises market observable inputs and data as far as possible, where applicable. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

- (i) Level 1: Quoted prices in active markets for identical items (unadjusted);
- (ii) Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- (iii) Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures financial instruments, as disclosed in Note 31 to the financial statements, at fair value.



# Notes To The Financial Statements

31 December 2013

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## 7. PROPERTY, PLANT AND EQUIPMENT

2013 Group		Long term leasehold land RM	Buildings RM	Computer equipment RM	EDC equipment RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Renovation RM	Total RM
	Note									
<b>Cost</b>										
Balance as at 1 January										
2013		1,625,000	3,250,000	8,545,788	72,912,902	4,090,349	1,308,818	3,397,273	1,334,952	96,465,082
Additions		-	-	822,675	-	733,064	275,831	121,116	152,248	2,104,934
Transfer from inventories	12	-	-	-	11,067,309	-	-	-	-	11,067,309
Written off		-	-	-	(20,972,605)	(1,464,653)	-	(231,680)	(8,700)	(22,677,638)
Disposals		-	-	(86,561)	(2,823,659)	-	(92,974)	(68,560)	-	(3,071,754)
Transfer		-	-	1,599	-	-	-	(1,599)	-	-
Exchange differences		-	-	(14,447)	(158,487)	(5,725)	(986)	(3,232)	(2,569)	(185,446)
Balance as at 31 December 2013		1,625,000	3,250,000	9,269,054	60,025,460	3,353,035	1,490,689	3,213,318	1,475,931	83,702,487
<b>Accumulated depreciation</b>										
Balance as at 1 January										
2013		114,900	229,797	7,061,021	27,760,661	3,261,202	511,054	2,136,066	1,239,851	42,314,552
Charge for the financial year		16,414	70,237	847,804	5,747,190	326,559	207,688	340,239	110,011	7,666,142
Written off		-	-	-	(9,366,017)	(1,422,091)	-	(165,938)	(8,699)	(10,962,745)
Disposals		-	-	(84,200)	(830,554)	-	(92,972)	(55,254)	-	(1,062,980)
Transfer		-	-	147	-	-	-	(147)	-	-
Exchange differences		-	-	(14,364)	(71,362)	(6,845)	(986)	(3,842)	(2,604)	(100,003)
Balance as at 31 December 2013		131,314	300,034	7,810,408	23,239,918	2,158,825	624,784	2,251,124	1,338,559	37,854,966

# Notes To The Financial Statements

31 December 2013

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## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

2013 Group		Long term leasehold land RM	Buildings RM	Computer equipment RM	EDC equipment RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Renovation RM	Total RM
	Note									
<b>Accumulated impairment</b>										
Balance as at 1 January 2013		-	-	-	26,365,990	-	193,888	-	-	26,559,878
Disposals		-	-	-	(1,949,205)	-	-	-	-	(1,949,205)
Written off		-	-	-	(11,570,532)	-	-	-	-	(11,570,532)
Balance as at 31 December 2013		-	-	-	12,846,253	-	193,888	-	-	13,040,141
<b>Carrying amount</b>										
Balance as at 31 December 2013		1,493,686	2,949,966	1,458,646	23,939,289	1,194,210	672,017	962,194	137,372	32,807,380

2012 Group		Long term leasehold land RM	Buildings RM	Computer equipment RM	EDC equipment RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Renovation RM	Total RM
	Note									
<b>Cost</b>										
Balance as at 1 January 2012		1,625,000	3,250,000	6,879,303	65,054,774	3,966,164	1,394,940	4,912,652	1,633,958	88,716,791
Acquisition of subsidiary	9	-	-	58,538	-	-	-	23,135	-	81,673
Disposal of subsidiary	9	-	-	-	-	-	-	(1,540,460)	(403,965)	(1,944,425)
Additions		-	-	1,498,261	-	124,185	568,028	246,077	99,962	2,536,513
Transfer from inventories	12	-	-	-	12,001,796	-	-	-	-	12,001,796
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 differences		-	-	304,333	322,866	-	4,947	(205,483)	4,997	431,660
Balance as at 31 December 2012		1,625,000	3,250,000	8,545,788	72,912,902	4,090,349	1,308,818	3,397,273	1,334,952	96,465,082

# Notes To The Financial Statements

31 December 2013

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## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

2012 Group		Long term leasehold land RM	Buildings RM	Computer equipment RM	EDC equipment RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Renovation RM	Total RM
	Note									
<b>Accumulated depreciation</b>										
Balance as at 1 January 2012		98,486	196,969	6,406,683	28,384,498	2,935,787	614,186	3,040,059	1,479,587	43,156,255
Acquisition of subsidiary	9	-	-	40,434	-	-	-	8,730	-	49,164
Disposal of subsidiary	9	-	-	-	-	-	-	(1,217,479)	(333,843)	(1,551,322)
Charge for the financial year		16,414	32,828	531,121	3,331,975	325,415	273,647	531,041	89,514	5,131,955
Written off		-	-	(6,328)	(4,107,460)	-	-	(1,933)	-	(4,115,721)
Disposals		-	-	(188,285)	(48,569)	-	(381,512)	(19,489)	-	(637,855)
Exchange differences		-	-	277,396	200,217	-	4,733	(204,863)	4,593	282,076
Balance as at 31 December 2012		114,900	229,797	7,061,021	27,760,661	3,261,202	511,054	2,136,066	1,239,851	42,314,552
<b>Accumulated impairment</b>										
Balance as at 1 January 2012		-	-	-	26,433,037	-	-	-	-	26,433,037
Disposals		-	-	-	(70,304)	-	-	-	-	(70,304)
Written back		-	-	-	3,257	-	-	-	-	3,257
Impairment during the financial year		-	-	-	-	-	193,888	-	-	193,888
Balance as at 31 December 2012		-	-	-	26,365,990	-	193,888	-	-	26,559,878
<b>Carrying amount</b>										
Balance as at 31 December 2012		1,510,100	3,020,203	1,484,767	18,786,251	829,147	603,876	1,261,207	95,101	27,590,652

# Notes To The Financial Statements

31 December 2013

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## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

2013 Company	Note	Long term leasehold land RM	Buildings RM	Computer equipment RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Renovation RM	Total RM
<b>Cost</b>									
Balance as at									
1 January 2013		1,625,000	3,250,000	3,554,616	2,670,693	614,118	2,067,500	547,107	14,329,034
Additions		-	-	147,505	85,670	244,279	68,640	122,450	668,544
Disposals		-	-	(47,330)	-	(77,474)	(32,660)	-	(157,464)
Written off		-	-	-	(1,464,653)	-	-	-	(1,464,653)
Balance as at									
31 December 2013		1,625,000	3,250,000	3,654,791	1,291,710	780,923	2,103,480	669,557	13,375,461
<b>Accumulated depreciation</b>									
Balance as at									
1 January 2013		114,900	229,797	2,751,764	2,041,828	145,132	1,284,405	480,993	7,048,819
Charge for the financial year		16,414	70,237	395,532	197,472	117,407	198,083	81,731	1,076,876
Disposals		-	-	(47,201)	-	(77,473)	(29,226)	-	(153,900)
Written off		-	-	-	(1,422,091)	-	-	-	(1,422,091)
Balance as at									
31 December 2013		131,314	300,034	3,100,095	817,209	185,066	1,453,262	562,724	6,549,704
<b>Accumulated impairment</b>									
Balance as at									
1 January 2013		-	-	-	-	193,888	-	-	193,888
Impairment during the financial year		-	-	-	-	-	-	-	-
Balance as at									
31 December 2013		-	-	-	-	193,888	-	-	193,888
<b>Carrying amount</b>									
Balance as at									
31 December 2013		1,493,686	2,949,966	554,696	474,501	401,969	650,218	106,833	6,631,869

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

2012 Company	Note	Long term leasehold land RM	Buildings RM	Computer equipment RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Renovation RM	Total RM
<b>Cost</b>									
Balance as at									
1 January 2012		1,625,000	3,250,000	2,791,429	2,546,507	879,327	1,911,133	447,144	13,450,540
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)
Balance as at									
31 December 2012		1,625,000	3,250,000	3,554,616	2,670,693	614,118	2,067,500	547,107	14,329,034
<b>Accumulated depreciation</b>									
Balance as at									
1 January 2012		98,486	196,969	2,585,006	1,787,846	347,667	1,099,924	426,942	6,542,840
Charge for the financial year		16,414	32,828	287,693	253,982	178,978	193,735	54,051	1,017,681
Disposals		-	-	(120,935)	-	(381,513)	(7,321)	-	(509,769)
Written off		-	-	-	-	-	(1,933)	-	(1,933)
Balance as at									
31 December 2012		114,900	229,797	2,751,764	2,041,828	145,132	1,284,405	480,993	7,048,819
<b>Accumulated impairment</b>									
Balance as at									
1 January 2012		-	-	-	-	-	-	-	-
Impairment during the financial year		-	-	-	-	193,888	-	-	193,888
Balance as at									
31 December 2012		-	-	-	-	193,888	-	-	193,888
<b>Carrying amount</b>									
Balance as at									
31 December 2012		1,510,100	3,020,203	802,852	628,865	275,098	783,095	66,114	7,086,327

# Notes To The Financial Statements

31 December 2013

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## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Purchase of property, plant and equipment	2,104,934	2,536,513	668,544	1,674,481
Financed by hire purchase	(200,000)	(485,000)	(200,000)	(335,000)
Cash payments on purchase of property, plant and equipment	1,904,934	2,051,513	468,544	1,339,481

- (b) The carrying amount of the property, plant and equipment of the Group and of the Company under finance leases at the end of the reporting period are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Motor vehicles	506,453	603,872	401,969	275,095
EDC equipment	1,204,143	1,592,953	-	-
	1,710,596	2,196,825	401,969	275,095

Details of the terms and conditions of the finance lease arrangements are disclosed in Note 18 to the financial statements.

- (c) In the previous financial year, long term leasehold land and buildings with carrying amount of RM4,530,303 were charged to a bank for borrowing to the Group as disclosed in Note 17 to the financial statements.

## 8. INTANGIBLE ASSETS

Group	Balance as at 1.1.2013 RM	Additions RM	Reclassifi- cation RM	Amortisation charge for the financial year RM	Balance as at 31.12.2013 RM
<b>Carrying amount</b>					
Goodwill	-	-	-	-	-
Completed development costs	2,843,751	-	184,044	(802,269)	2,225,526
Development-in-progress	156,690	2,020,648	(184,044)	-	1,993,294
	3,000,441	2,020,648	-	(802,269)	4,218,820

# Notes To The Financial Statements

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## 8. INTANGIBLE ASSETS (continued)

Group	<----- As at 31.12.2013 ----->		
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Goodwill	2,968,029	(2,968,029)	-
Completed development costs	13,084,044	(10,858,518)	2,225,526
Development-in-progress	1,993,294	-	1,993,294
	18,045,367	(13,826,547)	4,218,820

Group	Balance as at 1.1.2012 RM	Additions RM	Acquisition of subsidiary (Note 9) RM	Amortisation charge for the financial year RM	Impairment loss for the financial year RM	Balance as at 31.12.2012 RM
<b>Carrying amount</b>						
Goodwill	-	-	712,595	-	(712,595)	-
Completed development costs	3,633,751	-	-	(790,000)	-	2,843,751
Development-in-progress	-	156,690	-	-	-	156,690
	3,633,751	156,690	712,595	(790,000)	(712,595)	3,000,441

Group	<----- As at 31.12.2012 ----->		
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Goodwill	2,968,029	(2,968,029)	-
Completed development costs	12,900,000	(10,056,249)	2,843,751
Development-in-progress	156,690	-	156,690
	16,024,719	(13,024,278)	3,000,441

Company	Balance as at 1.1.2013 RM	Additions RM	Amortisation charge for the financial year RM	Balance as at 31.12.2013 RM
<b>Carrying amount</b>				
Completed development costs	2,843,751	-	(790,000)	2,053,751
Development-in-progress	-	1,213,584	-	1,213,584
	2,843,751	1,213,584	(790,000)	3,267,335

# Notes To The Financial Statements

31 December 2013

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## 8. INTANGIBLE ASSETS (continued)

Company	<----- As at 31.12.2013 ----->		
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Completed development costs	12,900,000	(10,846,249)	2,053,751
Development-in-progress	1,213,584	-	1,213,584
	14,113,584	(10,846,249)	3,267,335

Company	Balance as at 1.1.2012 RM	Additions RM	Amortisation charge for the financial year RM	Balance as at 31.12.2012 RM
Carrying amount				
Completed development costs	3,633,751	-	(790,000)	2,843,751

Company	<----- As at 31.12.2012 ----->		
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Completed development costs	12,900,000	(10,056,249)	2,843,751

### (a) Goodwill

In the previous financial year, an impairment loss on goodwill, which amounted to RM712,595 was recognised due to declining business operations. For the purpose of impairment testing, goodwill was allocated to individual entities under Thailand segment, which were also the cash-generating units ("CGU") identified.

The recoverable amounts of the CGUs were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The key assumptions on which the Directors had based the cash flow projections to undertake impairment testing were as follows:

- (i) Gross margin - Budgeted based on historical average margins achieved adjusted for expected efficiency improvements.
- (ii) Growth rate – Forecasted growth rates were based on published industry research and did not exceed the long-term average growth rate for the industries relevant to the CGU.
- (iii) Pre-tax discount rate – Rate that reflect specific risks relating to the relevant CGU.



# Notes To The Financial Statements

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## 8. INTANGIBLE ASSETS (continued)

- (b) 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.

## 9. INVESTMENTS IN SUBSIDIARIES

	Note	Company	
		2013 RM	2012 RM
Unquoted shares, at cost	(h)	16,040,004	15,839,999
Equity contributions in subsidiaries in respect of ESS		495,742	-
		16,535,746	15,839,999
Less: Impairment losses		(15,839,997)	(15,839,997)
		695,749	2

- (a) The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2013 %	2012 %	
GHL Transact Sdn. Bhd. #	Malaysia	100.00	100.00	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance.
GHL Payments Sdn. Bhd. #	Malaysia	100.00	100.00	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance.
GHL EFTPOS Sdn. Bhd. #	Malaysia	100.00	100.00	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance.
GHL CardPay Sdn. Bhd. #	Malaysia	100.00	-	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.

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## 9. INVESTMENTS IN SUBSIDIARIES (continued)

(a) The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2013 %	2012 %	
GHL International Sdn. Bhd. #	Malaysia	100.00	100.00	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	100.00	100.00	Investment holding.
GHL Global Sdn. Bhd. #	Malaysia	100.00	100.00	Developing and selling of Net. Point software solution; software programmes and other related products and services.
GHL Loyalty Sdn. Bhd. #	Malaysia	100.00	100.00	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.
GHL BPO1 Sdn. Bhd. #	Malaysia	100.00	-	Provide card-related outsourcing services for all business processes, sub-processes, transactions, activities and all other card related works performed by business in various industries
GHL ePayments Sdn. Bhd. #	Malaysia	100.00	-	Provide electronic payment services and online and mobile merchant acquisition as well as other related activities
GHL Payment Services Sdn. Bhd. #	Malaysia	100.00	-	Provide electronic payment services and other related activities
PT. Spotpay Indonesia ^	Indonesia	1.00	-	Dormant
<b>Subsidiary of GHL International Sdn. Bhd.</b>				
GHL CardPay Sdn. Bhd. #	Malaysia	-	100.00	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.

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## 9. INVESTMENTS IN SUBSIDIARIES (continued)

(a) The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2013 %	2012 %	
Subsidiaries of GHL Asia Pacific Limited				
GHL Systems Philippines, Inc.	Philippines	99.99	99.99	Provision of end-to-end payment services and solutions through the deployment of payment infrastructure, technology and services.
GHL Systems Australia Pty. Ltd.	Australia	100.00	100.00	Sales of hardware, software and professional services.
GHL (Thailand) Co., Ltd.	Thailand	89.99	89.99	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.
PT. Spotpay Indonesia ^	Indonesia	99.00	-	Dormant
Subsidiaries of GHL ePayments Sdn. Bhd.				
GHL ePayments Co. Ltd	Thailand	99.99	-	Internet payment gateway
GHL ePayments Philippines, Inc.	Philippines	99.99	-	Provision of payment technology services and solutions to banks and merchants in the Philippines
Subsidiary of GHL Systems Philippines, Inc.				
Pinoytek Solusyen, Inc. ®	Philippines	40.00	-	Provide end-to-end payment services and solutions to the market both in the Philippines and abroad through the deployment of world-class payment infrastructure, technology and services, from standard chip cards to store-value, loyalty and contactless card solution to network access controllers and to bid for government projects for the provisions of such services.

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## 9. INVESTMENTS IN SUBSIDIARIES (continued)

(a) The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2013	2012	
		%	%	
Subsidiary of GHL (Thailand) Co., Ltd.				
Conscious Object Development Co. Ltd.	Thailand	89.99	89.99	Dormant.

# Subsidiaries audited by BDO in Malaysia

^ Effective interest of the Group in PT. Spotpay Indonesia ("Spotpay") is 100% taking into account 99% interest in equity of Spotpay held by a wholly-owned subsidiary of the Group, GHL Asia Pacific Limited.

@ The Group considers that it controls Pinoytek Solusyen, Inc. ("Pinoytek") even though it owns less than fifty percent (50%) of the voting rights. This is because the key management personnel of Pinoytek, who have the ability to direct the relevant activities, are current employees of the Group. Furthermore, significant portion of Pinoytek's activities involve and are conducted on behalf of the Group.

(b) During the financial year, the Company subscribed:

- (i) one (1) ordinary share of RM1.00 each in GHL BPO1 Sdn. Bhd. ("BPO1"), representing 50% of the issued and paid-up share capital of BPO1. Subsequently, the Company acquired the remaining one (1) ordinary share of RM1.00 each in BPO1 from a Director, Loh Wee Hian, for cash consideration of RM1.00. Accordingly, BPO1 became a wholly-owned subsidiary of the Company;
- (ii) one (1) ordinary share of RM1.00 each in GHL Payment Services Sdn. Bhd. ("GHLPS"), representing 50% of the issued and paid-up share capital of GHLPS. Subsequently, the Company acquired the remaining one (1) ordinary share of RM1.00 each in GHLPS from a Director, Loh Wee Hian, for cash consideration of RM1.00. Accordingly, GHLPS became a wholly-owned subsidiary of the Company; and
- (iii) one (1) ordinary share of RM1.00 each in GHL ePayments Sdn. Bhd. ("GEP"), representing 50% of the issued and paid-up share capital of GEP. Subsequently, the Company acquired the remaining one (1) ordinary share of RM1.00 each in GEP from a Director, Loh Wee Hian, for cash consideration of RM1.00. Accordingly, GEP became a wholly-owned subsidiary of the Company. Subsequently, the Company subscribed additional one hundred ninety-nine thousand nine hundred and ninety-eight (199,998) ordinary shares of RM1.00 each in GEP for cash consideration of RM199,998.

# Notes To The Financial Statements

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## 9. INVESTMENTS IN SUBSIDIARIES (continued)

- (b) During the financial year, the Company subscribed (continued):

The fair value of the net assets acquired and cash flow arising from the above acquisitions are as follows:

	At date of acquisition RM
Cash and cash equivalents	6
Total identified net assets/Total purchase consideration	6
Cash and cash equivalents of the subsidiaries acquired	(6)
Net cash flow of the Group on acquisition	-

- (c) On 26 August 2013, the Company acquired 1,250,000 ordinary shares of RM1.00 each in GHL CardPay Sdn. Bhd. ("GHLCP") from GHL International Sdn. Bhd., a wholly-owned subsidiary of the Company, representing 100% of the issued and paid-up share capital of GHLCP, for total cash consideration of RM1.00. Accordingly, GHLCP became a direct wholly-owned subsidiary of the Company.

- (d) In the previous financial year, GHL (Thailand) Co., Ltd., a subsidiary of GHL Asia Pacific Limited, 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 consisted 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 became a wholly-owned subsidiary of GHL (Thailand) Co., Ltd. whilst GHL (Thailand) Co., Ltd. was effectively 89.99% owned subsidiary of GHL Asia Pacific Limited.

The fair value of the net assets acquired and cash flow arising from the acquisition were as follows:

	Note	At date of acquisition RM
Property, plant and equipment	7	32,509
Inventories		29,357
Trade and other receivables		29,152
Cash and cash equivalents		46,368
Trade and other payables		(134,957)
Total identified net assets		2,429
Goodwill arising from acquisition	8	712,595
Total purchase consideration		715,024
Fair value of equity instruments issued		(217,959)
Cash and cash equivalents of the subsidiary acquired		(46,368)
Net cash outflow of the Group on acquisition		450,697

# Notes To The Financial Statements

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## 9. INVESTMENTS IN SUBSIDIARIES (continued)

- (e) In the previous financial year, a subsidiary of the Company, GHL Asia Pacific Limited 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, which represented 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 details of the disposal of the subsidiary were as follows:

	Note	At date of disposal RM
Property, plant and equipment	7	393,103
Inventories		18,060
Trade and other receivables		967,064
Cash and cash equivalents		202,742
Trade and other payables		(2,196,983)
Tax payables		(3,887)
Total identified net liabilities disposed		(619,901)
Gain on disposal		619,905
Proceeds from disposal		4
Cash and cash equivalents of the subsidiary disposed off		(202,742)
Cash flow on disposal, net of cash and cash equivalents of a subsidiary disposed		(202,738)

- (f) In the previous financial year, PaymentOne (HK) Pte. Ltd. was struck off from the Companies Registry, Hong Kong pursuant to Section 291AA(9) of the Companies Ordinance. PaymentOne Singapore Pte. Ltd. and GHLSYS Singapore Pte. Ltd. were struck off from the register of Registrar of Companies and Businesses, Singapore pursuant to Section 344(2) of the Singapore Companies Act (Cap 50). Loss on strike off subsidiaries which amounted to RM75,732 had been recognised in the profit or loss during the previous financial year.
- (g) During the financial year, the Group recognised ESS expenses of RM868,685 in profit or loss, out of which an amount of RM495,742 was in respect of employees of subsidiaries. At Company level, the amount of RM495,742 was recorded as an increase in investments in subsidiaries with a corresponding credit to equity (Note 28).
- (h) The Directors of the Company are of the view that the non-controlling interests of subsidiaries that are not wholly owned by the Group are insignificant as at the end of the reporting period.

# Notes To The Financial Statements

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## 10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Non-current</b>				
<b>Other receivables</b>				
Amounts owing by subsidiaries	-	-	3,531,932	1,364,240
Less: Impairment losses	-	-	(551,091)	-
	-	-	2,980,841	1,364,240
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	17,005,355	15,461,194	3,769,915	4,144,529
Subsidiaries	-	-	20,045,013	30,453,975
Related party	164,725	1,084,684	164,725	-
	17,170,080	16,545,878	23,979,653	34,598,504
Less: Impairment losses				
- third parties	(4,763,812)	(4,792,709)	(1,682,458)	(1,712,578)
- subsidiaries	-	-	(19,378,682)	(26,054,589)
	(4,763,812)	(4,792,709)	(21,061,140)	(27,767,167)
	12,406,268	11,753,169	2,918,513	6,831,337
<b>Other receivables</b>				
Other receivables	1,022,018	917,327	158,866	250,784
Amounts owing by subsidiaries	-	-	31,397,405	22,680,480
Deposits	632,314	1,571,838	159,245	706,368
	1,654,332	2,489,165	31,715,516	23,637,632
Less: Impairment losses				
- other receivables	(487,272)	(488,351)	(158,866)	(158,866)
- amounts owing by subsidiaries	-	-	(25,946,585)	(21,803,661)
	(487,272)	(488,351)	(26,105,451)	(21,962,527)
	1,167,060	2,000,814	5,610,065	1,675,105
<b>Loans and receivables</b>	13,573,328	13,753,983	8,528,578	8,506,442
Prepayments	583,568	848,386	297,464	107,149
	14,156,896	14,602,369	8,826,042	8,613,591
<b>Grand total</b>	<b>14,156,896</b>	<b>14,602,369</b>	<b>11,806,883</b>	<b>9,977,831</b>

- (a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranges from 30 to 180 days (2012: 30 to 180 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

# Notes To The Financial Statements

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## 10. TRADE AND OTHER RECEIVABLES (continued)

- (b) The related party represents e-pay (M) Sdn. Bhd. ("e-pay"), of which the Executive Vice Chairman and a substantial 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). The amount owing is unsecured, non-interest bearing and payable within normal trade credit terms of the Group and of the Company in cash and cash equivalents.
- (c) Non-current amounts owing by subsidiaries represent advances, which bears interest at rates ranging from 4.0% to 5.5% (2012: 4.0% to 6.0%) per annum. The advances are repayable in instalments up to 2015.
- (d) Non-trade amounts owing by subsidiaries are unsecured, payable upon demand in cash and cash equivalents and interest-free except for amounts of RM2,855,417 (2012: RM867,510) owing by subsidiaries, which bear interest at rates ranging from 4.0% to 5.5% (2012: 4.0% to 6.0%) per annum.
- (e) The currency exposure profiles of receivables are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	7,282,138	9,152,132	5,463,461	4,982,055
Philippines Peso	4,996,189	4,471,315	-	775,227
Thai Baht	1,758,642	308,102	-	-
Australian Dollar	115,683	-	-	318,317
Great Britain Pound	3,015	-	-	-
Indonesian Rupiah	1,229	-	-	-
US Dollar	-	670,820	6,343,422	3,902,232
	14,156,896	14,602,369	11,806,883	9,977,831

- (f) The ageing analysis of trade receivables of the Group and of the Company are as follow:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Neither past due nor impaired	3,064,730	3,501,593	1,317,833	789,460
Past due not impaired:				
Less than 30 days	4,844,787	4,367,152	359,605	1,076,066
31 to 60 days	1,453,226	1,926,154	571,924	633,233
61 to 90 days	1,073,952	1,048,745	189,127	270,833
More than 90 days	1,969,573	909,525	480,024	4,061,745
	9,341,538	8,251,576	1,600,680	6,041,877
Past due and impaired	12,406,268	11,753,169	2,918,513	6,831,337
	4,763,812	4,792,709	21,061,140	27,767,167
	17,170,080	16,545,878	23,979,653	34,598,504



# Notes To The Financial Statements

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(Cont'd)

## 10. TRADE AND OTHER RECEIVABLES (continued)

- (f) The ageing analysis of trade receivables of the Group and of the Company are as follow (continued):

### Receivables that are neither past due nor impaired

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 not impaired have been renegotiated during the financial year.

### Receivables that are past due but not impaired

Trade receivables that are past due but not impaired relate to a number of third party customers with no recent history of default.

### Receivables that are past due and impaired

Trade receivables of the Group and of the Company that are past due and collectively impaired at the end of each reporting period are as follows:

	Collectively impaired	
	2013	2012
	RM	RM
<b>Group</b>		
Trade receivables, gross	7,754,782	7,458,992
Less: Impairment losses	(4,763,812)	(4,792,709)
	2,990,970	2,666,283
<b>Company</b>		
Trade receivables, gross	22,365,623	32,883,215
Less: Impairment losses	(21,061,140)	(27,767,167)
	1,304,483	5,116,048

- (g) The reconciliation of movement in the impairment loss are as follows:

	Note	Group		Company	
		2013	2012	2013	2012
		RM	RM	RM	RM
<b>Trade receivables</b>					
At 1 January		4,792,709	5,394,156	27,767,167	2,114,862
Charge for the financial year	24	143,248	262,031	1,023,368	25,652,305
Reversal of impairment losses	24	(159,537)	(221,779)	(7,729,395)	-
Written off		(6,860)	(588,542)	-	-
Exchange differences		(5,748)	(53,157)	-	-
At 31 December		4,763,812	4,792,709	21,061,140	27,767,167

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 10. TRADE AND OTHER RECEIVABLES (continued)

(g) The reconciliation of movement in the impairment loss are as follows (continued):

Note	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Other receivables</b>				
At 1 January	488,351	541,859	21,962,527	12,999,703
Charge for the financial year 24	-	-	5,041,165	12,028,276
Reversal of impairment losses 24	-	-	(347,150)	(2,976,890)
Written off	(1,079)	(53,508)	-	(88,562)
At 31 December	487,272	488,351	26,656,542	21,962,527
	5,251,084	5,281,060	47,717,682	49,729,694

Trade and other receivables that are collectively determined to be impaired at the end of each reporting period relate to those debtors that are not individually assessed for impairment and share similar credit risk characteristics. These receivables are not secured by any collateral or credit enhancements.

(h) Information on financial risks of trade and other receivables is disclosed in Note 32 to the financial statements.

## 11. DEFERRED TAX

(a) The deferred tax assets and liabilities are made up of the following:

Note	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Balance as at 1 January	(392,527)	952,173	807,473	952,173
Recognised in profit or loss 25	(1,755,872)	(1,344,700)	(529,180)	(144,700)
Balance as at 31 December	(2,148,399)	(392,527)	278,293	807,473
Presented after appropriate offsetting:				
Deferred tax assets, net	(2,443,243)	(1,200,000)	-	-
Deferred tax liabilities, net	294,844	807,473	278,293	807,473
	(2,148,399)	(392,527)	278,293	807,473

# Notes To The Financial Statements

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## 11. DEFERRED TAX (continued)

- (b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

### Deferred tax liabilities of the Group

	Property, plant and equipment RM	Intangible assets RM	Others RM	Total RM
Balance as at 1 January 2013	2,069,539	710,938	-	2,780,477
Recognised in profit or loss	967,311	(154,556)	2,044	814,799
Balance as at 31 December 2013 (before offsetting)	3,036,850	556,382	2,044	3,595,276
Offsetting	(3,020,299)	(278,089)	(2,044)	(3,300,432)
Balance as at 31 December 2013 (after offsetting)	16,551	278,293	-	294,844
Balance as at 1 January 2012	1,182,901	908,438	-	2,091,339
Recognised in profit or loss	886,638	(197,500)	-	689,138
Balance as at 31 December 2012 (before offsetting)	2,069,539	710,938	-	2,780,477
Offsetting	(1,973,004)	-	-	(1,973,004)
Balance as at 31 December 2012 (after offsetting)	96,535	710,938	-	807,473

### Deferred tax assets of the Group

	Unabsorbed capital allowances RM	Unused tax losses RM	Others RM	Total RM
Balance as at 1 January 2013	(2,744,909)	(6,820)	(421,275)	(3,173,004)
Recognised in profit or loss	(1,688,720)	(753,338)	(128,613)	(2,570,671)
Balance as at 31 December 2013 (before offsetting)	(4,433,629)	(760,158)	(549,888)	(5,743,675)
Offsetting	2,570,055	182,164	548,213	3,300,432
Balance as at 31 December 2013 (after offsetting)	(1,863,574)	(577,994)	(1,675)	(2,443,243)

# Notes To The Financial Statements

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## 11. DEFERRED TAX (continued)

- (b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows (continued):

### Deferred tax assets of the Group (continued)

	Unabsorbed capital allowances RM	Unused tax losses RM	Others RM	Total RM
Balance as at 1 January 2012	(638,444)	(13,981)	(486,741)	(1,139,166)
Recognised in profit or loss	(2,106,465)	7,161	65,466	(2,033,838)
Balance as at 31 December 2012 (before offsetting)	(2,744,909)	(6,820)	(421,275)	(3,173,004)
Offsetting	1,544,909	6,820	421,275	1,973,004
Balance as at 31 December 2012 (after offsetting)	(1,200,000)	-	-	(1,200,000)

### Deferred tax liabilities of the Company

	Property, plant and equipment RM	Intangible assets RM	Others RM	Total RM
Balance as at 1 January 2013	96,535	710,938	-	807,473
Recognised in profit or loss	149,484	(197,500)	405	(47,611)
Balance as at 31 December 2013 (before offsetting)	246,019	513,438	405	759,862
Offsetting	(246,019)	(235,145)	(405)	(481,569)
Balance as at 31 December 2013 (after offsetting)	-	278,293	-	278,293
Balance as at 1 January 2012	43,735	908,438	-	952,173
Recognised in profit or loss	52,800	(197,500)	-	(144,700)
Balance as at 31 December 2012	96,535	710,938	-	807,473

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 11. DEFERRED TAX (continued)

- (b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows (continued):

### Deferred tax assets of the Company

	Unabsorbed capital allowances RM	Unused tax losses RM	Others RM	Total RM
Balance as at 1 January 2013	-	-	-	-
Recognised in profit or loss	(110,010)	(179,732)	(191,827)	(481,569)
Balance as at 31 December 2013 (before offsetting)	(110,010)	(179,732)	(191,827)	(481,569)
Offsetting	110,010	179,732	191,827	481,569
Balance as at 31 December 2013 (after offsetting)	-	-	-	-
Balance as at 1 January 2012	-	-	-	-
Recognised in profit or loss	-	-	-	-
Balance as at 31 December 2012	-	-	-	-

- (c) The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position are as follows:

	Group	
	2013 RM	2012 RM
Unutilised tax losses	9,951,802	9,547,050
Unutilised capital allowances	418,703	10,831,800
Other deductible temporary differences	2,882,778	761,632
	13,253,283	21,140,482

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

# Notes To The Financial Statements

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## 12. INVENTORIES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>At cost</b>				
EDC equipment	3,425,210	4,528,134	-	-
Microchips	1,044,837	2,168,941	1,044,837	2,168,941
Others	2,126,035	1,605,341	1,456,243	1,145,376
	6,596,082	8,302,416	2,501,080	3,314,317

- (a) During the financial year, inventories of the Group and the Company recognised as cost of sales amounted to RM7,653,232 and RM3,003,543 (2012: RM5,707,770 and RM2,307,970) respectively. In addition, the amounts recognised in the other operating expenses include the following:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Inventories written off	158,737	862,977	134,258	812,019

- (b) During the financial year, inventories of the Group amounting to RM11,067,309 (2012: RM12,001,796) have been capitalised as property, plant and equipment as disclosed in Note 7 to the financial statements as the inventories are no longer for sale.

## 13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash and bank balances	13,980,112	15,441,272	5,176,593	2,274,673
Deposits with licensed banks	117,310	1,551,645	100,000	649,103
	14,097,422	16,992,917	5,276,593	2,923,776

- (a) Included in the deposits of the Group and of the Company is an amount of RM100,000 (2012: RM1,534,279 and RM649,103) pledged to licensed banks as securities for credit facilities granted to a subsidiary and the Company respectively as disclosed in Note 17 and Note 21 to the financial statements.

# Notes To The Financial Statements

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## 13. CASH AND CASH EQUIVALENTS (continued)

(b) The currency exposure profile of cash and cash equivalents are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Australian Dollar	129,238	202,338	85,387	-
Ringgit Malaysia	10,709,964	14,020,665	5,080,133	2,797,071
Philippines Peso	1,925,313	1,425,517	-	-
Thai Baht	1,164,585	815,046	-	-
Chinese Renminbi	-	214	-	-
US Dollar	168,322	529,137	111,073	126,705
	14,097,422	16,992,917	5,276,593	2,923,776

(c) For the purpose of statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash and bank balances	13,980,112	15,441,272	5,176,593	2,274,673
Deposits with licensed banks	117,310	1,551,645	100,000	649,103
	14,097,422	16,992,917	5,276,593	2,923,776
Less: Deposits pledged to licensed banks	(100,000)	(1,534,279)	(100,000)	(649,103)
	13,997,422	15,458,638	5,176,593	2,274,673

The deposits are pledged to licensed banks for facilities granted to the Group and the Company as disclosed in Note 17 and Note 21 to the financial statements.

(d) Information on financial risks of cash and cash equivalents is disclosed in Note 32 to the financial statements.

## 14. SHARE CAPITAL

	Note	Group and Company			
		2013 Number of shares	2013 RM	2012 Number of shares	2012 RM
<b>Authorised</b>					
<b>Before Capital Reduction</b>					
<b>Ordinary shares of RM0.50 each</b>					
Balance as at 1 January		200,000,000	100,000,000	200,000,000	100,000,000

# Notes To The Financial Statements

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## 14. SHARE CAPITAL (continued)

	Note	Group and Company			
		2013		2012	
		Number of shares	RM	Number of shares	RM
<b>Authorised (continued)</b>					
<b>After Capital Reduction</b>					
<b>Ordinary shares of RM0.20 each</b>					
Balance as at 1 January:					
Reduction in par value of					
ordinary shares	(a)	200,000,000	40,000,000	-	-
Created during the financial year	(b)	2,300,000,000	460,000,000	-	-
Balance as at 31 December		2,500,000,000	500,000,000	200,000,000	100,000,000
<b>Issued and fully paid</b>					
<b>Before Capital Reduction</b>					
<b>Ordinary shares of RM0.50 each</b>					
Balance as at 1 January					
		146,802,100	73,401,050	145,802,100	72,901,050
Issued for cash pursuant to:					
- ESOS	28	-	-	1,000,000	500,000
		146,802,100	73,401,050	146,802,100	73,401,050
<b>After Capital Reduction</b>					
<b>Ordinary shares of RM0.20 each</b>					
Balance as at 1 January:					
Reduction in par value of					
ordinary shares	(a)	146,802,100	29,360,420	-	-
Issued for cash pursuant to:					
- ESS	(c)(ii)	2,238,200	447,640	-	-
- rights issue	(c)(i)	36,346,550	7,269,310	-	-
Balance as at 31 December		185,386,850	37,077,370	146,802,100	73,401,050

- (a) During the financial year, the Company completed a capital reduction exercise pursuant to Section 64(1) of the Companies Act, 1965 in Malaysia to reduce the issued and paid-up capital of the Company from 146,802,100 ordinary shares of RM0.50 each as of 18 June 2013 to 146,802,100 ordinary shares of RM0.20 each by way of cancellation of RM0.30 in par value of ordinary share.
- (b) During the financial year, the authorised share capital of the Company was increased by the creation of additional 2,300,000,000 new ordinary share of RM0.20 each.



# Notes To The Financial Statements

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## 14. SHARE CAPITAL (continued)

- (c) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased by way of:
- (i) rights issue of 36,346,550 new ordinary shares of RM0.20 each at RM0.24 per ordinary share for cash on the basis of one (1) new ordinary shares for every four (4) existing ordinary shares for capital expenditure and general working capital purposes;
  - (ii) issuance of 2,238,200 new ordinary shares of RM0.20 each for cash pursuant to the exercise of executives' share options as disclosed in Note 28 to the financial statements.
- (d) Repurchased shares were held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 in Malaysia and none of the treasury shares were re-sold or cancelled during the financial year.
- (e) Of the total 185,386,850 (2012: 146,802,100) issued and fully paid ordinary shares as at 31 December 2013, 1,415,901 (2012: 1,415,901) ordinary shares amounting to RM638,221 (2012: RM638,221) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue after deducting the treasury shares is 183,970,949 (2012: 145,386,199) ordinary shares of RM0.20 each.
- (f) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

## 15. RESERVES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Non-distributable</b>				
Share premium	1,989,688	-	1,989,688	-
Exchange translation reserve	(1,215,009)	(515,759)	-	-
Share options reserve	646,207	-	646,207	-
	1,420,886	(515,759)	2,635,895	-

- (a) Share premium

The share premium is not distributable by way of cash dividends and may be utilised in the manner as set out in Section 60(3) of the Companies Act, 1965.

- (b) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment of the Group in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

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## 15. RESERVES (continued)

- (c) Share options reserve

The share options reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on the grant date of share options.

## 16. BORROWINGS

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
<b>Non-current liabilities</b>					
Term loan	17	-	1,889,251	-	1,889,251
Hire purchase creditors	18	366,050	812,299	322,515	284,785
		366,050	2,701,550	322,515	2,174,036
<b>Current liabilities</b>					
Term loan	17	-	392,382	-	392,382
Hire purchase creditors	18	608,174	828,314	129,107	95,450
Banker acceptance		-	450,000	-	450,000
		608,174	1,670,696	129,107	937,832
<b>Total borrowings</b>					
Term loan	17	-	2,281,633	-	2,281,633
Hire purchase creditors	18	974,224	1,640,613	451,622	380,235
Banker acceptance		-	450,000	-	450,000
		974,224	4,372,246	451,622	3,111,868

## 17. TERM LOAN

- (a) In the previous financial year, the term loan of the Group and of the Company were secured by the following:
- (i) fixed charge over the long term leasehold land and buildings of the Group and of the Company as disclosed in Note 7 to the financial statements; and
  - (ii) pledge of deposits with licensed banks of the Group and of the Company as disclosed in Note 13 to the financial statements.
- (b) Term loan was denominated in Ringgit Malaysia.
- (c) Information on financial risk of term loan is disclosed in Note 32 to the financial statements.

# Notes To The Financial Statements

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## 18. HIRE PURCHASE CREDITORS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Minimum hire purchase payments				
- not later than one (1) year	630,533	876,772	146,448	110,712
- later than one (1) but not later than five (5) years	391,959	844,697	343,520	307,199
Total minimum hire purchase payments	1,022,492	1,721,469	489,968	417,911
Less: Future interest charges	(48,268)	(80,856)	(38,346)	(37,676)
Present value of hire purchase payments	974,224	1,640,613	451,622	380,235
Repayable as follows:				
Current liabilities:				
- not later than one (1) year	608,174	828,314	129,107	95,450
Non-current liabilities				
- later than one (1) year and not later than five (5) years	366,050	812,299	322,515	284,785
	974,224	1,640,613	451,622	380,235

(a) The currency exposure profile of hire purchase creditors are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	533,441	545,305	451,622	380,235
Philippines Peso	440,783	1,095,308	-	-
	974,224	1,640,613	451,622	380,235

(b) Information on financial risk of hire purchase creditors is disclosed in Note 32 to the financial statements.

## 19. DEFERRED INCOME

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Non-current portion	3,175,178	4,289,562	-	242,172
Current portion	1,848,795	2,077,679	344,592	547,071
	5,023,973	6,367,241	344,592	789,243

# Notes To The Financial Statements

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## 19. DEFERRED INCOME (continued)

(a) Deferred income represents advance receipts from EDC terminal leasing and NetAccess maintenance arrangements. These arrangements ranged from 1 month to 5 years (2012: 1 month to 5 years) for the Group and the Company. Deferred income is recognised in profit or loss upon the commencement of the arrangement and is amortised on a straight line basis over the arrangement period.

(b) Movements of deferred income during the financial year are as follows:

	Group RM	Company RM
At 1 January 2012	3,042,786	1,005,027
Advance receipts during the financial year	4,047,588	105,239
Recognised in profit or loss	(723,133)	(321,023)
At 31 December 2012	6,367,241	789,243
Advance receipts during the financial year	502,723	102,420
Recognised in profit or loss	(1,845,991)	(547,071)
At 31 December 2013	5,023,973	344,592

## 20. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Trade payables</b>				
Third parties	1,489,380	4,310,585	403,076	1,444,931
<b>Other payables</b>				
Other payables	3,882,151	6,226,300	111,683	279,035
Deposits	4,504,677	4,038,000	1,879	1,879
Accruals	2,253,676	4,225,861	457,209	1,457,987
	10,640,504	14,490,161	570,771	1,738,901
	12,129,884	18,800,746	973,847	3,183,832

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 30 to 90 days and 30 to 60 days (2012: 30 to 90 days and 30 to 60 days) respectively.

# Notes To The Financial Statements

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## 20. TRADE AND OTHER PAYABLES (continued)

(b) The currency exposure profile of payables are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Australian Dollar	47,607	38,049	-	-
Great Britain Pound	4,000	847,064	-	-
Ringgit Malaysia	8,559,341	14,641,724	723,612	2,560,161
Philippines Peso	1,590,857	1,107,050	-	-
Thai Baht	1,332,637	1,543,188	-	-
Singapore Dollar	-	2,003	-	2,003
US Dollar	595,442	621,668	250,235	621,668
	12,129,884	18,800,746	973,847	3,183,832

(c) Information on financial risk of trade and other payables are disclosed in Note 32 to the financial statements.

## 21. CONTINGENT LIABILITIES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Secured				
Banker's guarantee in favour of third parties				
- performance bond	171,799	326,296	100,000	103,000

The banker's guarantee is secured by pledge of deposits with licensed banks of the Group and of the Company as disclosed in Note 13 to the financial statements.

## 22. COMMITMENTS

(a) Operating lease commitments

(i) The Group and the Company as lessee

The Group and the Company had entered into lease agreements for land and buildings.

	Group	
	2013 RM	2012 RM
Not later than one (1) year	982,005	852,721
Later than one (1) year and not later than five (5) years	420,354	1,360,969
	1,402,359	2,213,690

# Notes To The Financial Statements

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## 22. COMMITMENTS (continued)

### (a) Operating lease commitments (continued)

#### (i) The Group and the Company as lessee (continued)

	Company	
	2013 RM	2012 RM
Not later than one (1) year	38,570	36,234
Later than one (1) year and not later than five (5) years	38,570	-
	<u>77,140</u>	<u>36,234</u>

#### (ii) The Group as lessor

The Group has entered into lease arrangements on EDC equipment.

The Group has aggregate future minimum lease receivables as at the end of each reporting period as follows:

	Group	
	2013 RM	2012 RM
Not later than one (1) year	14,946,375	14,815,880
Later than one (1) year and not later than five (5) years	28,048,140	32,346,547
Later than five (5) years	-	1,662,172
	<u>42,994,515</u>	<u>48,824,599</u>

## 23. REVENUE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Rental of EDC equipment	31,451,727	21,362,879	-	-
Sales of value-added solutions	26,925,384	20,862,667	6,229,386	6,048,629
Sales of goods	5,654,266	11,249,310	8,407,331	10,068,125
	<u>64,031,377</u>	<u>53,474,856</u>	<u>14,636,717</u>	<u>16,116,754</u>

# Notes To The Financial Statements

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## 24. PROFIT/(LOSS) BEFORE TAXATION

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Profit/(Loss) before taxation is arrived after charging					
Amortisation of intangible assets	8	802,269	790,000	790,000	790,000
Auditors' remuneration					
- statutory audit		156,789	108,025	48,000	40,000
- non-audit services		19,000	11,800	19,000	10,000
Bad debts written-off		3,819	1,655	-	2,374,418
Directors' fees paid and payable to the Directors of the Company		279,600	245,433	279,600	245,433
Directors' other emoluments paid and payable to the Directors of the Company		1,894,040	1,210,840	1,894,040	1,210,840
Depreciation of property, plant and equipment	7	7,666,142	5,131,955	1,076,876	1,017,681
Impairment losses on:					
- property, plant and equipment	7	-	193,888	-	193,888
- investments in subsidiaries	9	-	-	-	6,064,614
- goodwill	8	-	712,595	-	-
- trade and other receivables	10	143,248	262,031	6,064,533	37,680,581
Interest expense on:					
- hire purchase creditors		28,720	22,190	23,130	7,728
- term loan		126,921	185,673	113,036	138,137
- banker acceptance		-	3,320	-	3,320
Inventories written off	12	158,737	862,977	134,258	812,019
Loss on foreign exchange					
- realised		-	-	-	149,092
- unrealised		-	10,776	-	24,643
Loss on strike off of subsidiaries	9(f)	-	75,732	-	-
Property, plant and equipment written off		144,361	223,943	42,562	1,623
Rental of premises		1,152,036	1,181,101	271,226	247,522
ESS expenses	27	868,685	-	372,943	-
Research and development costs		121,815	-	-	-
And crediting					
Bad debts written back		-	-	1,963	-
Gain on disposals of:					
- property, plant and equipment		11,544	410,003	16,598	7,932
- subsidiaries	9(e)	-	619,905	-	-
Gain on foreign exchange					
- realised		605,776	-	21,356	-
- unrealised		221,292	-	498,429	-
Interest income from:					
- deposits with licensed banks		215,395	277,291	114,391	82,662
- advances to subsidiaries		-	-	242,578	15,955
Reversal of loss on disposal of property, plant and equipment		-	400,000	-	400,000
Reversal of impairment losses on trade and other receivables	10	159,537	221,779	8,076,545	2,976,890
Waiver of debts		-	-	-	3,105,900

# Notes To The Financial Statements

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## 25. TAXATION

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Current tax expense based on profit for the financial year:					
Malaysia income tax		-	186,401	-	135,966
Overprovision in prior years		(153,034)	-	(121,757)	-
		(153,034)	186,401	(121,757)	135,966
Withholding tax		23,779	(9,568)	12,236	-
Deferred tax:	11				
Relating to origination and reversal of temporary differences		(2,201,516)	(1,441,100)	(780,552)	(241,100)
Overprovision in prior years		445,644	96,400	251,372	96,400
		(1,755,872)	(1,344,700)	(529,180)	(144,700)
Taxation for the financial year		(1,885,127)	(1,167,867)	(638,701)	(8,734)

- (a) The Malaysian income tax is calculated at the statutory tax rate of twenty-five percent (25%) (2012: 25%) of the estimated taxable profits for the fiscal year.
- (b) Taxation for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.
- (c) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Tax at Malaysian statutory tax rate of 25% (2012: 25%)	820,050	795,971	(261,356)	(10,094,719)
Tax effects in respect of:				
Tax incentive	(704,987)	(211,700)	-	-
Non-allowable expenses	22,596	1,718,236	1,860,461	12,102,385
Non-taxable income	(343,592)	(1,532,974)	(2,367,421)	(2,112,800)
Deferred tax not recognised	1,301,618	958,000	-	-
Deferred tax recognised on unutilised capital allowances	-	(773,300)	-	-
Utilisation of previously unrecognised tax losses and allowances	(3,273,422)	(2,218,500)	-	-
	(2,177,737)	(1,264,267)	(768,316)	(105,134)



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## 25. TAXATION (continued)

- (c) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows (continued):

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Overprovision of income tax expense in prior years	(153,034)	-	(121,757)	-
Overprovision of deferred tax in prior years	445,644	96,400	251,372	96,400
Taxation for the financial year	(1,885,127)	(1,167,867)	(638,701)	(8,734)

- (d) Tax savings of the Group and the Company are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Arising from utilisation of current year tax losses	5,311	-	5,311	-
Arising from utilisation of previously unrecognised tax losses	48,421	149,433	-	93,830

- (e) Tax on each component of other comprehensive income is as follows:

	Group					
	Before tax RM	2013 Tax effect RM	After tax RM	Before tax RM	2012 Tax effect RM	After tax RM
Foreign currency translation	(699,250)	-	(699,250)	622,778	-	622,778

## 26. EARNINGS PER SHARE

- (a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the financial year.

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## 26. EARNINGS PER SHARE (continued)

### (a) Basic (continued)

	Group	
	2013 RM	2012 RM
Profit attributable to equity holders of the parent	5,263,660	4,370,174
Weighted average number of ordinary shares in issue	169,936,018	145,386,199
Effect of rights issue	-	7,034,816
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	169,936,018	152,421,015
	Group	
	2013 sen	2012 sen
Basic earnings per ordinary share for profit for the financial year	3.10	2.87

### (b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Group	
	2013 sen	2012 sen
Profit attributable to equity holders of the parent	5,263,660	4,370,174
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share	169,936,018	152,421,015
Effect of dilution:		
- employee share options	5,686,591	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	175,622,609	152,421,015

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## 26. EARNINGS PER SHARE (continued)

(b) Diluted (continued)

	Group	
	2013 sen	2012 sen
Diluted earnings per ordinary share for profit for the financial year	3.00	2.87

## 27. EMPLOYEE BENEFITS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Wages, salaries and bonuses	17,814,005	15,818,196	4,929,714	3,023,226
Contributions to defined contribution plan	1,379,341	1,352,296	360,464	342,618
Social security contributions	464,605	263,248	20,738	20,102
Share options granted under share options scheme	868,685	-	372,943	-
Other benefits	1,317,462	1,721,863	320,302	433,861
	21,844,098	19,155,603	6,004,161	3,819,807

Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration amounting to RM1,890,040 (2012: RM1,210,840).

## 28. EXECUTIVES' SHARE SCHEME ("ESS")/EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The ESS of the Company came into effect on 30 August 2013. The ESS shall be in force for a period of five (5) years until 29 August 2018 ("the scheme period"). The main features of the ESS are as follows:

- (a) Eligible Executive Directors and executives are those who meet the following criteria:
- (i) if he has attained the age eighteen (18) years of age and is not an undischarged bankrupt;
  - (ii) if he is employed on a full time basis and is on the payroll of any corporation in the Group and has not served a notice to resign or received a notice of termination;
  - (iii) if his employment has been confirmed in writing;
  - (iv) if he is an Executive Director of the Company, the specific allocation of Scheme Shares and Options granted by the Company to him in his capacity as an Executive Director of the Company under the Scheme has been approved by the shareholders of the Company at a general meeting;
  - (v) if he is serving in a specific designation under an employment contract for a fixed duration but not if he is merely employed for a specific project; and
  - (vi) if he fulfils any other criteria and/or falls within such category as may be set by ESS Committee from time to time.

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## 28. EXECUTIVES' SHARE SCHEME ("ESS")/EMPLOYEE SHARE OPTION SCHEME ("ESOS") (continued)

The ESS of the Company came into effect on 30 August 2013. The ESS shall be in force for a period of five (5) years until 29 August 2018 ("the scheme period"). The main features of the ESS are as follows (continued):

- (b) The maximum number of options to be offered under the ESS based on the issued and paid-up ordinary share capital as at 31 December 2013, excluding treasury shares held, is 27,595,600;
- (c) The options granted may be exercised any time upon the satisfaction of vesting conditions of each tranche;
- (d) The option price of a new ordinary share under the ESS shall be at a discount of not more than ten percent (10%) of the five (5)-days weighted average market price of the shares as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad immediately preceding the date of offer, or at the par value of the ordinary shares of RM0.20 each, whichever is higher;
- (e) Upon exercise of the options, the shares issued rank pari passu in all respects with the then existing ordinary shares of the Company; and
- (f) The employees and Directors to whom the options have been granted have no right to participate, by virtue of these options, in any ordinary share issue of any other company.

The details of the options over ordinary shares of the Company are as follows:

	<-----Number of options over ordinary shares of RM0.20 each----->					
	Outstanding as at 1.1.2013	Movement during the financial year			Outstanding as at 31.12.2013	Exercisable as at 31.12.2013
		Granted	Exercised	Retracted*		
<b>2013</b>						
3 September 2013						
- first tranche	-	6,366,666	(2,238,200)	(100)	4,128,366	4,128,366
- second tranche	-	6,366,667	-	(100,000)	6,266,667	-
- third tranche	-	6,366,667	-	(100,000)	6,266,667	-
	-	19,100,000	(2,238,200)	(200,100)	16,661,700	4,128,366
Weighted average exercise price (RM)	-	0.34	0.34	0.34	0.34	0.34
Weighted average remaining contractual life (months)	-					32

\* Due to resignation

During the financial year, the Group recognised ESS expenses of RM868,685 in profit or loss, out of which an amount of RM495,742 was in respect of employees of subsidiaries. At Company level, the amount of RM495,742 was recorded as an increase in investments in subsidiaries (Note 9(h)) with a corresponding credit to equity.

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## 28. EXECUTIVES' SHARE SCHEME ("ESS")/EMPLOYEE SHARE OPTION SCHEME ("ESOS") (continued)

The details of share options outstanding at the end of the reporting period are as follows:

	Weighted average exercise price		Exercise period
	2013 RM	2012 RM	
3 September 2013			
- first tranche	0.34	-	3.9.2013 - 2.9.2016
- second tranche	0.34	-	3.9.2014 - 2.9.2016
- third tranche	0.34	-	3.9.2015 - 2.9.2016

Share options exercised during the financial year resulted in the issuance of 2,238,200 ordinary shares at an average price of RM0.34 each. The related weighted average ordinary share price at the date of exercise was RM0.38.

The ESOS that was approved by shareholders at the Extraordinary General Meeting held on 15 May 2008 and became effective on 3 November 2009 for a period of 3 years, had lapsed on 2 November 2012.

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

- (a) Eligible employees comprise confirmed full time employees, including executive Directors of the Company and its eligible subsidiaries, 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 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.

# Notes To The Financial Statements

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## 28. EXECUTIVES' SHARE SCHEME ("ESS")/EMPLOYEE SHARE OPTION SCHEME ("ESOS") (continued)

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

- (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 trade, with a discount of not more than ten per centum (10%) or such other percentage of discount as may be permitted by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time during the duration of the ESOS.
- (f) A Grantee shall exercise his options by notice in writing to the Company in the prescribed form stating the number of options exercised, the number of shares relating thereto and the Grantee's individual/nominee CDS account number. The options shall be exercised in multiples of and not less than one hundred (100) options. The exercised 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.

The details of the options over ordinary shares of the Company at the end of the previous financial year were as follows:

	<-----Number of options over ordinary shares of RM0.50 each----->					
	Outstanding as at 1.1.2012	Movement during the financial year			Outstanding as at 31.12.2012	Exercisable as at 31.12.2012
		Granted	Exercised	Lapsed		
<b>2012</b>						
3 November 2009	9,322,900	-	-	(9,322,900)	-	-
8 February 2012	-	8,906,400	(1,000,000)	(7,906,400)	-	-
	<u>9,322,900</u>	<u>8,906,400</u>	<u>(1,000,000)</u>	<u>(17,229,300)</u>	<u>-</u>	<u>-</u>
Weighted average exercise price (RM)	0.50	0.50	0.50	0.50	0.50	0.50
Weighted average remaining contractual life (months)	-					-

The details of share options outstanding at the end of the previous reporting period were as follows:

	Weighted average exercise price		Exercise period
	2013 RM	2012 RM	
3 November 2009	-	0.50	3.11.2009 - 2.11.2012

Share options exercised in the previous financial year resulted in the issuance of 1,000,000 ordinary shares at an average price of RM0.50 each. The related weighted average ordinary share price at the date of exercise was RM0.50. Share options reserve of RM513,578 was transferred to accumulated losses following the expiration of ESOS.

# Notes To The Financial Statements

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## 28. EXECUTIVES' SHARE SCHEME ("ESS")/EMPLOYEE SHARE OPTION SCHEME ("ESOS") (continued)

The fair value of share options granted during the financial year was estimated by an independent professional valuer (2012: management) using the Trinomial option pricing model (2012: Black-Scholes-Merton option pricing model), taking into account the terms and conditions upon which the options were granted. The risk-free rate is based on Malaysian Government Securities ("MGSS"). The fair value of share options measured at grant date and the assumptions are as follows:

	ESS Grant date 3.9.2013	ESOS Grant date 8.2.2012	ESOS Grant date 3.11.2009
Fair value of share options at the following grant dates (RM):			
3 September 2013			
- first tranche	0.10	-	-
- second tranche	0.08	-	-
- third tranche	0.06	-	-
8 February 2012	-	-	-
3 November 2009	-	-	0.16
Weighted average share price (RM)	0.38	0.30	0.43
Weighted average exercise price (RM)	0.34	0.50	0.50
Expected volatility (%)	25	63	109
Expected life (years)	3	0.75	3
Risk free rate (%)	3.29	3.71	3.21
Expected dividend yield (%)	Nil	Nil	1

## 29. RELATED PARTIES DISCLOSURES

### (a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

Related parties of the Group include:

- (i) Direct and indirect subsidiaries as disclosed in Note 9 to the financial statements;
- (ii) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Company, and certain members of senior management of the Group;
- (iii) e-pay Asia Limited ("EPY") and its subsidiary, e-pay (M) Sdn. Bhd. ("e-pay (M)") (collectively referred to as the "EPY Group") whereby Director and a substantial shareholder of the Company, Loh Wee Hian, is also the Executive Director of e-pay (M) as well as the Executive Chairman and CEO of EPY; and

# Notes To The Financial Statements

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## 29. RELATED PARTIES DISCLOSURES (continued)

(a) Identities of related parties (continued)

Related parties of the Group include (continued):

- (iv) Microtree Sdn. Bhd. ("Microtree") whereby Director and major shareholder, Goh Kuan Ho, is also the General Manager of Microtree.

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Subsidiaries:</b>				
Sales of other hardware	-	-	1,941,700	1,258,631
Rental and license fee	-	-	3,423,550	5,473,115
Hosting services	-	-	312,000	312,000
Purchase of goods and services	-	-	1,382,740	1,328,600
<b>Related parties:</b>				
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)	1,680,027	919,878	331,520	174,957
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 Group from Microtree	355,822	394,070	341,856	386,835

The related party transactions were carried out on terms and conditions agreed between parties.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.



# Notes To The Financial Statements

31 December 2013

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## 29. RELATED PARTIES DISCLOSURES (continued)

### (c) Compensation of key management personnel (continued)

The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group and Company	
	2013	2012
	RM	RM
Short term employee benefits	2,371,503	1,503,112
Contributions to defined contribution plans	250,806	150,736
Share options granted under share options scheme	291,078	-
	<u>2,913,387</u>	<u>1,653,848</u>

Executive Directors of the Group and of the Company and other key management personnel have been granted the following number of options under the Executives' Share Scheme ("ESS") during the financial year:

	Group and Company	
	2013	2012
As at 1 January	-	-
Granted	6,400,000	-
Exercised	(600,000)	-
As at 31 December	<u>5,800,000</u>	<u>-</u>

Executive Directors of the Group and the Company and other key management personnel had been granted the following number of options under the Employee Share Options Scheme ("ESOS") in the previous financial year:

	Group and Company	
	2013	2012
As at 1 January	-	-
Granted	-	4,500,000
Exercised	-	(1,000,000)
Lapsed	-	(3,500,000)
As at 31 December	<u>-</u>	<u>-</u>

The terms and conditions of the share options are detailed in Note 28 to the financial statements.

# Notes To The Financial Statements

31 December 2013

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## 30. OPERATING SEGMENTS

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 described the geographical locations units in each of the Group's reportable segments:

- (a) Malaysia
- (b) Philippines
- (c) Thailand
- (d) China
- (e) Australia

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses and also excluding the effects of share-based payments.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one year.

2013	Malaysia RM	Philippines RM	Thailand RM	Australia RM	Total for reportable segments RM	Adjustment and elimination RM	Per consolidated financial statements RM
<b>REVENUE</b>							
<b>External sales</b>							
Shared services	24,373,167	12,132,737	3,433,884	-	39,939,788	-	39,939,788
Solution services	7,806,694	2,011,022	1,582,042	441,818	11,841,576	-	11,841,576
Transaction payment acquisition	8,931,431	2,669,163	649,419	-	12,250,013	-	12,250,013
<b>Inter-segment sales</b>	15,216,194	-	-	-	15,216,194	(15,216,194)	-
Revenue from external customers	56,327,486	16,812,922	5,665,345	441,818	79,247,571	(15,216,194)	64,031,377

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## 30. OPERATING SEGMENTS (continued)

2013	Malaysia RM	Philippines RM	Thailand RM	Australia RM	Total for reportable segments RM	Adjustment and elimination RM	Per consolidated financial statements RM
<b>RESULTS</b>							
Segment results	1,712,927	2,828,759	(1,003,808)	(912,211)	2,625,667	594,779	3,220,446
Interest income							215,395
Interest expense							(155,641)
Profit before taxation							3,280,200
Taxation							1,885,127
Profit for the financial year							5,165,327
<b>Assets</b>							
Additions to non-current assets	8,266,253	4,476,645	2,522,167	11,851	15,276,916	(84,025)	15,192,891
Segment assets	52,186,910	19,441,752	7,400,066	172,378	79,201,106	(4,234,795)	74,966,311
<b>Liabilities</b>							
Segment liabilities	14,984,268	2,452,158	3,476,223	58,887	20,971,536	(2,116,814)	18,854,722
<b>OTHER INFORMATION</b>							
Amortisation of intangible assets	802,269	-	-	-	802,269	-	802,269
Bad debts written off	3,819	-	-	-	3,819	-	3,819
Depreciation of property, plant and equipment	4,009,971	3,148,780	504,654	2,737	7,666,142	-	7,666,142
ESS expense	523,030	163,731	127,347	54,577	868,685	-	868,685
Gain on disposal of property, plant and equipment	(6,865)	-	(4,679)	-	(11,544)	-	(11,544)
Impairment loss on trade and other receivables	8,743,412	-	17,479	-	8,760,891	(8,617,643)	143,248
Inventories written off	158,737	-	-	-	158,737	-	158,737
Property, plant and equipment written off	144,361	-	-	-	144,361	-	144,361
Reversal of impairment loss on trade receivables	(8,863,213)	-	-	-	(8,863,213)	8,703,676	(159,537)

# Notes To The Financial Statements

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## 30. OPERATING SEGMENTS (continued)

2012	Malaysia RM	Philippines RM	Thailand RM	Australia RM	China RM	Total for reportable segments RM	Adjustment and elimination RM	Per consolidated financial statements RM
<b>REVENUE</b>								
External sales								
Shared								
services	22,130,794	6,140,168	2,957,557	-	137,431	31,365,950	-	31,365,950
Solution								
services	7,634,984	2,388,167	1,610,835	-	-	11,633,986	-	11,633,986
Transaction								
payment								
acquisition	8,163,054	1,712,347	319,684	-	279,835	10,474,920	-	10,474,920
Inter-segment								
sales	15,305,337	-	-	-	-	15,305,337	(15,305,337)	-
Total revenue	53,234,169	10,240,681	4,888,077	-	417,266	68,780,193	(15,305,337)	53,474,856
<b>RESULTS</b>								
Segment								
results	2,587,267	989,028	(71,256)	(480,320)	351,783	3,376,502	(258,725)	3,117,777
Interest								
income								277,291
Interest								
expenses								(211,183)
Profit before								
taxation								3,183,885
Taxation								1,167,867
Profit for the								
financial								4,351,752
year								
<b>Assets</b>								
Additions to								
non-current								
assets	6,960,591	6,771,442	962,966	-	-	14,694,999	-	14,694,999
Segment								
assets	52,411,510	16,243,079	6,237,819	208,278	-	75,100,686	(3,207,869)	71,892,817
<b>Liabilities</b>								
Segment								
liabilities	26,513,194	2,505,714	1,543,193	38,049	-	30,600,150	-	30,600,150

# Notes To The Financial Statements

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## 30. OPERATING SEGMENTS (continued)

2012	Malaysia RM	Philippines RM	Thailand RM	Australia RM	China RM	Total for reportable segments RM	Adjustment and elimination RM	Per consolidated financial statements RM
<b>OTHER INFORMATION</b>								
Impairment loss on goodwill	-	-	712,595	-	-	712,595	-	712,595
Bad debts written off	1,655	-	-	-	-	1,655	-	1,655
Amortisation of intangible assets	790,000	-	-	-	-	790,000	-	790,000
Depreciation of property, plant and equipment	2,741,036	1,680,867	492,908	-	217,144	5,131,955	-	5,131,955
Gain on disposal of property, plant and equipment	(408,120)	-	(1,883)	-	-	(410,003)	-	(410,003)
Impairment losses on:								
- property, plant and equipment	193,888	-	-	-	-	193,888	-	193,888
- trade and other receivables	240,780	57,701	(36,450)	-	-	262,031	-	262,031
Inventories written off	814,327	-	48,650	-	-	862,977	-	862,977
Property, plant and equipment written off	223,943	-	-	-	-	223,943	-	223,943
Reversal for loss on disposal of property, plant and equipment	(400,000)	-	-	-	-	(400,000)	-	(400,000)
Reversal of impairment loss on trade receivables	(47,284)	(63,658)	(110,837)	-	-	(221,779)	-	(221,779)

# Notes To The Financial Statements

31 December 2013

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## 30. OPERATING SEGMENTS (continued)

### Major customers

There are no major customers with revenue equal or more than ten (10) percent of the Group revenue. As such, information on major customers is not presented.

## 31. FINANCIAL INSTRUMENTS

### (a) Capital management

The primary objective of the capital management of the Group is to maintain a strong capital base and safeguard the ability of the Group to continue as a going concern whilst maintaining 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. The overall strategy of the Group remains unchanged from that in the previous financial year.

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 and bank borrowings.

The gearing ratios are as follows:

	2013 RM	2012 RM
Total borrowings	974,224	4,372,246
Less: Cash and cash equivalents	(13,997,422)	(15,458,638)
Net debt	(13,023,198)	(11,086,392)
Total equity	56,228,344	41,311,089
Gearing ratio	N/A	N/A

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement for the financial year ended 31 December 2013.

The Group is not subject to any other externally imposed capital requirements.

# Notes To The Financial Statements

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## 31. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments

31 December 2013	Loan and receivables Group RM	Company RM
<b>Financial assets</b>		
Trade and other receivables, excluding prepayments	13,573,328	11,509,419
Cash and cash equivalents	14,097,422	5,276,593
	<u>27,670,750</u>	<u>16,786,012</u>

	Other financial liabilities Group RM	Company RM
<b>Financial liabilities</b>		
Borrowings	974,224	451,622
Trade and other payables	12,129,884	973,847
	<u>13,104,108</u>	<u>1,425,469</u>

31 December 2012	Loan and receivables Group RM	Company RM
<b>Finance assets</b>		
Trade and other receivables, excluding prepayments	13,753,983	9,870,682
Cash and cash equivalents	16,992,917	2,923,776
	<u>30,746,900</u>	<u>12,794,458</u>

	Other financial liabilities Group RM	Company RM
<b>Financial liabilities</b>		
Borrowings	4,372,246	3,111,868
Trade and other payables	18,800,746	3,183,832
	<u>23,172,992</u>	<u>6,295,700</u>

# Notes To The Financial Statements

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## 31. FINANCIAL INSTRUMENTS (continued)

### (c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

#### (i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current position of hire purchase creditors and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair value of these borrowings has been determined using discounted cash flows technique. The discount rates used are based on the risk-free MGS rates with a credit spread added to reflect the default risk of the Group.

#### (ii) Non-current amounts owing by subsidiaries

The fair value of the financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of each reporting period.

### (d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair values of non-derivative financial liabilities, which are determined for disclosure purposes, are 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. In respect of the borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).



# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 31. FINANCIAL INSTRUMENTS (continued)

### (d) Fair value hierarchy (continued)

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments as well as the relationship between key unobservable inputs and fair value, is detailed in the table below.

Financial instruments	Valuation technique used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
<u>Financial asset</u> Trade and other receivables	Discounted cash flows method	Discount rate (Malaysia Base Lending Rate less 1%)	The higher the discount rate, the lower the fair value of the trade and other receivables would be.

The following tables set out the financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value				Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
<b>2013 Group</b>						
<b>Financial liabilities</b>						
<b>Other financial liabilities</b>						
- Hire purchase creditors	-	967,321	-	967,321	967,321	974,224
<b>2013 Company</b>						
<b>Financial assets</b>						
<b>Loans and receivables</b>						
- Trade and other receivables	-	-	2,980,841	2,980,841	2,980,841	2,980,841
<b>Financial liabilities</b>						
<b>Other financial liabilities</b>						
- Hire purchase creditors	-	445,974	-	445,974	445,974	451,622

# Notes To The Financial Statements

31 December 2013

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## 31. FINANCIAL INSTRUMENTS (continued)

### (d) Fair value hierarchy (continued)

The following tables set out the financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position (continued).

	Fair value of financial instruments not carried at fair value				Total fair value RM	Carrying amount RM
	Level 1	Level 2	Level 3	Total		
	RM	RM	RM	RM		
<b>2012</b>						
<b>Group</b>						
<b>Financial liabilities</b>						
<b>Other financial liabilities</b>						
- Term loan	-	2,281,633	-	2,281,633	2,281,633	2,281,633
- Hire purchase creditors	-	1,630,379	-	1,630,379	1,630,379	1,640,613
	-	3,912,012	-	3,912,012	3,912,012	3,922,246
<b>2012</b>						
<b>Company</b>						
<b>Financial assets</b>						
<b>Loans and receivables</b>						
- Trade and other receivables	-	-	1,364,240	1,364,240	1,364,240	1,364,240
<b>Financial liabilities</b>						
<b>Other financial liabilities</b>						
- Term loan	-	2,281,633	-	2,281,633	2,281,633	2,281,633
- Hire purchase creditors	-	371,116	-	371,116	371,116	380,235
	-	2,652,749	-	2,652,749	2,652,749	2,661,868

# Notes To The Financial Statements

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## 31. FINANCIAL INSTRUMENTS (continued)

(e) The following table shows a reconciliation of Level 3 fair values:

	Company	
	2013 RM	2012 RM
<b>Financial asset</b>		
Balance as at 1 January	1,364,240	-
Advances	8,299,182	2,231,748
Settlement	(5,746,704)	(867,822)
Gains and losses recognised in profit or loss		
- other operating expenses (realised)		
- impairment loss on trade and other receivables	(551,091)	-
- other operating expenses (unrealised)		
- unrealised foreign exchange (losses)/gains	(384,786)	314
Balance as at 31 December	2,980,841	1,364,240

(f) The Group has established control guidelines in respect to the measurement of fair values of financial instruments. The management regularly reviews significant unobservable inputs and valuation adjustments.

## 32. 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 credit risk, liquidity risk and cash flow risk, interest rate risk and foreign currency exchange 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.

(a) Credit risk

Cash deposits and trade and other receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are creditworthy counterparties. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. Overdue balances are reviewed regularly by senior management.

### Exposure to credit risk

At the end of each reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (a) Credit risk (continued)

#### Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of each reporting period are as follows:

	2013		2012	
	RM	% of total	RM	% of total
<b>By country</b>				
Malaysia	6,616,644	53	6,930,520	59
Philippines	4,370,256	35	2,866,341	24
Thailand	1,303,686	11	1,956,308	17
Australia	115,682	1	-	-
	12,406,268	100	11,753,169	100

At the end of each reporting period, approximately forty-nine percent (49%) (2012: 61%) of the trade receivables of the Group were due from seven (7) (2012: 8) customers.

At the end of the financial year end, the Company does not have significant concentration other than amounts owing by subsidiaries of RM9,097,992 (2012: RM6,640,445), which contributes 77% (2012: 67%) of total receivables.

#### Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 10 to the financial statements. Deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

#### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 10 to the financial statements.

### (b) Liquidity and cash flow risk

The Group's and the Company 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 Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

# Notes To The Financial Statements

31 December 2013

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## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (b) Liquidity and cash flow risk (continued)

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>As at 31 December 2013</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Borrowings	630,533	391,959	-	1,022,492
Trade and other payables	12,129,884	-	-	12,129,884
Total undiscounted financial liabilities	12,760,417	391,959	-	13,152,376
<b>Company</b>				
<b>Financial liabilities</b>				
Borrowings	146,448	343,520	-	489,968
Trade and other payables	973,847	-	-	973,847
Total undiscounted financial liabilities	1,120,295	343,520	-	1,463,815
<b>As at 31 December 2012</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Borrowings	1,729,792	2,456,778	735,525	4,922,095
Trade and other payables	18,800,746	-	-	18,800,746
Total undiscounted financial liabilities	20,530,538	2,456,778	735,525	23,722,841
<b>Company</b>				
<b>Financial liabilities</b>				
Borrowings	963,732	1,919,279	735,525	3,618,536
Trade and other payables	3,183,832	-	-	3,183,832
Total undiscounted financial liabilities	4,147,564	1,919,279	735,525	6,802,368

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The exposure of the Group and of the Company to interest rate risk arises primarily from their borrowings.

#### Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group and Company if interest rates at the end of each reporting period changed by ten (10) basis points with all other variables held constant:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit after tax				
- Increase by 0.1% (2012: 0.1%)	-	2,049	-	2,049
- Decrease by 0.1% (2012: 0.1%)	-	(2,049)	-	(2,049)

The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the financial instruments of Group and of the Company that are exposed to interest rate risk:

			Weighted average effective interest rate per annum %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
<b>Group</b>										
<b>At 31 December 2013</b>										
<b>Fixed rates</b>										
Deposits with licensed banks	13	2.95		117,310	-	-	-	-	-	117,310
Hire purchase creditors										
- RM	18	4.52		(167,391)	(147,757)	(115,925)	(98,651)	(3,717)	-	(533,441)
- PHP	18	10.37		(440,783)	-	-	-	-	-	(440,783)

# Notes To The Financial Statements

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## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (c) Interest rate risk (continued)

	Note	Weighted average effective interest rate per annum %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
<b>Group</b>									
<b>At 31 December 2012</b>									
<b>Fixed rates</b>									
Deposits with licensed banks	13	4.50	1,551,645	-	-	-	-	-	1,551,645
Hire purchase creditors									
- RM	18	4.62	(178,701)	(129,420)	(107,913)	(74,209)	(55,062)	-	(545,305)
- PHP	18	10.37	(649,613)	(445,695)	-	-	-	-	(1,095,308)
<b>Floating rates</b>									
Banker's acceptance		5.60	(450,000)	-	-	-	-	-	(450,000)
Term loan	17	5.04	(392,382)	(392,383)	(392,383)	(392,383)	(392,383)	(319,719)	(2,281,633)
<b>Company</b>									
<b>At 31 December 2013</b>									
<b>Fixed rates</b>									
Trade and other receivables	10	4.70	2,855,417	2,309,500	671,341	-	-	-	5,836,258
Deposits with licensed banks	13	2.95	100,000	-	-	-	-	-	100,000
Hire purchase creditors	18	4.63	(129,107)	(107,615)	(112,532)	(98,651)	(3,717)	-	(451,622)
<b>At 31 December 2012</b>									
<b>Fixed rates</b>									
Trade and other receivables	10	4.67	867,510	743,917	620,323	-	-	-	2,231,750
Deposits with licensed banks	13	2.87	649,103	-	-	-	-	-	649,103
Hire purchase creditors	18	4.68	(95,450)	(91,136)	(67,771)	(70,816)	(55,062)	-	(380,235)
<b>Floating rates</b>									
Banker's acceptance		5.60	(450,000)	-	-	-	-	-	(450,000)
Term loan	17	5.04	(392,382)	(392,383)	(392,383)	(392,383)	(392,383)	(319,719)	(2,281,633)

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

Subsidiaries operating in Philippines, Thailand and Australia have assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

The following table demonstrates the sensitivity analysis of the Group and Company to a reasonably possible change in the AUD, PHP and USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit after tax				
AUS/RM - strengthen by 10% (2012: 10%)	8,539	-	8,539	(31,832)
AUS/RM - weaken by 10% (2012: 10%)	(8,539)	-	(8,539)	31,832
PHP/RM - strengthen by 10% (2012: 10%)	-	(77,523)	-	(77,523)
PHP/RM - weaken by 10% (2012: 10%)	-	77,523	-	77,523
USD/RM - strengthen by 10% (2012: 10%)	(42,712)	(274,570)	620,126	(340,727)
USD/RM - weaken by 10% (2012: 10%)	42,712	274,570	(620,126)	340,727

## 33. 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:

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 had not eventuated as the parties were unable to reach an agreement on the final terms for the proposed new joint venture. Consequently, a dispute had since arisen in respect of the termination of the Shareholders Agreement.



# Notes To The Financial Statements

31 December 2013

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## 33. MATERIAL LITIGATION (continued)

On 1 April 2006 and 28 April 2006, the Indonesian lawyers acting on behalf of Privilege ("Privilege Lawyers") had via their letter ("Allegation Letter") to GHL, GHLI and GHLSYS (collectively "GHL Entities") alleged various matters against the GHL Entities and certain representatives of the GHL Entities ("GHL Representatives"), amongst others, fraud and misrepresentation in respect of the termination of the Shareholders Agreement, unlawful repudiation of obligations under the Shareholders Agreement, violation of various Indonesian laws and regulations as specified therein, and defamation ("Privilege Threat").

In this connection, the GHL Entities and GHL Representatives had 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 had replied to the allegations made in the Allegation Letter by informing the Privilege Lawyers that the GHL Entities and GHL Representatives had 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 intend 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;

# Notes To The Financial Statements

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## 33. MATERIAL LITIGATION (CONTINUED)

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

- (iv) Provision of a written undertaking that GHLI does not have any confidential information, trade secrets and/or proprietary information belonging to Privilege other than that which was returned, and that GHLI has not and will not utilize the confidential information, trade secrets and/or proprietary information save other than in the course of the joint venture; and
- (v) Payment of the sum of RM2,500.00 being the cost of the letter of demand.

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

The Board is of the view that the GHLEntities have a good defence against such claims made by Privilege. The Directors of the Company are of the opinion that should this matter go to court, the GHLEntities will vigorously defend its position.

## 34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 7 January 2013, GHLEntities Philippines, Inc. ("GHLEP"), an indirect subsidiary of the Company, incorporated a legal entity in the Philippines, namely Pinoytek Solusyen, Inc. ("Pinoytek"). GHLEP holds 40% of the equity interest in Pinoytek. The authorised share capital of Pinoytek is PHP10,000,000 divided into one hundred thousand (100,000) shares of common stock of PHP100 each. The paid-up capital of Pinoytek is PHP2,500,000 divided into twenty-five thousand (25,000) shares of common stock of PHP100 each.
- (b) On 14 January 2013, the Company subscribed:
  - (i) one (1) ordinary share of RM1.00 each in GHLEBPO1 Sdn. Bhd. ("BPO1"), representing 50% of the issued and paid-up share capital of BPO1. Subsequently, the Company acquired the remaining one (1) ordinary share of RM1.00 each in BPO1 from a Director, Loh Wee Hian for cash consideration of RM1.00. Accordingly, BPO1 became a wholly-owned subsidiary of the Company; and
  - (ii) one (1) ordinary share of RM1.00 each in GHLEPayment Services Sdn. Bhd. ("GHLEPS"), representing 50% of the issued and paid-up share capital of GHLEPS. Subsequently, the Company acquired the remaining one (1) ordinary share of RM1.00 each in GHLEPS from a Director, Loh Wee Hian, for cash consideration of RM1.00. Accordingly, GHLEPS became a wholly-owned subsidiary of the Company.
- (c) On 2 April 2013, the shareholders during Extraordinary General meeting had approved the below proposed corporate exercises:
  - (i) proposed capital reduction of the issued and paid-up share capital of the Company pursuant to Section 64(1) of the Companies Act, 1965 in Malaysia, involving the cancellation of RM0.30 of the par value of every existing ordinary share of RM0.50 each in the Company ("Proposed Capital Reduction");
  - (ii) proposed renounceable rights issue of up to 36,346,550 new ordinary shares of RM0.20 each on the basis of one (1) Right Share for every four (4) existing ordinary share held after the Proposed Capital Reduction for capital expenditure and general working capital purposes ("Proposed Rights Issue");

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (c) On 2 April 2013, the shareholders during Extraordinary General meeting had approved the below proposed corporate exercises (continued):
- (iii) proposed exemption under Paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-Over and Mergers 2010 to Loh Wee Hian and Teo Kwee Hwa from the obligation to extend a mandatory take-over offer for the remaining ordinary shares not already held by them which may arise pursuant to the Rights Issue ("Proposed Exemption");
  - (iv) proposed establishment of an executives' share scheme ("ESS") up to fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares) at any point in time during the duration of the ESS ("Proposed Executives' Share Scheme"); and
  - (v) proposed increase in the Company's authorised share capital from RM100,000,000 comprising 200,000,000 ordinary shares to RM500,000,000 comprising 2,500,000,000 ordinary shares ("Proposed Increase in Authorised Share Capital").

On 22 May 2013, the High Court of Malaya at Kuala Lumpur had granted the Order confirming the Capital Reduction of the Company and it had been lodged with the Companies Commission of Malaysia on 18 June 2013 pursuant to Section 64(6) of the Companies Act, 1965 in Malaysia.

The issued and paid-up share capital of the Company was reduced from RM73,401,050 comprising 146,802,100 ordinary shares of RM0.50 each to RM29,360,420 comprising 146,802,100 ordinary shares of RM0.20 each effective 18 June 2013.

Following the completion of the Capital Reduction, authorised share capital of the Company had decreased from RM100,000,000 divided into 200,000,000 ordinary shares of RM0.50 each to RM40,000,000 divided into 200,000,000 ordinary shares of RM0.20 each. As the Capital Reduction and the Increase In Authorised Share Capital were inter-conditional upon each other, the authorised share capital of the Company was therefore consequently increased from RM40,000,000 divided into 200,000,000 ordinary shares of RM0.20 each to RM500,000,000 divided into 2,500,000,000 ordinary shares of RM0.20 each with effect on 18 June 2013.

The Company had completed the renounceable rights issue of 36,346,550 new ordinary shares of RM0.20 each in the Company on the basis of one (1) rights share for every four (4) ordinary shares of RM0.20 each held in the Company at an issue price of RM0.24 per rights share. The rights shares were listed on the Main Market of Bursa Malaysia Securities Berhad on 31 July 2013. The latest paid up share capital of the Company after the listing of the rights shares are 183,148,650 ordinary shares of RM0.20 each.

- (d) On 1 April 2013, the Company subscribed one (1) ordinary share of RM1.00 each in GHL ePayments Sdn. Bhd. ("GEP"), representing 50% of the issued and paid-up share capital of GEP. Subsequently, the Company acquired the remaining one (1) ordinary share of RM1.00 each in GEP from a Director, Loh Wee Hian, for cash consideration of RM1.00. Accordingly, GEP became a wholly-owned subsidiary of the Company. Subsequently, the Company subscribed additional one hundred ninety-nine thousand nine hundred and ninety-eight (199,998) ordinary shares of RM1.00 each in GEP for cash consideration of RM199,998.

# Notes To The Financial Statements

31 December 2013

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## 34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (e) On 8 April 2013, GHL Asia Pacific Limited ("GHLAP"), a wholly-owned subsidiary of the Company, incorporated a subsidiary in the Republic of Indonesia, namely PT. SpotPay Indonesia. PT. SpotPay Indonesia is 99% owned by GHLAP and 1% owned by the Company. The authorised share capital of PT. SpotPay Indonesia is USD\$300,000 divided into 300,000 shares of USD\$1.00 each.
- (f) On 19 September 2013, GEP incorporated a subsidiary in Thailand, namely GHL ePayments Co. Ltd. ("GEPCL"). The paid up share capital of GEPCL is THB5,435,000 divided into fifty-four thousand three hundred and fifty (54,350) ordinary shares of THB100 each, of which fifty-four thousand three hundred and forty-seven (54,347) ordinary shares of THB100 are held by GEP. Accordingly, GEPCL became a ninety-nine percent (99%) owned subsidiary.
- (g) On 4 October 2013, the Company:
- (i) notified its intention to undertake a takeover offer to acquire all of the shares in e-pay Asia Limited ("EPY"), a public company listed on the Australian Securities Exchange for AUD0.40 per ordinary share in EPY ("EPY Share(s)") (equivalent to RM1.21) ("Offer Price") ("Offer") pursuant to Chapter 6 of the Australian Corporations Act, 2001 ("Proposed Acquisitions"); and
  - (ii) entered into a share subscription agreement with Cyncas for the proposed issuance and allotment of up to such number of new ordinary shares equivalent to twenty percent (20%) of the enlarged issued and paid up share capital of the Company (i.e. after the completion of the Proposed Acquisition) to Cyncas at an issue price of RM0.42 per ordinary share to be satisfied in cash ("Proposed Share Issuance").

On 21 February 2014, the Company had relevant interest in 96.75% of EPY shares. On 16 April 2014, the Acquisitions were completed and EPY had become a wholly-owned subsidiary of the Company. As at 16 April 2014, 84,126,858 new ordinary shares of the Company had been issued to Cyncas for cash consideration and Share Issuance was completed on the same date.

The Company acquired EPY in order to expand its electronic payment business. Control was obtained by virtue of the voting rights of EPY.

The assets and liabilities of EPY as at the date of acquisition were as follows:

	RM
Non-current assets	16,506,642
Current assets	71,995,600
Non-current liabilities	(42,696,807)
Current liabilities	(27,843,142)
Total net identifiable assets	17,962,293

# Notes To The Financial Statements

31 December 2013

(Cont'd)

## 34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (h) On 8 October 2013, GEP incorporated a subsidiary in Philippines, namely GHL ePayments Philippines, Inc. ("GEPI"). The paid up share capital of GEPI is PHP8,800,000 divided into eighty-eight thousand (88,000) ordinary shares of PHP100 each, of which eighty-seven thousand nine hundred and ninety-three (87,993) ordinary shares of PHP100 are held by GEP. Accordingly, GEPI became a ninety-nine percent (99%) owned subsidiary.

## 35. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (a) On 12 February 2014, the Company entered into a Memorandum of Understanding ("MOU") with PT. Peruri Digital Security ("PDS") in Jakarta, Indonesia. The objective of the MOU is for the two parties to initiate a cooperation to forge a mutually beneficial and non-exclusive collaborative within one year from the date of signing the MOU in relation to the development and promotion of payment related businesses in Indonesia which includes; micropayment systems, Internet Payment Gateway, payment and loyalty management systems and processing services, smart card and its security technologies and other electronic payment systems.

# Notes To The Financial Statements

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## 36. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings/(accumulated losses) as at the end of each reporting period may be analysed as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:				
- Realised	(58,765,441)	(106,839,280)	(10,909,025)	(53,490,681)
- Unrealised	2,369,691	381,751	220,136	(832,116)
	(56,395,750)	(106,457,529)	(10,688,889)	(54,322,797)
Less: Consolidation adjustments	74,764,059	75,521,548	-	-
Total retained earnings/(accumulated losses) as per Consolidated/Company financial statements	18,368,309	(30,935,981)	(10,688,889)	(54,322,797)

# List Of Property

Title/ Location	Description/ Existing Use	Registered Owner	Age of Building (Years)	Land Area	Tenure	Net Book Value as at 31.12.2013 (RM)	Original Cost (RM)	Date of Acquisition
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	4,443,652	4,875,000	1.7.2005

# Shareholding Statistics

As At 18 April 2014

Authorized Share Capital	RM 500,000,000.00
Issued and Fully Paid-up Capital	RM 84,249,458.20
Class of Shares	Ordinary shares of RM0.20 each fully paid
Voting Rights	One vote per RM0.20 share

## BREAKDOWN OF SHAREHOLDINGS

Size of Holdings	No. of holders	%	No. of shares	%
Less than 100	1,980	30.20	71,657	0.02
100 - 1,000 shares	855	13.04	403,420	0.10
1001 - 10,000 shares	2,569	39.19	11,038,856	2.63
10,001 - 100,000 shares	990	15.10	30,195,219	7.19
100,001 to less than 5% of issued shares	159	2.42	118,502,742	28.22
5% and above of issued shares	3	0.05	259,619,496	61.84
<b>Total</b>	<b>6,556</b>	<b>100.00</b>	<b>419,831,390</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS AS AT 18 APRIL 2014

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

Substantial Shareholders	Direct Interest	No. of Shares Held		%
		%	Indirect Interest	
CIMB Group Nominees (Asing) Sdn Bhd Cycas	111,561,212	26.57	-	-
HSBC Nominees (Asing) Sdn Bhd Exempt an for the HongKong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)	96,444,161	22.97	-	-
CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Loh Wee Hian (PB)	51,614,123	12.29	4,073,500	0.97

## DIRECTORS' SHAREHOLDINGS AS AT 18 APRIL 2014

Name of Directors	Note	Direct Interest	No. of Shares Held		%
			%	Indirect Interest	
Loh Wee Hian	1	148,058,284	35.27	4,073,500	0.97
Goh Kuan Ho		13,273,880	3.16	-	-
Kanagaraj Lorenz		2,330,600	0.56	-	-
Fong Seow Kee		1,395,500	0.33	423,450	0.10
Ng King Kau		999,300	0.24	-	-

### Notes:

- 1) 51,614,123 held under CIMSEC Nominees (Tempatan) Sdn. Bhd. and 96,444,161 held under HSBC Nominees (Asing) Sdn. Bhd.



# Shareholding Statistics

As At 18 April 2014

(Cont'd)

## STATEMENT OF SHAREHOLDINGS

### THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 18 APRIL 2014

No	Shareholders	Holdings	%
1	CIMB GROUP NOMINEES (ASING) SDN BHD CYCAS	111,561,212	26.57
2	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (HBAP-SGDIV-ACCL)	96,444,161	22.97
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR LOH WEE HIAN (PB)	51,614,123	12.29
4	GOH KUAN HO	13,273,880	3.16
5	MOL GLOBAL PTE. LTD.	12,412,208	2.96
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB-PRINCIPAL EQUITY FUND	5,832,400	1.39
7	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (CIMB-P 6939-404)	4,941,500	1.18
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR LOH HIN YAW (PB)	4,073,500	0.97
9	HONG CHIN TECK	4,000,020	0.95
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB-PRINCIPAL EQUITY FUND 2	3,322,000	0.79
11	YAP CHIH MING	3,280,033	0.78
12	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YOKE YUNG (03MG00018)	3,200,000	0.76
13	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WONG YOKE YUNG (MP0265)	2,570,000	0.61
14	KANAGARAJ LORENZ	2,330,600	0.56
15	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN HUAT YEAN @ CHIN CHUN YEAN (M01)	2,100,000	0.50
16	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,765,068	0.42

# Shareholding Statistics

As At 18 April 2014

(Cont'd)

## STATEMENT OF SHAREHOLDINGS

### THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 18 APRIL 2014 (CONT'D)

No	Shareholders	Holdings	%
17	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR RHB-OSK SMALL CAP OPPORTUNITY UNIT TRUST (3548)</i>	1,640,000	0.39
18	TAN AH LOY @ TAN MAY LING	1,500,000	0.36
19	ONG HOCK LON	1,480,000	0.35
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEE BERHAD FOR CIMB-PRINCIPAL EQUITY AGGRESSIVEFUND 3 (980050)</i>	1,449,800	0.35
21	FONG SEOW KEE	1,395,500	0.33
22	TAN AH LOY @ TAN MAY LING	1,300,000	0.31
23	JF APEX NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TAN SIEW KOON (MARGIN)</i>	1,285,000	0.31
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEE BERHAD FOR RHB-OSK DYNAMIC FUND (200188)</i>	1,266,400	0.30
25	AMANAHRAYA TRUSTEE BERHAD <i>CIMB PRINCIPAL EQUITY AGGRESSIVE FUND 1</i>	1,263,600	0.30
26	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD <i>CIMB COMMERCE TRUSTEE BERHAD FOR TA DANA OPTIMIX</i>	1,240,000	0.30
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TAN SIEW CHENG (E-IMO)</i>	1,200,400	0.29
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHIEW LAI KHIM</i>	1,050,000	0.25
29	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR RHB-OSK EMERGING OPPORTUNITY UNIT TRUST (4611)</i>	1,030,000	0.25
30	FOO YING PENG	1,019,200	0.24

# Notice Of Twentieth Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Twentieth 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, 5 June 2014 at 10.30 a.m.** for the following purposes:-

## AGENDA

### A. Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 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. Kanagaraj Lorenz *(Ordinary Resolution 1)*
  - 2.2 Mr. Ng King Kau *(Ordinary Resolution 2)*
3. To elect the following Directors who are retiring in accordance with Article 132 of the Articles of Association of the Company:-
  - 3.1 Mr. Brahmaj a/I Vasudevan *(Ordinary Resolution 3)*
  - 3.2 Ms. Lim Sze Mei *(Ordinary Resolution 4)*
4. To approve the Directors’ fees in respect of the financial year ended 31 December 2013. *(Ordinary Resolution 5)*
5. To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Directors to fix their remuneration for the ensuing year. *(Ordinary Resolution 6)*

### B. Special Business

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

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

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

# Notice Of Twentieth Annual General Meeting

(Cont'd)

7. **PROPOSED AUTHORITY TO PURCHASE BY GHL SYSTEMS BERHAD OF UP TO TEN PERCENT (10%) OF ITS OWN ISSUED AND PAID-UP SHARE CAPITAL ("PROPOSED SHARE BUY-BACK")** *(Ordinary Resolution 8)*

"THAT, subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM0.20 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

- (a) the aggregate number of shares purchased does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained profits and/or share premium account of the Company based on the latest audited financial statement and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s); and
- (c) the Directors of the Company may decide to:-
  - i. retain the shares purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; and/or
  - ii. cancel the shares so purchased; and/or
  - iii. retain part of the shares so purchased as treasury shares and cancel the remainder.

THAT such authority shall commence upon passing of this resolution and shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting at which such resolution was passed at which time it will lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next Annual General Meeting after the date is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

# Notice Of Twentieth Annual General Meeting

(Cont'd)

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do such acts and things thereafter (including without limitation, the cancellation and/or retention and/or distribution of all or any part of the purchased shares) in accordance with the Companies Act, 1965, the provisions of the Articles of Association of the Company and the Main Market Listing Requirements of Bursa Securities and/or guidelines of Bursa Securities and all other relevant governmental and/or regulatory authorities."

8. **PROPOSED GRANT OF OPTIONS TO KANAGARAJ LORENZ, THE GROUP CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR OF THE COMPANY ("PROPOSED GRANT OF OPTIONS")**

*(Ordinary Resolution 9)*

"THAT the approval be and is hereby given to the Board to grant 2,000,000 options pursuant to the Executives' Share Scheme ("ESS") to Mr Kanagaraj Lorenz, the Group Chief Executive Officer and Executive Director of the Company, subject always to such terms and conditions of the By-Laws of the ESS and/or any adjustment which may be made in accordance with the provisions of the By-Laws."

**C. Other Business**

9. 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

14 May 2014

# Notice Of Twentieth 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 not more than 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 Form or other instruments of appointment must be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- vii. In respect of deposited securities, only members whose names appeared in the Record of Depositors as at 30 May 2014 shall be eligible to attend, speak and vote at the Meeting.

### 2. Audited Financial Statements for the financial year ended 31 December 2013

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

### 3. Explanatory Notes on Special Business

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

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

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

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Nineteenth Annual General Meeting held on 27 June 2013 and which will lapse at the conclusion of the Twentieth Annual General Meeting.

# Notice Of Twentieth Annual General Meeting

(Cont'd)

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 8 – Proposed Share Buy-Back

The Proposed Ordinary Resolution 8, if passed, will provide a mandate for the Company to purchase its own shares up to 10% of the total issued and paid-up share capital of the Company and shall lapse at the conclusion of the next Annual General Meeting unless authority for the renewal is obtained from the shareholders of the Company at a general meeting.

For further information, please refer to the Circular to Shareholders dated 14 May 2014.

iii. Ordinary Resolution 9 – Proposed Grant of Options

The Proposed Ordinary Resolution 9, if passed, will empower the Company to grant 2,000,000 options pursuant to the ESS to Kanagaraj Lorenz, the Group Chief Executive Officer and Executive Director to allow him to subscribe for up to 2,000,000 new ordinary shares in the Company available to be issued under the ESS of the Company. The ESS was approved by the shareholders of the Company at the Extraordinary General Meeting of the Company held on 2 April 2013.

## Statement Accompanying Notice Of The Twentieth Annual General Meeting

Details of Directors who are standing for election in Agenda 3 of the Notice of the Twentieth Annual General Meeting are set out in the Director's Profile appearing on pages 22 to 23 of this Annual Report.



**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 Twentieth 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, 5 June 2014 at 10.30 a.m.** and at any adjournment thereof, to vote as indicated below:-

Ordinary Business		FOR	AGAINST
<b>Ordinary Resolution 1</b>	Re-election of Mr. Kanagaraj Lorenz as Director pursuant to Article 127 of the Company's Articles of Association		
<b>Ordinary Resolution 2</b>	Re-election of Mr. Ng King Kau as Director pursuant to Article 127 of the Company's Articles of Association		
<b>Ordinary Resolution 3</b>	Election of Mr. Brahmal a/l Vasudevan as Director pursuant to Article 132 of the Company's Articles of Association		
<b>Ordinary Resolution 4</b>	Election of Ms. Lim Sze Mei as Director pursuant to Article 132 of the Company's Articles of Association		
<b>Ordinary Resolution 5</b>	Approval of Directors' fees for the financial year ended 31 December 2013		
<b>Ordinary Resolution 6</b>	Re-appointment of Messrs BDO as Auditors of the Company and to authorise the Directors to fix their remuneration		
<b>Special Business</b>			
<b>Ordinary Resolution 7</b>	Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965		
<b>Ordinary Resolution 8</b>	Authority to Purchase by GHL Systems Berhad of up to ten percent (10%) of its own issued and paid-up share capital		
<b>Ordinary Resolution 9</b>	Grant of Options to Kanagaraj Lorenz, the Group Chief Executive Officer and Executive Director of the Company		

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

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

First named Proxy .....%

Second named Proxy .....%

**100%**

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2014

\_\_\_\_\_  
Signature of Member(s) or/ Common Seal

Notes:-

- A member entitled to attend and vote at the general meeting is entitled to appoint not more than 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.
- 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.
- 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.
- 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.
- The Proxy Form or other instruments of appointment must be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- In respect of deposited securities, only members whose names appeared in the Record of Depositors as at 30 May 2014 shall be eligible to attend, speak and vote at the Meeting.



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**AFFIX  
STAMP**

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

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**GHL SYSTEMS BERHAD** (293040-D)

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