



Engineering Breakthrough



GHL SYSTEMS BERHAD

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Dataran SD PJU 9
Bandar Sri Damansara
52200 Kuala Lumpur

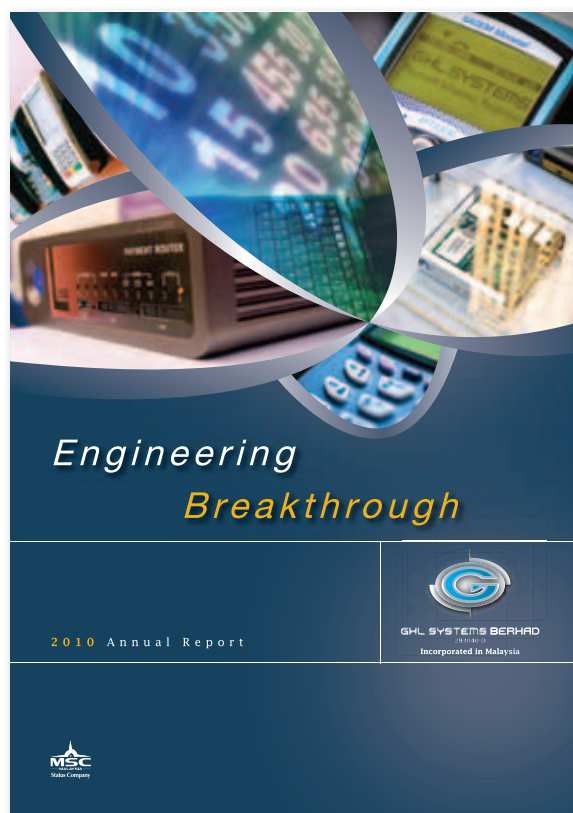
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www.ghl.com

2010 Annual Report



GHL SYSTEMS BERHAD
293040-D
Incorporated in Malaysia

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Breaking through always requires great effort.

Through times of trial and the power of innovation, GHL Systems aims to see the light at the end of the tunnel.

As we face the year ahead, we remain committed to engineering a breakthrough for the Group, to create value for our stakeholders in the long term.

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CORPORATE PROFILE



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

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

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

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

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



GHL SYSTEMS. PAYMENT SOLUTIONS, REDEFINED.



VISION AND MISSION

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

CORPORATE STRUCTURE

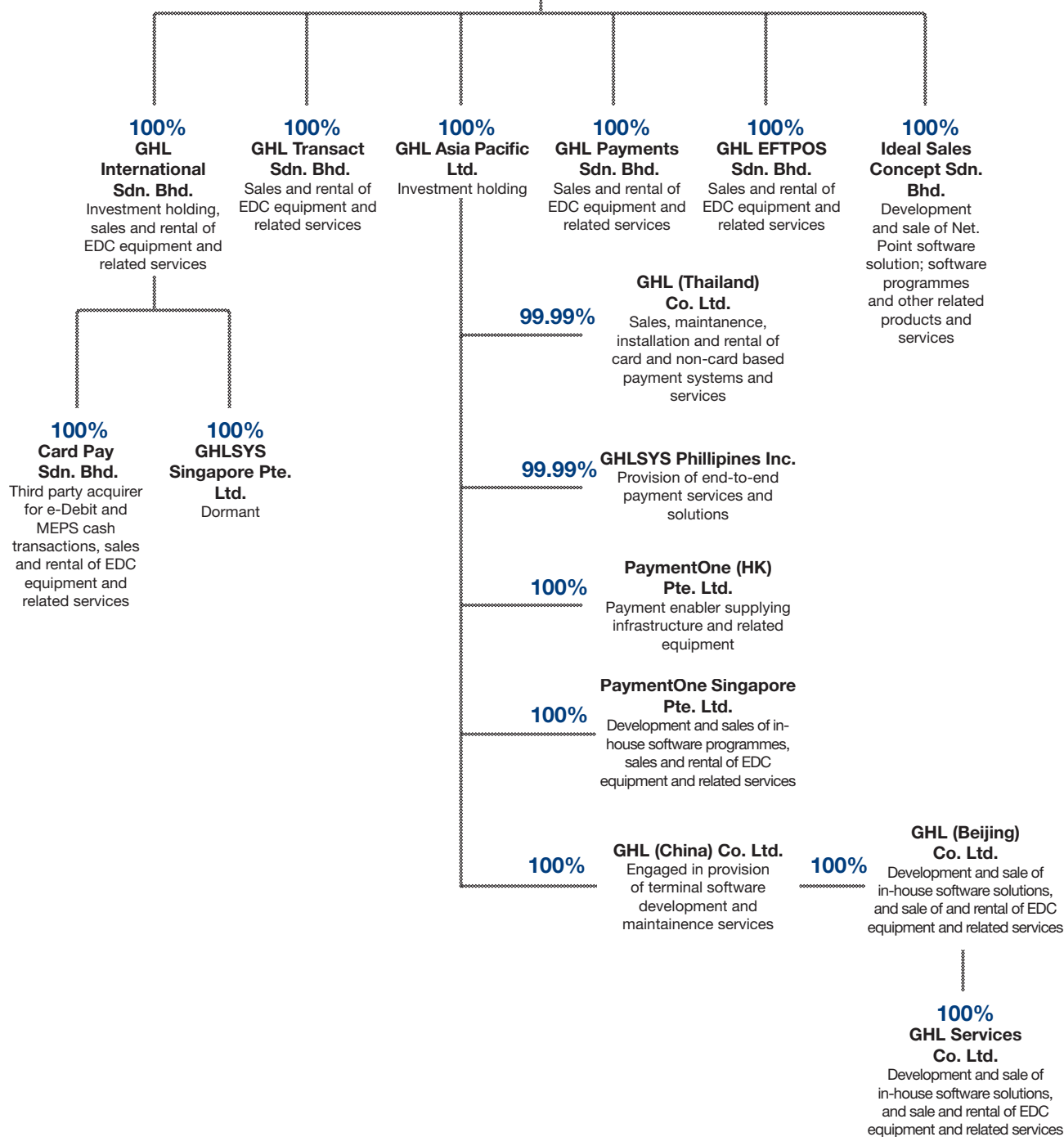
AS AT 22 MARCH 2011



GHL SYSTEMS BERHAD

293040-D

Incorporated in Malaysia



CORPORATE INFORMATION

BOARD OF DIRECTORS

Loh Wee Hian (Executive Chairman)
Tay Beng Lock (Group Managing Director)
Yeng Fook Hoo (Deputy Group Managing Director)
Chin Fook Kheong (Group Finance Director)

Goh Kuan Ho (Non-Independent Non-Executive Director)
Angus Eugenio Campos (Independent Non-Executive Director)
Mohd Rafi bin Daud (Independent Non-Executive Director)
Fong Seow Kee (Independent Non-Executive Director)

COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482)
Chin Fook Kheong (MIA 12596)

AUDIT COMMITTEE

Fong Seow Kee (Chairperson)
Goh Kuan Ho
Angus Eugenio Campos

REMUNERATION COMMITTEE

Goh Kuan Ho (Chairperson)
Angus Eugenio Campos
Chong Tiam Tai
Fong Seow Kee

NOMINATION COMMITTEE

Goh Kuan Ho (Chairperson)
Angus Eugenio Campos
Fong Seow Kee

ESOS COMMITTEE

Loh Wee Hian (Chairperson)
Tay Beng Lock
Yeng Fook Hoo
Angus Eugenio Campos
Chong Tiam Tai

AUDITORS

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

PRINCIPAL BANKERS

Affin Bank Berhad
Alliance Bank Berhad
AmBank Berhad
CIMB Bank Berhad
Malayan Banking Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House,
Block D13, Pusat Dagangan Dana 1,
Jalan PJU 1A/46, 47301 Petaling Jaya,
Selangor Darul Ehsan.
Tel : 603-7841 8000
Fax : 603-7841 8008

REGISTERED OFFICE

Suite 10.03, Level 10,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra, 59200 Kuala Lumpur.
Tel : 603-2279 3080
Fax : 603-2279 3090

LEGAL ADVISORS

H. H. GOH & CO

36, Jalan Pipit, Off Jalan Ipoh, Batu 3,
51100 Kuala Lumpur.

BRIGITTA I. RAHAYOE & SYAMSUDDIN

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

ROBERTSONS SOLICITORS & NOTARIES

57th Floor, The Center,
99, Queen's Road Central, Hong Kong.

RAMDAS & WONG

36, Robinson Road, #10-01,
City House, Singapore 068877.

ZHONGTIAN PRC LAWYERS

1711-1717 Yingu Mansion,
9 West Beisihuan Road,
Beijing 100080, China.

FORTUN NARVASA & SALAZAR

23F, Multinational
Bancorporation Centre,
6805 Ayala Ave.,
Makati City 1226, Philippines.

CHALERMCHAT LAW OFFICE CO. LTD.

10th Floor, Amarin Plaza Building,
496-502, Ploenchit Road,
Lumpini, Pathumwan,
Bangkok 10330, Thailand.

STOCK EXCHANGE LISTING

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

WEBSITE

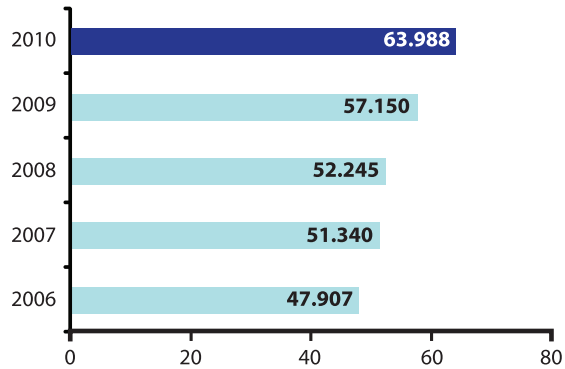
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INVESTOR RELATIONS

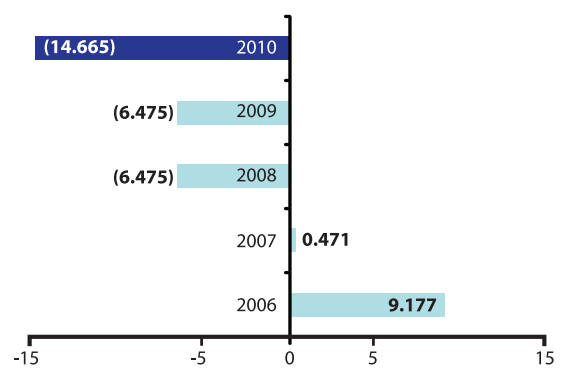
<http://ghl.investor.net.my>

FINANCIAL HIGHLIGHTS

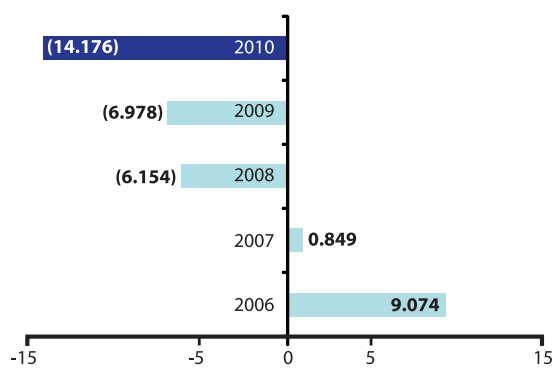
Revenue (RM'mil)



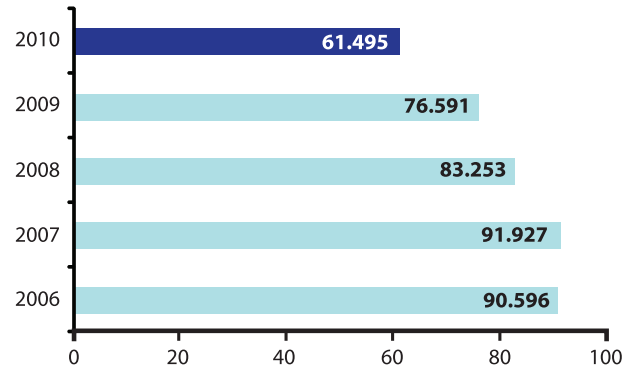
Profit / (Loss) Before Tax (RM'mil)



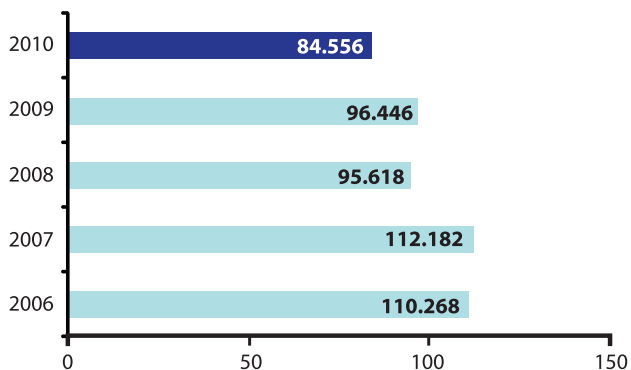
Net Profit / (Loss) (RM'mil)



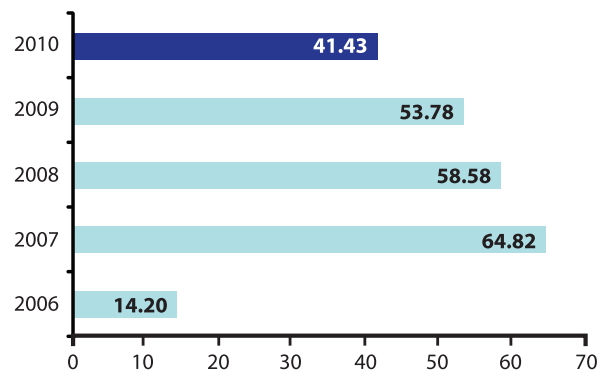
Shareholders' Equity (RM'mil)



Total Assets (RM'mil)



Net Tangible Assets Per Share (Sen)



FINANCIAL HIGHLIGHTS

cont'd

Summarized Group Income Statements For The Financial Year Ended 31 December (RM'000)	2006	2007	2008	2009	2010
Revenue	47,907	51,340	52,245	57,150	63,988
Earnings Before Interest, Tax, Depreciation and Amortisation	12,501	8,179	2,206	4,490	1,450
Operating Profit/(Loss)	8,607	771	(6,262)	(6,287)	(14,466)
Profit/(Loss) Before Taxation	9,177	471	(6,475)	(6,475)	(14,665)
Net Profit/(Loss) Attributed to Equity Holders	9,074	849	(6,154)	(6,978)	(14,176)

Summarized Group Balance Sheets As At 31 December (RM'000)	2006	2007	2008	2009	2010
Fixed Assets & Prepaid Lease Payments	54,204	51,565	57,313	53,876	45,154
Investment in an Associated Company	5,061	-	-	-	-
Other Investment	-	554	88	-	-
Goodwill on Consolidation	1,869	1,913	1,913	1,913	1,096
	61,134	54,032	59,314	55,789	46,250
Current Assets	49,134	58,150	36,304	40,657	38,306
Current Liabilities	(14,539)	(16,408)	(9,248)	(16,453)	(20,399)
Net Current Assets	34,595	41,742	27,056	24,204	17,907
	95,729	95,774	86,370	79,993	64,157
Financed By:					
Share Capital	62,479	69,431	69,431	69,431	72,901
Reserves	28,117	22,496	13,826	7,161	(10,768)
Treasury Shares	-	-	(4)	(1)	(638)
Shareholders' Equity	90,596	91,927	83,253	76,591	61,495
Minority Interests	2	10	-	-	-
Total Equity	90,598	91,937	83,253	76,591	61,495
Bank Borrowings & Hire Purchase Payables	4,143	3,340	3,117	2,899	2,662
Deferred Tax Liabilities	988	497	-	503	-
	5,131	3,837	3,117	3,402	2,662
	95,729	95,774	86,370	79,993	64,157

Summarized Group Cash Flows For the Financial Year Ended 31 December (RM'000)	2006	2007	2008	2009	2010
Operating Profit Before Working Capital Changes	16,019	5,603	4,971	4,702	3,809
Net Cash Flows From/(Used in) Operating Activities	16,929	(1,972)	8,524	9,873	4,395
Net Cash Flows (Used in)/From Investing Activities	(16,469)	2,159	(14,158)	(6,871)	(5,078)
Net Cash Flows (Used in)/From Financing Activities	(796)	5,359	(5,876)	(535)	(2,204)
Net (Decrease)/Increase in Cash and Cash Equivalents	(336)	5,546	(11,510)	2,467	(2,887)
Cash and Cash Equivalents at Beginning of Year	17,449	17,113	22,659	11,149	13,616
Cash and Cash Equivalents at End of Year	17,113	22,659	11,149	13,616	10,729

SHARE PRICE PERFORMANCE

SHARE PRICE PERFORMANCE FOR THE PERIOD 1 JANUARY 2010 TO 22 MARCH 2011



* Close price adjusted for 1-for-20 Bonus Issue that was completed on 1 June 2010

Market Ratios As At 22 March 2011

Adjusted Close Price	RM 0.41
Market Capitalization	RM 59.78 million
Net Tangible Asset / Share	RM 0.41

SHARE CAPITAL CHANGES AND DILUTION

Date	Capital Exercise	Change in Number of Shares	Total Number of Shares @ RM0.50 each
19 January 2007	ESOS Exercise	3,930,710	628,718,146*
9 February 2007	5-for-1 Consolidation	(502,974,517)	125,743,629
13 April 2007	ESOS Exercise	170,712	125,914,341
21 June 2007	1-for-10 Bonus Issue	12,591,434	138,505,775
17 July 2007	ESOS Exercise	164,720	138,670,495
15 August 2007	ESOS Exercise	191,720	138,862,215
1 June 2010	1-for-20 Bonus Issue	6,939,885	145,802,100

* Par Value of RM0.10

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Board of Directors of GHL Systems Berhad ("GHL Systems") hereby present the 2010 Annual Report and the audited accounts of the Group and Company for the financial year ended 31 December 2010 ("FY2010").

After the economic slowdown in 2009, global markets made a major rebound in the year 2010, spurred by the exceptional economic performance of the emerging economies, especially in the Asian region.

China recorded 10.3% growth in Gross Domestic Product ("GDP") in 2010, despite tightening measures by the Chinese government to curb inflation. Malaysia's GDP increased 7.2% in 2010, driven by higher public sector expenditure, while Thailand and Philippines demonstrated similar growth.

The economic recovery in the year under review also saw a more competitive commercial landscape in general, including the payment solutions sector, as various industries undertook infrastructure investments once again. Therefore the Group undertook strategies to strengthen our position in the region.

FY2010 Financial Highlights

GHL Systems ended FY2010 with 12.0% increase in group revenues to RM63.99 million from RM57.15 million previously.

However, the Group also noted a significant increase in operational costs in the year under review, including in expenditure for administration and promotional activities in international arena. The Group also wrote-off obsolete fixed assets and recognized impairment losses on investment, fixed assets and goodwill in FY2010. These factors resulted in the Group registering net losses of RM14.18 million in the year under review.

Group borrowings stood at RM3.37 million in the year under review from RM3.09 million previously, while cash and cash equivalents amounted to RM12.69 million as at end-2010, compared to RM14.73 million previously. The Group remained in net cash position as at end-2010.

Corporate Developments

1-for-20 Bonus Issue

On 31 March 2010, the Group proposed a bonus issue on the basis of one (1) bonus share for every twenty (20) existing shares.

The bonus issue was to increase the Group's issued and paid-up share capital to a level which would reflect its existing scale of operations and assets employed, and reward shareholders for their continuous support to the Group by enabling them to increase the number of shares held. It was also expected to further improve the liquidity and marketability of GHL shares as a result of an enlarged quantity of shares available.

The bonus issue was capitalised from the retained profits account of the Group, and was deemed completed on 1 June 2010 with the listing and quotation of 6,939,885 bonus shares on the Main Market of Bursa Malaysia Securities Berhad.



Loh Wee Hian
Executive Chairman

CHAIRMAN'S STATEMENT

cont'd

Business Strategies

The Board takes a serious stance of the fact that the Group has registered its third year of net losses in FY2010. Therefore, as the newly-appointed Executive Chairman and a fellow shareholder, I am personally and professionally committed to bringing the Group back to profitability.

To this end, the Board will undertake a comprehensive review of the Group's operations, with the objectives of streamlining our business model and realigning our energies to engineer the Group's transformation from the inside out.

Given the mammoth task we are about to undertake, we covet your patience as we endeavour to mould GHL Systems into a much-stronger and profitable entity in the coming years.

Corporate Social Responsibility ("CSR")

GHL has always maintained a strong stand in upholding Corporate Social Responsibility as one of our key principles.

The Group continued to provide support for the native 'orang asli' community in Kampung Pak Senam, Pahang, where GHL provided a month's supply of milk and food for the school children in the village.

The GHL team also periodically carried out fogging activities in the SD1 building and the neighbouring vicinity as preventive measure against mosquito-related diseases and H1N1 epidemic.



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

Corporate Governance

The Board endeavours to adhere to corporate governance best practices within the Group as a crucial step to achieve business sustainability. The Board is committed to implementing strategies that are in line with the Group's vision to create and protect shareholders' value.

The measures undertaken by the Board to maintain our corporate governance are highlighted in the Corporate Governance Statement in this Annual Report.

Appreciation

On behalf of the Board, I'd like to convey my deepest appreciation and gratitude to my fellow Directors, management and

GHL employees for the diligent work while persevering in the challenging circumstances of the Group in the past year.

The Board had appointed two new Directors on 28 December 2010: myself as Non-Independent Non-Executive Director, and Mr. Fong Seow Kee as Independent Non-Executive Director. Subsequently, the Board had redesignated me as Non-Independent Chairman on 18 January 2011, and once again as Executive Chairman on 3 March 2011. I am pleased for the opportunity to play a pivotal role in determining and steering the corporate direction of the Group from hereon.

At this juncture, the Board would also like to record our appreciation to Ms. Yen Siw Kuin who resigned from the Board on 31 January 2011. Ms. Yen had indeed contributed much to the Board since her throughout her 8-year tenure with the Company, and we wish her the best in her future undertakings. Meantime, Mr. Fong Seow Kee will succeed Ms. Yen as Chairman of the Audit Committee.

To our valued shareholders, I, together with the new Executive Committee and management, would like to reiterate our steadfast commitment in creating a stronger platform for the Group to face the future. We appreciate your unwavering support for the Group during this phase.

Thank you.

Loh Wee Hian
Executive Chairman
22 March 2011



Local Operations

Overall, Malaysia experienced a buoyant year in 2010, as businesses regained confidence in the underlying economic stability and strength, and subsequently stepped up investment activities that had been deferred in the previous year.

The local market remained the Group's largest revenue contributor, raking in RM39.87 million or 62.3% of total group sales in the year under review, versus RM34.0 million in the previous year.

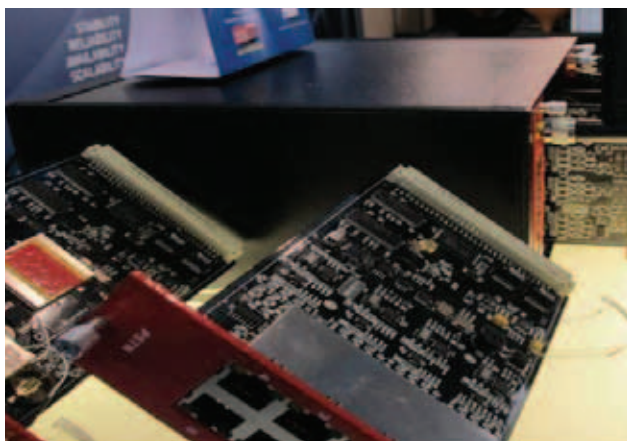
The Group has sustained its growth in Malaysia despite an increasingly-challenging competitive landscape in recent years, which included evolving preferences of financial institutions in deployment of payment solutions, and the emergence of new entrants into the market.

One of the Group's most notable achievements in the year was GHL Systems' merchant processing partnership with Ompipay, a Dublin-based global leading processor of payment transactions. GHL Systems is proud to be Ompipay's first partner in South East Asia in the latter's efforts to penetrate into the region.

Under the agreement, GHL Systems and Ompipay would jointly market Ompipay services to clients in Malaysia and other markets. The prospective clients would use Ompipay's platform to process card payment transactions from multiple countries in multiple currencies, thereby ensuring customer convenience. The Group opines that this partnership would enable both companies to expand their businesses further in Malaysia and beyond.

The Group also further reinforced its Independent Sales Organisation (ISO) partnership with the Maybank Group, deploying more than 5,500 terminals nationwide on Maybank's behalf in FY2010. We view this as a positive indicator of our collaborative strength which has enabled us to grow in spite of the increasingly-challenging environment.

Furthermore, our networking devices – namely the NetAccess L- and X-series – were further deployed in increasing measure in a number of key customers' sites in the year under review. We are heartened by clients' positive reports in the robust solution's capability in dramatically transforming their cost structure in the merchant-acquiring business, and in adapting their payment infrastructure and operations to changing market conditions.



Our Bankcard e-Debit segment, under Card Pay Sdn Bhd, added new value-added services to the application so as to provide greater value for users. The year under review saw Card Pay providing ATM cardholders with MEPS ATM/e-debit cash back facility at participating outlets, thereby adding another convenient service to users.

With the Government still encouraging the public to spend within their means, Card Pay is in an advantageous position to take its operations to the next level. Moving forward, Card Pay intends to leverage on its critical mass of 10,000 e-Debit terminals to introduce more innovative services for users' benefit.

Overseas Markets

The overseas markets contributed RM24.12 million, or 37.7% to group revenues in FY2010, growing 4.1% compared to RM23.18 million in the previous year.

The Group adopted a 2-pronged strategy in developing foreign markets: by establishing direct presence in Thailand, Philippines, and China; and appointing resellers to distribute our solutions in other countries.

GHL Thailand manoeuvred a challenging year where political tensions remained a key concern. Despite this, we're proud that we have maintained our no. 2 position in Thailand, and are set to entrench ourselves even more in the market.

In view of the economic slowdown in Vietnam, the Group ceased operations of its sales office in Vietnam in March 2011. However we will still pursue other opportunities to penetrate the market in future.

GHLSYS Philippines, also one of the top 2 payment solutions providers in the country, continued making inroads. Among its significant projects was the deployment of the Group's PivotPoints platform to revolutionize Shakey's Pizza Philippines' loyalty programme. The project provided Shakey's Pizza a seamless solution in awarding and redeeming loyalty points, in addition to generating customer information for future marketing activities. By end-2010, more than 800,000 loyalty cards had been issued – a testament to a successful campaign.

We're pleased to report that GHL Beijing showed significant turnaround in 2010. Key developments in the year included our appointment as an Independent Sales Organization ("ISO") for Bank of Communications ("BOCOM") and Bank Of China with 5,600 terminals deployed, and the sale of 8,000 terminals to BOCOM. GHL Beijing had expanded the ISO business for BOCOM to Tianjin in the 3rd quarter of 2010, thus setting the pace for a beneficial partnership.

In fact, GHL Beijing was also selected by BOCOM to service contactless payments within the Shanghai World Expo. With the stringent criteria of a speedy payment mode for maximum efficiency, BOCOM's decision to employ our VR-300 contactless reader in a large-scale global event speaks volumes of our world-class solutions.

The year under review also saw the Group actively appointing resellers to attain a wider geographical breadth for our solutions.

GHL Systems made headway into the African continent by appointing 2 resellers to cover 12 countries: Mozambique, Angola, Niger, Benin, Burkia Faso, Cote d'Ivoire, Mali, Senegal, Togo, Guinea-Bissau, Sao Tome & Principe, and Cape Vert. The Group went on to penetrate the Kenyan market with the deployment of netAccess L-350 in the Ukwala Supermarket chain.

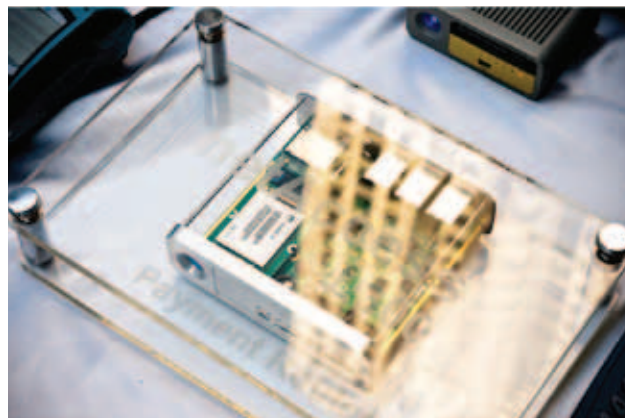
The Group also appointed a reseller in Middle East to sell our solutions to key Middle East countries such as UAE, Bahrain, Oman, Yemen, and Qatar.

We view these achievements as stepping stones for the Group to become a formidable player in the payment solutions market in Asia Pacific.

Awards

GHL Systems' position as a leading payment solutions provider was reinforced further with two awards from Ingenico, the global payment solutions company.

At the Ingenico Inge-TEK and Inge-BIZ 2010 - Asia Partners'



Meeting, GHL Systems was presented with the "Outstanding Award for Development" in recognition of GHL Systems' POS terminal software and application development efforts on Ingenico's platform. The subsequent award - of equal significance - was the "Outstanding Achievement" in recognition of its regional sales performance in 2009.

We dedicate these awards to the team for their outstanding contributions to the Group.

Product and Innovation Highlights

In March 2010, GHL Systems introduced to Malaysia Ingenico's universal SIM ("USIM") solution for payment terminals to enable merchants facilitate transactions across telecommunication operators and geographical distances.

The proposition for merchants - especially large retail chain and multinational retailers - was the ability for the USIM to accept debit and credit card payments in various countries without changing telco operators or renegotiating charges. Therefore, merchants would be able to manage and process revenue quickly on an integrated platform.

In August 2010, our VR-300 version 3.0 reached another milestone when it became the first contactless reader to attain approval from EMVCo - successfully meeting the requirements of major certifications from EMVCo and MasterCard ahead of competitors.

In addition to the hardware approval, the VR-300 also successfully renewed its vendor product approval as a MasterCard PayPass approved reader supporting both Magnetic Stripe and M/Chip profiles. We take cognizance of the importance of having our leading products reach globally recognized standards and contactless schemes.

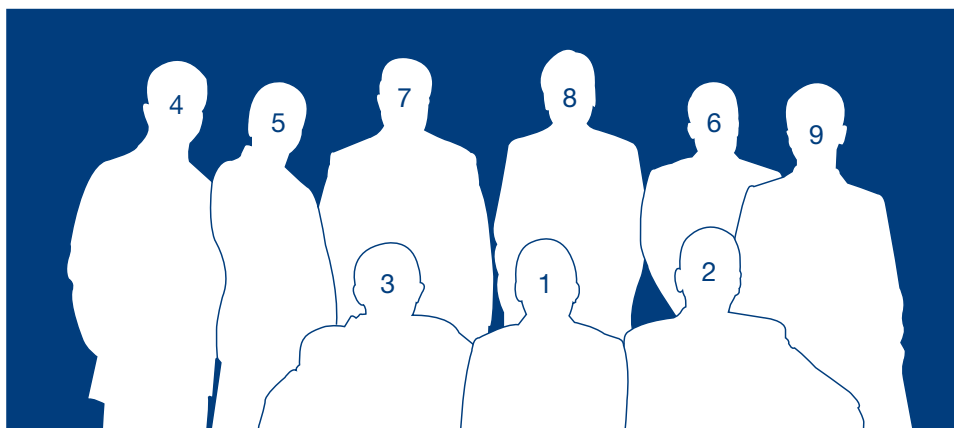
Conclusion

There is no doubt that the year 2011 would be a challenging yet very exciting year for the Group. As part of our business transformation plan, the management team would execute a thorough evaluation of the Group's product and business expansion strategies, so as to improve its effectiveness and sustainability.

We are solely committed to the pursuit of excellence as well as the achievement of stakeholders' returns, and appreciate your continued partnership as we embark on this journey.



BOARD OF DIRECTORS



- 1) **Loh Wee Hian**, Executive Chairman
- 2) **Tay Beng Lock**, Group Managing Director
- 3) **Yeng Fook Hoo**, Deputy Group Managing Director
- 4) **Chin Fook Kheong**, Group Finance Director
- 5) **Goh Kuan Ho**, Non-Independent Non-Executive Director
- 6) **Angus Eugenio Campos**, Independent Non-Executive Director
- 7) **Mohd Rafi bin Daud**, Independent Non-Executive Director
- 8) **Fong Seow Kee**, Independent Non-Executive Director
- 9) **Yen Siw Kuin** (resigned on 31.1.2011)

■ DIRECTORS' PROFILE ■



LOH WEE HIAN Executive Chairman

Loh Wee Hian, a Malaysian age 48, was appointed as Non-Independent Non-Executive Director on 28 December 2010. Subsequently on 18 January 2011, he was redesignated as Non-Independent Non-Executive Chairman, and once again as Executive Chairman on 3 March 2011. He is the Chairperson of the ESOS Committee.

He has a strong background in the telecommunications industry where he formed Telemas Corporation Sdn. Bhd. In 1989, a mobile phone retailer and master distributor for Ericsson. He then co-founded e-pay (M) Sdn Bhd in 1999 and was the managing director responsible for strategic planning and financial performance of the company. Under his leadership, e-pay (M) Sdn Bhd became one of the leading electronic top-up processor in South East Asia

region and the no 1 in Malaysia. He listed e-pay Asia Limited on the Australia Stock Exchange (ASX) in 2006, where he is also the Executive Chairman.

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

He has been selected as the winner for Ernst & Young Entrepreneur of The Year Malaysia 2006 Award under the Technology Category in December 2006.



TAY BENG LOCK Group Managing Director, Executive Director

Tay Beng Lock, a Malaysian aged 50, was appointed to the Board on 26 January 1999. He is a member of the ESOS Committee. He obtained his Bachelor Degree in Electrical Engineering with distinction from Carleton University, Canada, in 1984 and a Master Degree in Business Administration with distinction from Middlesex University, United Kingdom, in 1996. He was appointed the Group Managing Director of the Company on 26 January 1999. He began his career in 1984 with Mecom Malaysia Sdn Bhd as a Sales Engineer specialised in electronic test and measurement instruments. He later joined Hewlett-Packard Sales (Malaysia) Sdn Bhd ("HP") in 1986 as a Staff Field Engineer and rose through the ranks over the six years there to a Business Manager position, overseeing HP's Test and Measurement division (which is now part of Agilent Technologies, Inc).

In 1992, he joined Delteq (M) Sdn Bhd, a regional systems integrator, as the General Manager responsible for the management of the company's operations. He left Delteq in 1996 to join GHL Automation Sdn Bhd as the General Manager, and subsequently assumed his current position in 1999.

One of his notable achievements at the GHL Group was the restructuring of the group's businesses by divesting the computer retail business and by realigning the group's business focus in the payment space. With about 25 years of corporate and marketing experience, he is well placed to lead the Group to greater heights.

DIRECTORS' PROFILE

cont'd

YENG FOOK HOO

Deputy Group Managing Director, Executive Director

Yeng Fook Hoo, a Malaysian aged 54, was appointed to the Board on 26 January 1999. He is a member of the ESOS Committee of the Company. He is also directly responsible for the planning and implementation of Group's Asia Pacific expansion, namely in Thailand, Vietnam, Philippines, Hong Kong SAR and China PRC. In addition, he manages the sales of GHL line of NetAccess products and other payment solutions in Indonesia, Sri Lanka, Pakistan and Romania.

He obtained his Bachelor Degree in Economics and Mathematics from the University of London in 1979 and completed a Senior Management Program at Harvard Business School in 1988. He has 17 years of experience in the banking industry, with 10 years of experience in handling the implementation of major banking systems.

He started his career with Pacific Bank Berhad as a Trainee Officer in 1981. In 1984, he was promoted to the Branch Manager, managing 3 branches in Rengit, Batu Pahat and Johor Bahru. In 1988, he advanced to the position of Senior Manager of Operations/Information Technology ("IT"). His

achievement included creating and implementing the first integrated bank-in slip to streamline and simplify the bank-in process for Pacific Bank Berhad's customers. He was also responsible for conceiving, designing, creating and implementing the first "instant" ATM card that allowed customers to use their new and replacement ATM cards instantly at the point of registration. In addition, he was instrumental in co-developing and overseeing the migration effort of Pacific Bank Berhad's retail backend banking system from the legacy Honeywell System to the new Tandem System. This extensive exercise was completed within nine (9) months. He left Pacific Bank Berhad in 1994 to join Hong Leong Bank Berhad.

From 1994 to 1997, he was the General Manager of the Operations / IT division of Hong Leong Bank Berhad, where he implemented a new branch delivery system and the first branch system operating on a Windows platform. When he joined the Company in 1997, he was managing the research and development efforts for various transaction-processing and payment-related technologies and solutions such as NetAccess, NetMerchant, NetSync and PivotPoints.



In addition, he was also responsible for conceiving the EDC Pool Program, which was successfully implemented with three (3) partner banks. He also oversees the operations of PayDirect. He was designated as the Deputy Group Managing Director in 2002, responsible for the business development and R&D activities of the Group.

CHIN FOOK KHEONG

Group Finance Director, Executive Director

Chin Fook Kheong, a Malaysian aged 47, was appointed to the Board on 31 May 2003. In 1992, he is admitted as a Fellow member of the Chartered Institute of Management Accountant (CIMA) and later as a Chartered Accountant of the Malaysian Institute of Accountants (MIA). In 2004, he obtained his Master's degree in Business Administration (MBA) from the University of Nottingham, United Kingdom. In 2008, he has been admitted as an Associate member of The Institute of Chartered Accountants in England and Wales (ICAEW), United Kingdom. In the same year, he also passed Pre-Contract Examination for Insurance Agents Certificate for General Insurance, Life Insurance and Investment-Linked Life Insurance conducted by The Malaysian Insurance Institute (MII). In 2011, he has completed the Certified Financial Planner® certification examination and is admitted as a certified member of Financial Planning Association of Malaysia (FPAM).

He started his career in auditing with S F Yap & Co in 1987 and later joined Nanyang Union Sdn Bhd ("Nanyang") as its Group Accountant, managing all financial matters of a group of companies involved in fabrication and manufacture of rubber gloves and

machines, manufacture of ceramic products and pesticides, and trading of industrial chemicals. In Nanyang, he also in charge of the corporate affairs, secretarial and taxation matters.

In 1990, he joined Mulpha International Berhad, a company listed on the Main Board of Bursa Malaysia. As a Divisional Manager, he managed Mulpha's sports and cosmetics trading divisions for Hong Kong, Macau, Malaysia, Singapore, Brunei and Indonesia, and was also responsible for the management of Mulpha's corporate affairs. In 1994, he left Mulpha and joined Forsixten Sdn Bhd, a company specialising in manufacture of bags and belts, as its General Manager. He re-joined Nanyang in 1995 as its Group Financial Controller and was responsible for managing its group financial matters, corporate affairs and large-scale development and construction projects.

In 1998, he moved to Jac Malaysia Sdn Bhd ("Jac") as a General Manager of Finance, responsible for its finance division and corporate affairs. Jac, a major self-adhesive label manufacturer in Malaysia, was one of the twelve worldwide manufacturing facilities for the Germany-based Jackstaedt



GmbH, one of the major self-adhesive label manufacturers in the world. He left Jac in 2000 and later joined GHL. As a General Manager of Finance and Administration, he was responsible for the finance division, credit control, corporate affairs and also acted as the Company Secretary of the GHL Group. In June 2002, he was promoted to the Group Finance Director of GHL.

DIRECTORS' PROFILE

cont'd



GOH KUAN HO

Non-Independent Non-Executive Director

Goh Kuan Ho, a Malaysian aged 47, was appointed to the Board on 29 March 1994. She is also the Chairperson of the Nomination Committee and Remuneration Committee, and member of the Audit Committee of the Company. She started her career as an Administrator with Nortek Computer Sdn Bhd in 1984. In 1988, she joined GHL Automation (a sole proprietorship) as an administrator, and left in 1991 to join GHL Automation Sdn Bhd as a Customer Service Manager. She was later appointed to the Board of Directors of GHL Automation Sdn Bhd. In late 1991, she was appointed to the Board of Directors of Info Era Sdn Bhd ("Info Era") and also assumed the position of Retail Manager of Info Era. She resigned as a director of GHL Automation Sdn Bhd and Info Era in April 1999 and April 2001 respectively.

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



ANGUS EUGENIO CAMPOS

Independent Non-Executive Director

Angus Eugenio Campos, a Malaysian aged 39, was appointed to the Board on 17 March 2008. He sits in the Audit, Remuneration, Nomination and ESOS Committee of the Company. He graduated with a double Major in Economics and Marketing from the Curtin University of Technology, Australia in 1995, and in the same year started his career with Alliance Bank in the Treasury Department, dealing with Swaps and Derivatives.

In 2001, he was appointed as the Director of Operations of Smarten Asia Sdn Bhd, an Italy-based company, to head their Asian office in Malaysia, where he was responsible for providing customer care and billing solutions to the country's major telecommunications players.

DIRECTORS' PROFILE

cont'd

MOHD RAFI BIN DAUD

Independent Non-Executive Director

Mohd Rafi bin Daud, a Malaysian aged 51, was appointed to the Board on 3 December 2010. He is an engineer by training and has PhD. in Business Management. He has more than 25 years of experience in corporate management, technology and investment, with broad exposure in strategic, operational and business planning in Fortune 100 and Malaysian-listed companies. He has had extensive exposure to the US, European and ASEAN markets particular in the technology sector.

He pioneered the commercialization and production of the World's first Lithium Polymer batteries for the rechargeable market. Prior to that, he spent several years as Managing Director at Tongkah Electronics Sdn. Bhd., and worked at regional semiconductor companies as director of operations based in various ASEAN locations.

He pioneered the establishment of MAVCAP, a Malaysian Government based Venture Capital, where he headed the Direct Investment and the Research

& Technology division at MAVCAP managing a fund size of US\$125 million and was responsible for the overall direct investments, deal analysis, due diligence, deal structuring and exit planning for the company.

He then started up of the Management Consulting practice as Principal Consultant at RSM Nelson Wheeler Sdn. Bhd. Subsequently he worked in the United Kingdom, where he was appointed Director at Credential Holdings Limited UK to manage several technology companies for the group.

Prior to his return to Malaysia, he was the Chief Operating Officer of Transpacific IP Ltd, a company headquartered in Hong Kong with offices in Taipei, Singapore, Beijing, Tokyo and San Francisco. At Transpacific he managed an IP (Intellectual Property) acquisition fund that creatively monetizes Intellectual Property for excellent returns.



FONG SEOW KEE

Independent Non-Executive Director

Fong Seow Kee, a Malaysian aged 53, was appointed to the Board on 28 December 2010. He is the Chairperson of the Audit Committee and member of the Nomination Committee and Remuneration Committee. He holds a BA (Hons) Economics & Social Studies from University of Manchester, England, is a Fellow of the Institute of Chartered Accountants in England & Wales and a Chartered Accountant of the Malaysian Institute of Accountants.

He has over 30 years experience in the finance industry, primarily in investment banking and private equity. After completing his articleship with Ernst & Young, UK in 1983, he worked with several leading investment banks in Malaysia, Hong Kong and Singapore where he advised companies on a variety of corporate finance transactions including M&A, Fund Raising and Corporate

Restructuring. In 1992, he joined a US venture capital firm in Singapore where he managed a pan-Asian venture capital fund investing in the US and across Asia. In 2000, he co-founded iSpring Capital Group, a Malaysia based investment management and advisory firm which currently manages a Government owned venture capital fund.

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



Note:

None of the Directors have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company and none of the Directors have committed any offences within the past 10 years other than traffic offences, if any.

REGIONAL MANAGEMENT TEAMS



GHL SYSTEMS MALAYSIA

Back row from left:

1. Lee Wee Kuan
(Internal Audit Manager)
2. Yam Tee Yen
(Senior Manager – Smart Cards & Devices)
3. Gan Fei Chen
(Asst. General Manager - Finance)
4. Leow Li Foong
(Solutions Development Manager)
5. Ting Siang Jin
(Manager, Pre-Sales)
6. Carlo Chung
(General Manager – Enterprise Solutions)
7. Chan Chun Fee
(Chief Operating Officer)
8. Roland Huu Eng Hock
(General Manager – Project Innovation)
9. Chow Chin Wah
(Business Manager – Corp Sales)
10. Wong Hoo Meng
(Infrastructure Manager)
11. Tan Lan Chiew
(Manager – EDC Customer Service)

Front row from left:

12. Adrian Yoon Chi Leong
(Manager – NetAccess Engineering)
13. Seah Chong Kai
(General Manager – Services, Support & Operations)
14. Chung Heuy Fen
(General Manager – Merchant Acquiring & Administration)
15. Pui Siew Foon
(Asst. General Manager – Terminal Solutions)
16. Chua Hooi Keng
(Operations Manager)
17. Phua Kia Teck
(General Manager – Product Marketing & Strategic Alliances)
18. Song Wei Hoon
(Manager – Merchant Admin)
19. Ooi Gin Hui
(Internal Audit Manager)
20. Yoong May Hoh
(Manager – AR Finance)
21. Tan Lian Nie
(Finance Manager)
22. Chong Tiam Tai
(PA to Group MD cum Senior HR Manager)

REGIONAL MANAGEMENT TEAMS

cont'd



GHL THAILAND

Back row from left:

1. Suttikul Wongcharoenlap (Asst Manager-Merchant Sales)
2. Paphat Matthayanpol (Head of Presale & Consulting)
3. Albert Mah (Managing Director/General Manager)
4. Amphol Suwantherangkoon (Business Development Director)
5. Pataree Hansanontha (Senior Account Manager - Corp Sales)
6. Tanadech Ploypetch (Asst Head - Presale & Consulting)
7. Suparuck Chaiyapan (Asst Head - Software Development)

Front row (seated) from left:

1. Nuntanut Amornlertvorapong (Asst Manager - Operations Admin)
2. Nichaphat Sangmart (HR Development)
3. Thanannut Chotteeramongkol (Accounting Manager)



GHL PHILIPPINES

Back row from left:

1. Rey Chumacera (Assistant General Manager)
2. Rufino Gelle Jr. (Operations Manager)
3. Herve Alfieri (General Manager)
4. Jan Stephen Castillo (Merchant Sales Manager)

Front row (seated) from left:

1. Jayson Roque (Technical Head)
2. Rachelle Perez (Human Resource Manager)
3. Maurine Javier (Administrative Head)



GHL BEIJING

Back row from left:

1. Liu Wen Guang (Card & Technical Manager)
2. Na Jia (Finance Manager)
3. Meng Xiang Tai (General Manager)
4. Xu Haishan (Merchant Admin & Customer Service Manager)
5. Hong Yi (Executive Field Personnel Engineer)

Front row (seated) from left:

1. Niu Hongli (Executive - Risk Control)
2. Sun Ya Nan (Executive - Hotline)
3. Huang Shi Tian (General Manager)
4. Wang Chun Jiao (Project Sales Manager)
5. Yu Xiao Hui (HR & Operations Manager)

MALAYSIA

Headquarters / Corporate Office

GHL SYSTEMS BERHAD

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Fax : (603) 6280 2999
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GHL SYSTEMS BERHAD

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CORPORATE GOVERNANCE

STATEMENT

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

A. THE BOARD OF DIRECTORS

i) Duties

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

The Board is responsible for the following:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, determining the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations program or shareholder communications policy for the Company; and
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

ii) Composition

The Company is led by an experienced Board, which is composed of eight (8) members; comprising, four (4) Executive Directors, one (1) Non-Independent Non-Executive Director, and three (3) Independent Non-Executive Directors. The Board's composition represents a mix of knowledge, skills and expertise to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction.

iii) Appointments of the Board and Re-election

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

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

iv) Board Meeting and Supply of Information

The Board meets on a scheduled basis, at least four (4) times a year to control and monitor the development of the Group. Additional meetings will be convened as and when required. The agenda for each Board meeting is circulated to all the Directors for their perusal well in advance of the Board meeting date. They are given sufficient time to enable the Directors to obtain further explanation, where necessary, in order to be briefed properly before the meeting.

The proceedings and resolutions reached at each Board Meeting are recorded in the minutes of the meetings, which are kept in the Minutes Book at the registered office. Besides Board meetings, the Board exercises control on matters that require the Board's approval through circulation of Directors' Resolutions.

CORPORATE GOVERNANCE

STATEMENT

cont'd

A. THE BOARD OF DIRECTORS (CONT'D)

iv) Board Meeting and Supply of Information (Cont'd)

The summary of attendance at the Board Meetings held for the financial year ended 31 December 2010 is as follows:-

Directors	Number of Board Meetings	
	Held	Attended
Loh Wee Hian (Appointed on 28.12.2010)	7	-
Tay Beng Lock	7	7
Yeng Fook Hoo	7	6
Chin Fook Kheong	7	7
Goh Kuan Ho	7	7
Yen Siw Kuin (Resigned on 31.01.2011)	7	6
Angus Eugenio Campos	7	7
Mohd Rafi bin Daud (Appointed on 03.12.2010)	7	1
Fong Seow Kee (Appointed on 28.12.2010)	7	-

v) Directors' Access to Information and Advice

The Board members have access to the advice and services of the Company Secretaries and all information in relation to the Group whether as a full Board or in their individual capacity to assist them in carrying out their duties. Where necessary, the Directors may engage independent professionals at the Group's expense on specialised issues to enable the Board to discharge their duties with adequate knowledge on the matters being deliberated.

vi) Remuneration of Directors

The Board has appointed the Remuneration Committee ("RC") comprising two (2) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) senior management personnel. The RC reviews and recommends to the Board the remuneration of the Executive Directors.

The remuneration of an Executive Director will be linked to corporate and individual performance. The remuneration of Non-Executive Directors is related to their experience and level of responsibilities and would be subject to the approval of the Board.

For the financial year ended 31 December 2010, a total sum of RM2,017,239 was paid to the Directors of the Company. The breakdown of the directors' remuneration and the number of directors in the remuneration bands are as follows:-

	Salary	Fees	* Other Emoluments	Grand Total
	RM	RM	RM	RM
Executive Directors				
Tay Beng Lock	585,600	33,000	102,717	721,317
Yeng Fook Hoo	548,000	33,000	96,215	677,215
Chin Fook Kheong	395,600	33,000	68,219	496,819
Sub-Total	1,529,200	99,000	267,151	1,895,351
Non-Executive Directors				
Goh Kuan Ho	-	39,600	-	39,600
Yen Siw Kuin	-	39,600	-	39,600
Angus Eugenio Campos	-	39,600	-	39,600
Mohd Rafi bin Daud	-	3,088	-	3,088
Loh Wee Hian	-	-	-	-
Fong Seow Kee	-	-	-	-
Sub-Total	-	121,888	-	121,888
Total	1,529,200	220,888	267,151	2,017,239

* The other emoluments include unutilised annual leave, EPF, Socso and other Benefits-in-kind

CORPORATE GOVERNANCE

STATEMENT

cont'd

A. THE BOARD OF DIRECTORS (CONT'D)

vi) Remuneration of Directors (Cont'd)

Remuneration Band (RM)	Number of Directors	
	Executive	Non-Executive
0 – 50,000	-	4
450,001 – 500,000	1	-
650,001 – 700,000	1	-
700,001 – 750,000	1	-

vii) Directors' Training and Continuing Education Program

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

The summaries of training attended by the Directors for the financial year ended 31 December 2010 are as follows:

LOH WEE HIAN

NIL

* Appointed on 28.12.2010

TAY BENG LOCK

FRS 139 Financial Instrument – Recognising and Measurement
2011 Budget Seminar

26 May 2010
29 October 2010

YENG FOOK HOO

Occupational First Aid & CPR Training

04 – 05 March 2010

CHIN FOOK KHEONG

BDO Tax Forum Series, GST: Which hat are you wearing
U.S. GAAP & IFRS
Occupational First Aid & CPR Training
FRS 139 Financial Instrument – Recognising and Measurement
Case studies approach to compliance with FRSs – from principles to practice
SAP B1 Training
2011 Budget Seminar
Corporate Governance and Ethics: Strengthening Professionalism Through Ethics

02 March 2010
30 – 31 March 2010
01 – 02 April 2010
26 May 2010
03 September 2010
23 October 2010
29 October 2010
29 December 2010

GOH KUAN HO

FRS 139 Financial Instrument – Recognising and Measurement
2011 Budget Seminar

26 May 2010
29 October 2010

YEN SIW KUIN

FRS 139 Financial Instrument – Recognising and Measurement
2011 Budget Seminar
2010 18th World Congress of Accountants

26 May 2010
29 October 2010
8 – 11 November 2010

ANGUS EUGENIO CAMPOS

FRS 139 Financial Instrument – Recognising and Measurement
2011 Budget Seminar

26 May 2010
29 October 2010

MOHD RAFI BIN DAUD

NIL

* Appointed on 03.12.2010

FONG SEOW KEE

Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies 22 – 23 September 2010

CORPORATE GOVERNANCE

STATEMENT

cont'd

B. BOARD COMMITTEES

The Board has established the following committees:

i) The Audit Committee

Terms and reference as well as further information on the Audit Committee are set out in the Annual Report.

ii) The Remuneration Committee

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

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

iii) The Nomination Committee

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

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

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

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

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

The ESOS Committee's responsibilities are as follows:-

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

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

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

CORPORATE GOVERNANCE

STATEMENT

cont'd

C. ACCOUNTABILITY AND AUDIT

i) Internal Audit

Details of the Internal Control System are stated in the Statement of Internal Control in the Annual Report.

ii) Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcements of results as well as the Chairman's statement and financial review in the annual report to shareholders. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and the quality of its financial reporting.

iii) Directors' Responsibility Statement with Respect to the Preparation of the Audited Financial Statements

The Board is responsible for ensuring that the financial statements of the Company and the Group are in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 to present a true and fair view of the state of affairs of the Company and the Group.

During the financial year under review, the Board has undertaken several measures to ensure quality financial reporting to its shareholders, investors and regulatory authorities in order to present a balanced, clear and comprehensive assessment of the Company's and the Group's performance and prospects. As part of the Company's continuing disclosure obligation under Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board aims to ensure timely, accurate and up-to-date financial information relating to the Company's and the Group's quarterly financial results are announced to Bursa Malaysia. The timely distribution of the Company's Annual Report to the shareholders and investors is to ensure that all those who invest in the Company's securities are kept abreast of the Company's and the Group's performance throughout the financial year.

The Chairman's Statement also provides an insight into the performance of the Group throughout the financial year as well as on the Group's future prospects.

The Board is assisted by the Audit Committee in the discharge of its fiduciary responsibilities relating to corporate accounting and reporting practices of the Group.

D. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The importance of keeping shareholders informed of developments concerning the Group is high on the agenda. In this respect, the Board has always maintained an active and constructive shareholder communication policy. The minority shareholders are kept abreast of all corporate developments concerning the Group through the distribution of the information via the Bursa Malaysia website (www.bursamalaysia.com), as well as via the Investor Relations Channel of the Company's corporate website (www.ghl.com). Investors are encouraged to sign up for the free email-alert service to receive the latest updates of the Company, including the quarterly financial results.

As part of the Company's continuing disclosure obligation under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company aims to ensure timely announcements are made through the Bursa Malaysia website and the Company's Investor Relations Channel to enable investors to make informed investment decisions.

The Annual General Meeting

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

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

CORPORATE GOVERNANCE

STATEMENT

cont'd

E. EMPLOYEES' SHARE OPTION SCHEME (ESOS) COMMITTEE

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

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

Term of Reference

1. Constitution

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

2. Composition

The ESOS Committee shall be appointed by the Board with at least five (5) members comprising the Executive Chairman, Group Managing Director, the Deputy Group Managing Director, one (1) Independent Non-Executive Director and one (1) senior management personnel of GHL Systems Berhad ("the Company").

- a) Members of the Committee will only be entitled to hold office during the period of their service with the Company.
- b) Where the Members of the Committee are reduced to less than five (5) for any reasons whatsoever, the Board shall, as soon as practicable thereafter, appoint such additional number of Members as may be required to make up the minimum of five (5). Unless the minimum number of five (5) Members are appointed, the Committee shall not be entitled to exercise any discretion under the ESOS Bye-Laws.
- c) The Board may, from time to time and in its absolute discretion, revise the composition of the Committee and the roles and responsibilities of the Committee.

3. Chairman of the ESOS Committee

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

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

4. Meetings of the ESOS Committee

- **Frequency**
Meetings shall be held at least once a year. In addition, the Chairman shall call for a meeting of the Committee if requested to do so by any Member of the Committee, the Board, the senior management or the internal or external auditors. Prior notice shall be given for the Committee's meetings.
- **Quorum**
The quorum for a meeting of the committee shall be two (2). Two (2) members present in person or through teleconferencing, video conferencing or other electronic media allowing for contemporaneous presence of the Members shall form the quorum.
- **Secretary of the ESOS Committee**
The Company Secretary shall attend the meetings on invitation to assist in the secretarial function of the Committee and not as a Member of the Committee. In the absence of the Company Secretary, a Member of the Committee shall be nominated for such secretarial function.

CORPORATE GOVERNANCE

STATEMENT

cont'd

E. EMPLOYEES' SHARE OPTION SCHEME (ESOS) COMMITTEE (CONT'D)

Term of Reference

5. Authority of the ESOS Committee (Cont'd)

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

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

6. Grant of Options

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

7. Acceptance of the Offer

- 7.1 A written offer made by the Committee to an eligible employee in the manner provided in Bye-Law 7 ("Offer") shall be valid for a period of fourteen (14) days from the date of Offer ("Offer Period").
- 7.2 An Offer shall be accepted by an eligible employee within the Offer Period by written notice to GHL Systems Berhad accompanied by a payment to GHL Systems Berhad of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only for the grant of the Options.
- 7.3 If an Offer is not accepted in the manner aforesaid, the Offer shall automatically lapse upon expiry of the Offer Period. The number of Options offered in the lapsed Offer shall be deducted from the Maximum Entitlement or the balance of the Maximum Entitlement of the eligible employee, and the eligible employee shall not be entitled to be offered the number of Options offered in the lapsed Offer, in any Offers made in the future.

8. Responsibility

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

9. Duties and Scope of Work

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

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

10. Decision Making

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

AUDIT COMMITTEE REPORT

TERMS OF REFERENCE

1. Constitution

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

2. Composition

The Audit Committee shall be appointed by the Board with at least three (3) members of which the majority shall comprise Independent Directors.

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

- A member of the Malaysian Institute of Accountants ("MIA"); and
- If he or she is not a member of MIA, he must have at least three (3) years working experience and:-
 - 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.

3. Chairman of the Audit Committee

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

4. Meetings of the Audit Committee

Frequency

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

Quorum

A minimum of two (2) members shall form the quorum.

Secretary of the Audit Committee

The Company Secretary shall be the secretary of the Committee.

5. Duties, Responsibilities and Rights

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

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

- a) The nomination of external auditors;
- b) The adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;
- c) The effectiveness of the internal audit function (if any);
- d) The effectiveness of the internal control and management information systems;
- e) The financial statements of the Company with both the external auditors and management;
- f) The external auditors' audit report;
- g) Any management letter sent by the external auditors to the Company and the management's response to such letter;
- h) Any letter of resignation from the Group's external auditors;
- i) The assistance given by the Company's officers to the external auditors;
- j) All areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
- k) All related-party transactions and potential conflict of interest situations; and
- l) All other matters delegated by the Board.

AUDIT COMMITTEE REPORT

cont'd

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

The Audit Committee shall:-

- a) Have explicit authority to investigate any matters within its terms of reference;
- b) Have the resources which it needs to perform its duties;
- c) Have full access to any information which it requires in the course of performing its duties;
- d) Have unrestricted access to the Managing Director and the Finance Director;
- e) Have direct communication channels with the external auditors and internal auditors;
- f) Be able to obtain independent professional or other advice in the performance of its duties at the cost of the Group;
- g) Be able to invite outsiders with relevant experience to attend its meetings if necessary; and
- h) Monitor and ensure that any transactions entered into between the Group and parties or companies connected to the promoters, directors and substantial shareholders of the Group are at arm's length and not on terms that are detrimental to the Group. The Directors of the Company are required to report such transactions in the annual report of the Company every year.

The management shall provide the fullest co-operation in providing information and resources to the Audit Committee, and in implementing or carrying out all requests made by the Audit Committee.

The Group Finance Director, the internal auditor and a representative of the external auditors shall attend Audit Committee Meetings. The Audit Committee shall meet at least twice a year with external auditors without the presence of executive board members.

6. Rights of Auditors

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

Upon the request of the external auditors or internal auditors (if any), the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matters that the auditors believe should be brought to the attention of the directors or shareholders.

7. Functional Independence

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

Other than as provided herein, the Audit Committee may regulate its own procedures including the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.

8. Retirement and Resignation

A member of the Audit Committee who wishes to retire or resign shall provide sufficient written notice to the Company so that a replacement may be appointed before he leaves. In the event of any vacancy in the Audit Committee, the Company shall fill the vacancy within two (2) months, but in any case not later than three (3) months.

The Audit Committee has verified that the allocation of ESOS Options to the eligible directors and employees of the Group is in accordance with the ESOS Bye-Laws.

Statement of Internal Controls

RESPONSIBILITY OF THE BOARD

The Board acknowledges that it has a responsibility to maintain a sound internal control system that ensures adequacy and integrity through a process of review, monitoring and assurance. The Management plays an integral role in assisting the design and implementation of the Board's policies on risk and control. This statement describes the processes that form the internal control framework throughout the Group's business operations, which are regularly reviewed by the Board. The internal control system was designed to manage, rather than eliminate, the risk of failure to achieve the Group's corporate objectives. In pursuing these objectives, internal control can provide only reasonable and not absolute assurances against material misstatements or losses.

RISK MANAGEMENT FRAMEWORK

Risk-Based-Auditing approach which begins with risk identification, risk evaluation and mapping of controls has been introduced and implemented. In addition, the Risk Management framework of the Company develops and maintains sound risk management policies and procedures for the respective business units, and ensures that risk exposures are being measured and monitored. The Group has established compliances in certain key subsidiaries and operates under the regulated environment plays a vital role in ensuring compliance with the relevant rules and regulations.

INTERNAL AUDIT FUNCTION

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

These include independently reviews the risk management framework implemented by management, and reports to the Audit Committee on a quarterly basis. The Group Internal Audit provides assurance over the operation and validity of the system of internal control in relation to the level of risk involved using Risk-Based-Auditing methodology.

The Audit Committee regularly convenes meetings to deliberate on the findings and recommendations for improvement by Group internal audit, external auditors as well as regulatory authorities. The Audit Committee reviews the actions taken to rectify the findings in a timely manner, and to evaluate the effectiveness and adequacy of the Group's internal control systems.

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

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

The costs incurred for the internal audit function in respect of the financial year is approximately RM130,000.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control for the inclusion in the annual report of the Company and of the Group for the financial year ended 31 December 2010 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

The Board believes that the systems of internal controls in the Group are adequate and have been effective in their functions, with no significant problems noted during the period under review. Moving forward, the Group will continue to improve and enhance the existing systems of internal controls, taking into consideration the changing business environment.

This statement is made in accordance with a resolution of the Board of Directors dated 22 March 2011.

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DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

	Group RM	Company RM
Loss before taxation	(14,664,888)	(15,205,111)
Taxation	489,050	503,559
Net loss for the financial year	<u>(14,175,838)</u>	<u>(14,701,552)</u>
Attributable to:		
Equity holders of the parent	<u>(14,175,838)</u>	

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

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

DIVIDEND

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM69,431,108 to RM72,901,050 by issuance of 6,939,885 new ordinary shares of RM0.50 each pursuant to bonus issue on the basis of one new ordinary shares for every twenty existing ordinary shares held by way of utilisation of RM3,469,942 from retained profits.

There were no issues of debentures during the financial year under review.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT

cont'd

REPURCHASE OF SHARES

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

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

To date, the Company had purchased the following ordinary shares of its issued and paid-up share capital from the open market:

Date	No. of ordinary shares	Average price per share RM	Total cost RM
02.12.2010	240,000	0.425 - 0.430	103,000
03.12.2010	432,300	0.430 - 0.440	189,902
06.12.2010	466,800	0.465 - 0.470	220,128
14.12.2010	219,600	0.440 - 0.465	100,871
15.12.2010	52,300	0.440 - 0.450	23,496
	1,411,000		637,397

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

EMPLOYEES' SHARE OPTION SCHEME

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

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

The Company has been granted exemption pursuant to Section 169(11) of the Companies Act, 1965 by the Companies Commission of Malaysia from having to disclose the names of option holders, other than Directors, who have been granted options to subscribe for less than 200,000 ordinary shares of RM0.50 each.

The list of employee granted options to subscribe for 200,000 and above ordinary shares of RM0.50 each during the financial year are as follows:

	Option price RM	No. of options over ordinary shares of RM0.50 each		
		At 1.1.2010	Bonus issue	At 31.12.2010
Chung Heuy Fen	0.50	200,000	10,000	210,000
Seah Chong Kai	0.50	200,000	10,000	210,000
Carlo Chung	0.50	200,000	10,000	210,000
Chan Chun Fee	0.50	200,000	10,000	210,000
Lee Kean Fook	0.50	200,000	10,000	210,000

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

DIRECTORS' REPORT

cont'd

DIRECTORS

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

Tay Beng Lock	
Yeng Fook Hoo	
Chin Fook Kheong	
Goh Kuan Ho	
Angus Eugenio Campos	
Mohd Rafi bin Daud	(appointed on 03.12.2010)
Fong Seow Kee	(appointed on 28.12.2010)
Loh Wee Hian	(appointed on 28.12.2010)
Yen Siw Kuin	(resigned on 31.01.2011)

DIRECTORS' INTERESTS

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

<----- No. of ordinary shares of RM0.50 each ----->					
	At 1.1.2010	Acquired	Bonus issue	Disposed	At 31.12.2010
GHL Systems Berhad					
Direct interest:					
Goh Kuan Ho	17,732,480	-	886,624	-	18,619,104
Tay Beng Lock	6,224,445	981,500	311,222	-	7,517,167
Yeng Fook Hoo	2,913,904	-	145,695	(100,000)	2,959,599
Loh Wee Hian	-	22,506,034	-	-	22,506,034

<----- No. of options over ordinary shares of RM0.50 each -----> (ESOS)			
	At 1.1.2010	Bonus issue	At 31.12.2010
GHL Systems Berhad			
Tay Beng Lock	1,600,000	80,000	1,680,000
Yeng Fook Hoo	1,600,000	80,000	1,680,000
Chin Fook Kheong	1,600,000	80,000	1,680,000

By virtue of their interest in the shares of the Company, Goh Kuan Ho, Tay Beng Lock and Yeng Fook Hoo are also deemed to have interest in the shares of all its subsidiary companies to the extent the Company has an interest.

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

DIRECTORS' BENEFITS

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

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

DIRECTORS' REPORT

cont'd

OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
 - (iii) any amount stated in the financial statements of the Group and of the Company misleading; and
 - (iv) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) No contingent or other liabilities of the Group and of the Company have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due.
- (d) At the date of this report, there does not exist:
- (i) any charge on the assets of the Company and its subsidiary companies which has arisen since the end of the financial year which secures the liabilities of any other person; and
 - (ii) any contingent liability in respect of the Company and its subsidiary companies which has arisen since the end of the financial year.

SIGNIFICANT EVENTS

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

AUDITORS

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

Signed in accordance with a resolution of the Directors.



YENG FOOK HOO



CHIN FOOK KHEONG

KUALA LUMPUR
22 MARCH 2011

STATEMENT BY DIRECTORS

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

We, YENG FOOK HOO and CHIN FOOK KHEONG being two of the Directors of GHL SYSTEMS BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 39 to 95 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

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

Signed in accordance with a resolution of the Directors.



YENG FOOK HOO



CHIN FOOK KHEONG

KUALA LUMPUR
22 MARCH 2011

STATUTORY DECLARATION

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

I, YENG FOOK HOO, 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 39 to 95 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 YENG FOOK HOO)
at KUALA LUMPUR in the Federal)
Territory this 22 March 2011)



YENG FOOK HOO

Before me,



COMMISSIONER FOR OATHS
No. 766, Jalan Sentul,
Sentul 51000 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GHL SYSTEMS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of GHL Systems Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statement 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 39 to 95.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 4 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GHL SYSTEMS BERHAD

cont'd

OTHER MATTERS

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



UHY

Firm Number: AF 1411

Chartered Accountants



KOAY THEAM HOCK

Approved Number: 2141/04/13 (J)

Chartered Accountant

KUALA LUMPUR

22 MARCH 2011

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
Non-Current Assets					
Property, plant and equipment	3	45,153,939	53,876,124	12,641,119	13,960,519
Investment in subsidiary companies	4	-	-	10,998,435	14,939,995
Other investment	5	-	-	-	-
Goodwill on consolidation	6	1,096,239	1,913,105	-	-
		46,250,178	55,789,229	23,639,554	28,900,514
Current Assets					
Inventories	7	6,538,138	6,319,727	2,663,867	2,282,772
Trade receivables	8	13,173,391	13,990,646	2,086,177	3,255,873
Other receivables	9	5,773,194	5,467,023	353,506	1,881,869
Amount owing by subsidiary companies	10	-	-	49,987,606	57,189,282
Tax recoverable		129,077	147,062	22,410	39,029
Fixed deposits with licensed banks	11	2,121,037	1,959,470	1,240,091	1,140,606
Cash and bank balances		10,571,573	12,773,273	1,216,209	628,980
		38,306,410	40,657,201	57,569,866	66,418,411
Total Assets		84,556,588	96,446,430	81,209,420	95,318,925
Equity					
Share capital	12	72,901,050	69,431,108	72,901,050	69,431,108
Reserves	13	(10,767,918)	7,160,485	1,681,707	19,630,650
Treasury shares	14	(638,221)	(824)	(638,221)	(824)
Total Equity		61,494,911	76,590,769	73,944,536	89,060,934
Non-Current Liabilities					
Hire purchase payables	15	43,721	17,931	43,721	-
Bank borrowings	16	2,618,551	2,880,770	2,618,551	2,880,770
Deferred taxation	17	-	503,559	-	503,559
		2,662,272	3,402,260	2,662,272	3,384,329
Current Liabilities					
Trade payables	18	5,246,194	5,225,757	912,247	924,215
Other payables	19	14,442,804	11,033,537	2,542,113	1,772,884
Amount owing to a subsidiary company	10	-	-	454,882	-
Hire purchase payables	15	527,889	17,544	510,852	-
Bank borrowings	16	182,518	176,563	182,518	176,563
		20,399,405	16,453,401	4,602,612	2,873,662
Total Liabilities		23,061,677	19,855,661	7,264,884	6,257,991
Total Equity and Liabilities		84,556,588	96,446,430	81,209,420	95,318,925

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
Revenue	20	63,987,753	57,150,217	21,167,310	17,199,145
Cost of sales		(23,816,177)	(18,556,859)	(9,464,110)	(6,449,475)
Gross profit		40,171,576	38,593,358	11,703,200	10,749,670
Other operating income		3,176,492	1,089,284	696,477	246,037
Administration expenses		(49,007,601)	(40,366,938)	(25,959,539)	(14,379,440)
Distribution costs		(7,390,412)	(5,491,607)	(1,304,607)	(1,024,071)
Other operating expenses		(1,416,177)	(111,408)	(156,126)	(121,319)
Finance costs	21	(198,766)	(187,531)	(184,516)	(180,287)
Loss before taxation	22	(14,664,888)	(6,474,842)	(15,205,111)	(4,709,410)
Taxation	23	489,050	(522,982)	503,559	(502,808)
Net loss for the financial year		(14,175,838)	(6,997,824)	(14,701,552)	(5,212,218)
Other comprehensive income					
Foreign exchange differences, representing net loss not recognised in statements of comprehensive income		(505,174)	507,143	-	-
Net loss for the financial year, representing total comprehensive income for the financial year		(14,681,012)	(6,490,681)	(14,701,552)	(5,212,218)
Net loss for the financial year attributable to:					
Equity holders of the parent		(14,175,838)	(6,977,824)		
Non-controlling interest		-	(20,000)		
		(14,175,838)	(6,997,824)		
Other comprehensive income attributable to:					
Equity holders of the parent		(14,681,012)	(6,470,681)		
Non-controlling interest		-	(20,000)		
		(14,681,012)	(6,490,681)		
Earnings per share attributable to equity holders of the parent (sen):					
Basic	24(a)	(9.96)	(5.04)		
Fully diluted	24(b)	(9.96)	(5.04)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		Attributable to Equity Holders of the Parent								
		<Non-Distributable> <---Distributable--->								
Group	Note	Share capital RM	Foreign exchange reserve RM	ESOS reserve RM	Treasury shares RM	Retained profits RM	Total RM	Non-controlling interest RM	Total equity RM	
At 1 January 2009		69,431,108	(1,256,993)	-	(4,467)	15,083,429	83,253,077	-	83,253,077	
Shares purchased during the financial year held as treasury shares		-	-	-	(226,991)	-	(226,991)	-	(226,991)	
Arising from acquisition of subsidiary company		-	-	-	-	-	-	20,000	20,000	
Dividends	25	-	-	-	230,634	(230,634)	-	-	-	
Net loss for the financial year, representing total comprehensive income for the financial year		-	507,143	-	-	(6,977,824)	(6,470,681)	(20,000)	(6,490,681)	
Share based payment		-	-	35,364	-	-	35,364	-	35,364	
At 31 December 2009		69,431,108	(749,850)	35,364	(824)	7,874,971	76,590,769	-	76,590,769	

		Attributable to Equity Holders of the Parent								
		<Non-Distributable> <---Distributable--->								
Group	Note	Share capital RM	Foreign exchange reserve RM	ESOS reserve RM	Treasury shares RM	Retained profits/ (Accumulated losses) RM	Total RM	Non-controlling interest RM	Total equity RM	
At 1 January 2010		69,431,108	(749,850)	35,364	(824)	7,874,971	76,590,769	-	76,590,769	
Shares purchased during the financial year held as treasury shares		-	-	-	(637,397)	-	(637,397)	-	(637,397)	
Net loss for the financial year, representing total comprehensive income for the financial year		-	(505,174)	-	-	(14,175,838)	(14,681,012)	-	(14,681,012)	
Bonus issue	12	3,469,942	-	-	-	(3,469,942)	-	-	-	
Share based payment		-	-	222,551	-	-	222,551	-	222,551	
At 31 December 2010		72,901,050	(1,255,024)	257,915	(638,221)	(9,770,809)	61,494,911	-	61,494,911	

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

cont'd

Company	Note	Share capital RM	Non-Distributable	<-----Distributable----->		Total equity RM
			ESOS reserve RM	Treasury shares RM	Retained profits RM	
At 1 January 2009		69,431,108	-	(4,467)	25,038,138	94,464,779
Shares purchased during the financial year held as treasury shares		-	-	(226,991)	-	(226,991)
Dividends	25	-	-	230,634	(230,634)	-
Net loss for the financial year, representing total comprehensive income for the financial year		-	-	-	(5,212,218)	(5,212,218)
Share based payment		-	35,364	-	-	35,364
At 31 December 2009		69,431,108	35,364	(824)	19,595,286	89,060,934
At 1 January 2010		69,431,108	35,364	(824)	19,595,286	89,060,934
Shares purchased during the financial year held as treasury shares		-	-	(637,397)	-	(637,397)
Bonus issue	12	3,469,942	-	-	(3,469,942)	-
Net loss for the financial year, representing total comprehensive income for the financial year		-	-	-	(14,701,552)	(14,701,552)
Share based payment		-	222,551	-	-	222,551
At 31 December 2010		72,901,050	257,915	(638,221)	1,423,792	73,944,536

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash Flows From Operating Activities				
Loss before taxation	(14,664,888)	(6,474,842)	(15,205,111)	(4,709,410)
Adjustment for:				
Allowance for doubtful debts	1,035,775	402,693	3,719,235	77,000
Bad debts written-off	2,380,997	70,362	861,734	9,000
Depreciation of property, plant and equipment	8,047,134	10,777,449	2,510,803	2,454,307
Impairment loss on property, plant and equipment	5,760,325	-	-	-
Impairment loss on investment in subsidiary companies	-	-	3,941,562	-
Impairment loss on other investment	-	88,250	-	88,250
Impairment loss on goodwill on consolidation	816,868	-	-	-
Interest expense	198,766	187,531	184,516	180,287
Interest income	(174,243)	(208,178)	(28,080)	(102,571)
Inventories written off/(reversal)	95,793	336,544	(66,467)	56,282
(Gain)/Loss on disposal of property, plant and equipment	(169,851)	176,363	(181,002)	-
Gain on disposal of other investment	(17,461)	-	(17,461)	-
Intangible asset written off	1,291,697	-	-	-
Property, plant and equipment written off	450,503	71,980	450,000	-
Property, plant and equipment written back	(30,164)	-	-	-
Reversal of allowance for doubtful debts no longer required	(1,963,484)	(231,559)	(469,734)	-
Share based payment	222,551	35,364	222,551	35,364
Unrealised loss/(gain) on foreign exchange	528,756	(529,498)	632,703	(78,368)
Operating profit/(loss) before working capital changes	3,809,074	4,702,459	(3,444,751)	(1,989,859)
Decrease/(Increase) in working capital				
Inventories	94,559	2,242,815	(314,628)	412,628
Trade and other receivables	(2,651,386)	(5,188,474)	2,045,792	(1,648,616)
Trade and other payables	3,429,704	7,763,382	757,261	2,060,561
Amount owing by/(to) subsidiary companies	-	-	3,430,896	1,019,184
	872,877	4,817,723	5,919,321	1,843,757
Cash generated from/(used in) operations	4,681,951	9,520,182	2,474,570	(146,102)
Interest received	174,243	208,178	28,080	102,571
Interest paid	(198,766)	(187,531)	(184,516)	(180,287)
Tax paid	(93,278)	(118,204)	(22,985)	(27,041)
Tax refunded	96,754	53,686	39,604	10,814
Exchange fluctuation adjustment	(265,486)	397,046	133,991	-
	(286,533)	353,175	(5,826)	(93,943)
Net cash from/(used in) operating activities	4,395,418	9,873,357	2,468,744	(240,045)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

cont'd

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	3(c)	(5,462,201)	(8,026,254)	(641,403)	(361,395)
Proceeds from disposal of property, plant and equipment		366,717	1,135,209	181,002	-
Proceeds from disposal of other investment		17,461	-	17,461	-
Additional investment in a subsidiary companies by minority interest		-	20,000	-	-
Acquisition of subsidiary companies		(2)	-	(2)	(80,000)
Net cash used in investing activities		(5,078,025)	(6,871,045)	(442,942)	(441,395)
Cash Flows From Financing Activities					
Repurchase of shares		(637,397)	(226,991)	(637,397)	(226,991)
Increase in fixed deposits pledged		(846,917)	(68,537)	(827,079)	(47,512)
Repayment of hire purchase payables		(463,865)	(50,555)	(445,427)	-
Repayment of bank borrowings		(256,264)	(189,148)	(256,264)	(189,148)
Net cash used in financing activities		(2,204,443)	(535,231)	(2,166,167)	(463,651)
Net (decrease)/increase in cash and cash equivalents		(2,887,050)	2,467,081	(140,365)	(1,145,091)
Cash and cash equivalents at beginning of the financial year		13,616,367	11,149,286	1,472,074	2,617,165
Cash and cash equivalents at end of the financial year		10,729,317	13,616,367	1,331,709	1,472,074
Cash and cash equivalents at end of financial year comprises:					
Cash and bank balances		10,571,573	12,773,273	1,216,209	628,980
Fixed deposits with licensed banks		2,121,037	1,959,470	1,240,091	1,140,606
		12,692,610	14,732,743	2,456,300	1,769,586
Less : Fixed deposits pledged to licensed banks		(1,963,293)	(1,116,376)	(1,124,591)	(297,512)
		10,729,317	13,616,367	1,331,709	1,472,074

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The principal activities of the Company are those of developing and selling in-house software programmes, sale and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance.

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

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

The registered office of the Company is located at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

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

FRS 8	Operating Segments
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 2	Share-based Payment-Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments: Presentation
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction

Amendments to FRS1, First-time Adoption Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements - Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"

The revised FRS are either not applicable to the Group and to the Company or the adoptions did not result in significant changes in accounting policies of the Company and did not have significant impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of accounting (Cont'd)

The Group and the Company have not early adopted the following new FRSs, revised FRSs, Issues Committee ("IC") Interpretations, amendments to FRSs and IC Interpretations, which have been issued as at the date of authorisation of these financial statements and will be effective for the financial periods as stated below:

		Effective date for financial periods beginning on or after
Amendments to FRS 132	Financial Instruments: Presentation	1 March 2010
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 127	Consolidated & Separate Financial Statements	1 July 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters	1 January 2011
Amendment to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
Amendments to FRSs contained in the documents entitled "Improvements to FRSs (2010)"		1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011
IC Interpretation 15	Agreements for Construction of Real Estate	1 January 2012
FRS 124	Related Party Disclosures	1 January 2012

The initial applications of the above applicable new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations is not expected to have any material impact on the financial statements of the Group and the Company, except as discussed below:

(i) FRS 7 Financial Instruments: Disclosures

This new standard requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which an entity is exposed and how these risks are managed. This standard requires both qualitative disclosures describing management's objectives, policies and processes for managing those risks, and quantitative disclosures providing information about the extent to which an entity is exposed to risk, based on information provided internally to the entity's key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of accounting (Cont'd)

(ii) FRS 123 Borrowing Costs

This new standard removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. However, capitalisation of borrowing costs is not required for assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

(iii) Amendments to FRS 117: Leases (FRS 117)

Amendments to FRS 117 sets out the new requirement where leasehold land which is in substance a finance lease will be reclassified to property, plant and equipment. The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and accordingly, has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

The following comparative figures have been restated following the adoption of the amendments to FRS 117:

	As at 31 December 2009	
	As restated	As previously stated
	RM	RM
Carrying amount		
Property, plant and equipment	13,960,519	12,401,176
Prepaid land lease payments	-	1,559,343

(iv) FRS 139 Financial Instruments: Recognition and Measurement

This new standard establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. The impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 103AB of FRS 139.

The Group and the Company has applied the transitional provisions in FRS 7 and FRS 139 which exempt entities from disclosing the possible impact arising from initial application of the respective standards on the financial statements of the Group and the Company.

(b) Functional and presentation currency

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

(c) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group and of the Company are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the plant and equipment as disclosed in Note 2(i)(iii). These are common life expectancies applied in the industry. Changes in the expected level of usage could have impact the useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of the Group's and of the Company's property, plant and equipment at 31 December 2010 are disclosed in Note 3 to the financial statements.

(ii) Estimation of fair value of properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; or
- (b) recent prices of similar properties based on less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(iii) Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis, in accordance with the accounting policy disclosed in Note 2(k). This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill on consolidation at 31 December 2010 is disclosed in Note 6 to the financial statements.

(iv) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(v) Employees' Share Option Scheme

The fair value of share options granted during the financial year was estimated by the management using the Black-Scholes-Merton model, taking into accounts the terms and conditions upon which the options were granted. The fair value of share options was measured at Grant Date. The principal assumption used in the fair value estimation is disclosed in Note 27 to the financial statements.

(d) Financial assets

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

(i) Initial measurement

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial assets (Cont'd)

(ii) Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss are subsequently carried at fair value. The fair value measurement considerations of the Group and of the Company are as disclosed in Note 2(e). Equity instrument that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

Interest and dividend income on financial assets, available-for-sale are recognised separately in the statement of comprehensive income. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(iii) Classification

The Group and the Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

Financial assets, at fair value through profit or loss

Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Company investment strategy.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the statement of financial position date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the statement of financial position.

Financial assets, available-for-sale

Financial assets, available-for-sale is non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the statement of financial position date.

'Held-to-Maturity' Investment

'Held-to-maturity' investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity.

Subsequent to initial recognition, 'held-to-maturity' investments are measured at amortised cost using the effective interest method less any accumulated impairment losses. Gains or losses are recognised in profit or loss when 'held-to-maturity' investments are derecognised or impaired.

Held-to-maturity investment are classified as non-current assets, except for those having maturity date within 12 months after the reporting date which are classified as current.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial assets (Cont'd)

(iv) Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sales proceeds is recognised in the statement of comprehensive income.

(v) Impairment

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

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired. The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the statement of comprehensive income.

The allowance for impairment loss account is reduced through the statement of comprehensive income in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

Financial assets, available-for-sale

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

The cumulative loss that was recognised in the fair value reserve is transferred to the statement of comprehensive income. The impairment losses recognised in the statement of comprehensive income on equity securities are not reversed through the statement of comprehensive income.

Financial assets, held-to-maturity

Impairment in respect of held-to-maturity investment carried at amortised cost are measured as the difference between the assets carrying amount and the present values of their estimated future cash flows discounted at the "held-to-maturity" investments' original effective interest rate.

(e) Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities) are based on quoted market prices at the statement of financial position date. The quoted market prices used for financial assets are current bid prices; the appropriate quoted market prices for financial liabilities are the current risk prices.

The fair values of financial instruments that are not traded in an active market are determined by using a variety of methods and makes assumptions based on market conditions existing at each statement of financial position date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments. However, if the probabilities of various estimates cannot be reasonably measured the Group and the Company are precluded from measuring the instruments at fair value, and the financial instruments are measured at cost.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Derivatives

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

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

(g) Financial liabilities

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

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for financial guarantee) are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss account.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial Liabilities at 'Fair Value Through Profit or Loss'

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability held for trading include derivative enter by the Group and by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange difference.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

Other financial liabilities

The Group's and the Company's other financial liabilities includes trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method.

Loan and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(h) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies and its associated companies through equity accounting, which are made up to the end of the financial year.

In the Company's separate financial statements, investments in subsidiary companies and investment in associated companies are stated at cost less impairment losses in accordance with Note 2(j). On disposal of these investments, the difference between the net disposal proceeds and the carrying amount is recognised in the statements of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Basis of consolidation (Cont'd)

(i) Subsidiary companies

Subsidiary companies are those companies in which the Group has long term equity interest and has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

The purchase method of accounting is used to account for the acquisition of subsidiary companies. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation as appropriate. The accounting policy on goodwill on acquisition of subsidiary companies is set out in Note 2(k). Reserve on consolidation is recognised immediately in statements of comprehensive income.

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

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unimpaired balance of goodwill which were not previously recognised in the consolidated statements of comprehensive income.

Minority interest is measured at the minorities' share of the fair value of identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are attributed to the equity holders of the Company.

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority shareholders for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the statements of comprehensive income.

When a group purchases a subsidiary's equity shares from minority shareholders for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(i) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2(j).

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Recognition and measurement (Cont'd)

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the statements of comprehensive income on a straight-line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Computer equipments	3 years
EDC equipments	5 years
Computer software	10 years
Motor vehicles	5 years
Furniture, fittings and office equipments	10 years
Renovation	2 years

The depreciable amount is determined after deducting the residual value.

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

Upon disposal of an asset, the difference between the net disposal proceeds and the carrying amount of the assets is charged or credited to the statements of comprehensive income. On disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred to distribution reserve.

(j) Impairment of non-financial assets

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

If any such indication exists then the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, recoverable amount is estimated at each reporting date or more frequently when indications of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statements of comprehensive income in the period in which it arises. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units (groups of units) and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment of non-financial assets (Cont'd)

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

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

(k) Goodwill on consolidation

Goodwill acquired in a business combination is initially measured at cost, represents the excess of the purchase price over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequently when there is objective evidence that the carrying value may be impaired, in accordance with Note 2(j).

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

(l) Other investments

Other investments are long term investments stated at cost and allowance is made where, in the opinion of the Directors, there is a permanent diminution in value. Permanent diminution in the value of investment is recognised as an expense in the financial year in which the diminution is identified.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the statements of comprehensive income.

(m) Inventories

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

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

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

(n) Leases and hire purchase

A lease is recognised as a finance lease if it transfers substantially to the Group and the Company all the risks and rewards incident to ownership. All other leases are treated as operating leases.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as liabilities. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Group's or the Company's incremental borrowing rate is used.

Lease and hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the statements of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charges on the remaining balance of the obligations for each accounting period.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Leases and hire purchase (Cont'd)

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment which are owned.

Lease rental under operating lease is charged to the statements of comprehensive income on a straight line basis over the term of the relevant lease.

(o) Cash and cash equivalents

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

(p) Share capital

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

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

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

(q) Foreign currencies

(i) Foreign currency transactions and balances

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

Translation differences on non-monetary items, such as financial assets held for trading held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the exchange fluctuation reserve in the equity.

(ii) Foreign operations

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statements of comprehensive income as part of the gain or loss on sale.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Foreign currencies (Cont'd)

(ii) Foreign operations (Cont'd)

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiary companies are treated as assets and liabilities and translated at the rates of exchange ruling at the transaction dates.

The closing exchange rates used for each unit of the main foreign currencies in the Group and in the Company are:

	2010 RM	2009 RM
Hong Kong Dollar (HK\$)	0.3964	0.4418
United States Dollar (US\$)	3.0855	3.4265
Singapore Dollar (S\$)	2.3867	2.4452
Thailand Baht (THB)	0.1023	0.1028
Chinese Yuan Renminbi (RMB)	0.4674	0.5019
Philippines Peso (PHP)	0.0747	0.0742
Sterling Pound (GBP)	4.9623	5.5311
Euro (EUR)	4.0858	4.9191

(r) Revenue recognition

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

(i) Goods sold and services rendered

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

(ii) Rental income

Rental income is recognised on an accruals basis unless ability to collect is in doubt.

(iii) Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

(s) Employee benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the statements of comprehensive income in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Employee benefits (Cont'd)

(iii) Accrued annual leave

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

(iv) Employees' Share Option Scheme

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

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the statements of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

(t) Contingent liabilities

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

(u) Income taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. PROPERTY, PLANT AND EQUIPMENT

	Long term leasehold land and buildings RM	Computer equipments RM	EDC equipments RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipments RM	Renovation RM	Total RM
2010								
Group								
Cost								
At 1 January 2010								
- As previously stated	3,250,000	6,813,988	56,999,957	17,549,522	2,220,082	8,326,604	1,758,136	96,918,289
- Effect of adopting FRS 117	1,625,000	-	-	-	-	-	-	1,625,000
- As restated	4,875,000	6,813,988	56,999,957	17,549,522	2,220,082	8,326,604	1,758,136	98,543,289
Additions	-	411,815	3,694,194	192,230	1,463,694	704,381	26,051	6,492,365
Disposal	-	(513)	(183,122)	-	(1,748,852)	(132)	(108,536)	(2,041,155)
Written off	-	(395)	(3,580)	(1,500,000)	-	-	-	(1,503,975)
Transfer to inventories	-	-	-	-	-	(408,763)	-	(408,763)
Exchange difference	-	(51,720)	(93,515)	-	506	(353,822)	(40,369)	(538,920)
At 31 December 2010	4,875,000	7,173,175	60,413,934	16,241,752	1,935,430	8,268,268	1,635,282	100,542,841
Accumulated depreciation								
At 1 January 2010								
- As previously stated	131,313	5,944,807	23,237,234	9,336,642	1,998,058	2,777,983	1,175,471	44,601,508
- Effect of adopting FRS 117	65,657	-	-	-	-	-	-	65,657
- As restated	196,970	5,944,807	23,237,234	9,336,642	1,998,058	2,777,983	1,175,471	44,667,165
Charge for the financial year	49,243	614,418	3,710,800	1,900,521	357,853	1,176,926	237,373	8,047,134
Disposals	-	(282)	(49,633)	-	(1,689,643)	(33)	(104,698)	(1,844,289)
Written off	-	(392)	(3,080)	(1,050,000)	-	-	-	(1,053,472)
Exchange difference	-	(37,567)	(19,760)	-	(2,928)	(111,461)	(16,245)	(187,961)
At 31 December 2010	246,213	6,520,984	26,875,561	10,187,163	663,340	3,843,415	1,291,901	49,628,577

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Long term leasehold land and buildings RM	Computer equipments RM	EDC equipments RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipments RM	Renovation RM	Total RM
2010								
Group								
Accumulated impairment								
At 1 January 2010	-	-	-	-	-	-	-	-
Impair during the financial year	-	-	5,760,325	-	-	-	-	5,760,325
At 31 December 2010	-	-	5,760,325	-	-	-	-	5,760,325
Carrying amount								
At 31 December 2010	4,628,787	652,191	27,778,048	6,054,589	1,272,090	4,424,853	343,381	45,153,939

	Long term leasehold land and buildings RM	Computer equipments RM	EDC equipments RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipments RM	Renovation RM	Total RM
2009								
Group								
Cost								
At 1 January 2009								
- As previously stated	3,250,000	5,467,791	52,187,968	17,374,879	2,213,452	7,421,474	2,203,746	90,119,310
- Effect of adopting FRS 117	1,625,000	-	-	-	-	-	-	1,625,000
- As restated	4,875,000	5,467,791	52,187,968	17,374,879	2,213,452	7,421,474	2,203,746	91,744,310
Additions	-	420,798	6,476,116	174,643	-	1,050,967	491,522	8,614,046
Disposal	-	(33,787)	(1,807,783)	-	-	(443)	-	(1,842,013)
Written off	-	(660)	(3,580)	-	-	(119,396)	-	(123,636)
Reclassification	-	942,175	-	-	-	-	(942,175)	-
Exchange difference	-	17,671	147,236	-	6,630	(25,998)	5,043	150,582
At 31 December 2009	4,875,000	6,813,988	56,999,957	17,549,522	2,220,082	8,326,604	1,758,136	98,543,289

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Long term leasehold land and buildings RM	Computer equipments RM	EDC equipments RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipments RM	Renovation RM	Total RM
2009								
Group								
Accumulated depreciation								
At 1 January 2009								
- As previously stated	98,484	4,218,987	17,491,333	7,430,357	1,716,901	1,626,441	1,799,582	34,382,085
- Effect of adopting FRS 117	49,243	-	-	-	-	-	-	49,243
- As restated	147,727	4,218,987	17,491,333	7,430,357	1,716,901	1,626,441	1,799,582	34,431,328
Charge for the financial year								
- As previously stated	32,829	952,777	6,226,389	1,906,285	278,796	1,212,037	151,922	10,761,035
- Effect of adopting FRS 117	16,414	-	-	-	-	-	-	16,414
- As restated	49,243	952,777	6,226,389	1,906,285	278,796	1,212,037	151,922	10,777,449
Disposals	-	(11,550)	(518,789)	-	-	(102)	-	(530,441)
Written off	-	(660)	(3,080)	-	-	(47,916)	-	(51,656)
Reclassification	-	775,678	-	-	-	-	(775,678)	-
Exchange difference	-	9,575	41,381	-	2,361	(12,477)	(355)	40,485
At 31 December 2009								
- As previously stated	131,313	5,944,807	23,237,234	9,336,642	1,998,058	2,777,983	1,175,471	44,601,508
- Effect of adopting FRS 117	65,657	-	-	-	-	-	-	65,657
- As restated	196,970	5,944,807	23,237,234	9,336,642	1,998,058	2,777,983	1,175,471	44,667,165
Carrying amount								
At 31 December 2009	4,678,030	869,181	33,762,723	8,212,880	222,024	5,548,621	582,665	53,876,124

NOTES TO THE FINANCIAL STATEMENTS

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3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Long term leasehold buildings RM	Computer equipments RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipments RM	Renovation RM	Total RM
2009							
Company Cost							
At 1 January 2009							
- As previously stated	3,250,000	2,397,774	16,668,784	1,684,226	1,747,078	422,905	26,170,767
- Effect of adopting FRS 117	1,625,000	-	-	-	-	-	1,625,000
- As restated	4,875,000	2,397,774	16,668,784	1,684,226	1,747,078	422,905	27,795,767
Additions	-	180,820	129,643	-	50,932	-	361,395
At 31 December 2009	4,875,000	2,578,594	16,798,427	1,684,226	1,798,010	422,905	28,157,162
Accumulated depreciation							
At 1 January 2009							
- As previously stated	98,484	2,097,579	7,037,281	1,487,436	570,584	401,729	11,693,093
- Effect of adopting FRS 117	49,243	-	-	-	-	-	49,243
- As restated	147,727	2,097,579	7,037,281	1,487,436	570,584	401,729	11,742,336
Charge for the financial year							
- As previously stated	32,829	201,486	1,833,425	174,838	176,200	19,115	2,437,893
- Effect of adopting FRS 117	16,414	-	-	-	-	-	16,414
- As restated	49,243	201,486	1,833,425	174,838	176,200	19,115	2,454,307
At 31 December 2009							
- As previously stated	131,313	2,299,065	8,870,706	1,662,274	746,784	420,844	14,130,986
- Effect of adopting FRS 117	65,657	-	-	-	-	-	65,657
- As restated	196,970	2,299,065	8,870,706	1,662,274	746,784	420,844	14,196,643
Carrying amount							
At 31 December 2009	4,678,030	279,529	7,927,721	21,952	1,051,226	2,061	13,960,519

NOTES TO THE FINANCIAL STATEMENTS

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3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) Included in the property, plant and equipment of the Group and of the Company are motor vehicles acquired under hire purchase with carrying amounts of RM980,946 and RM959,821 (2009: RM110,223 and Nil) respectively.
- (b) The long term leasehold land and buildings of the Group and of the Company have been pledged to a licensed bank as security for banking facilities granted to the Company as disclosed in Note 16 to the financial statements.

The remaining period of the long term leasehold buildings is 92 years (2009: 93 years).

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Aggregate costs	6,492,365	8,614,046	1,641,403	361,395
Less: Hire purchase financing	(1,000,000)	-	(1,000,000)	-
Less: Written back	(30,164)	-	-	-
Less: Transferred from inventories	-	(587,792)	-	-
Cash payment	5,462,201	8,026,254	641,403	361,395

4. INVESTMENT IN SUBSIDIARY COMPANIES

- (a) Investment in subsidiary companies

	Company	
	2010 RM	2009 RM
Unquoted shares, at cost		
In Malaysia	4,480,002	4,480,000
Outside Malaysia	10,459,995	10,459,995
	14,939,997	14,939,995
Less: Impairment loss	(3,941,562)	-
	10,998,435	14,939,995

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

Name of company	Country of incorporation	Effective interest		Principal activities
		2010 %	2009 %	
Direct holding:				
GHL Transact Sdn. Bhd.	Malaysia	100	100	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance
GHL Payments Sdn. Bhd.	Malaysia	100	100	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance

NOTES TO THE FINANCIAL STATEMENTS

cont'd

4. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of company	Country of incorporation	Effective interest		Principal activities
		2010 %	2009 %	
Direct holding:				
GHL Eftpos Sdn. Bhd.	Malaysia	100	100	Sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance
GHL International Sdn. Bhd.	Malaysia	100	100	Investment holding, sales and rental of EDC equipment and its related software and services, inclusive of installation, training and maintenance
GHL Asia Pacific Limited	Labuan	100	100	Investment holding
Ideal Sales Concept Sdn. Bhd.	Malaysia	100	80	Developing and selling of Net. Point software solution; software programmes and other related products and services
Indirect holding:				
Subsidiary company of GHL International Sdn. Bhd.				
Card Pay Sdn. Bhd.	Malaysia	100	100	Third party acquirer for e-debit and MEPS cash transactions, sales and rental of EDC equipment and its related software & services, inclusive of installation, training and maintenance.
* GHLSYS Singapore Pte. Ltd.	Singapore	100	100	Dormant
Subsidiary company of GHL Asia Pacific Limited				
* PaymentOne (HK) Pte. Ltd.	Hong Kong	100	100	Payment enabler supplying infrastructure and related equipment
* PaymentOne Singapore Pte. Ltd.	Singapore	100	100	Development and sale of in-house software programmes, sale and rental of EDC equipment and related services
* GHLSYS Philippines Inc.	Philippines	99.99	99.99	Provision of end-to-end payment services and solutions through the deployment of payment infrastructure, technology and services
* GHL (Thailand) Co. Ltd.	Thailand	99.99^	99.99^	Sale, maintenance, installation and rental of card and non-card based payment processing systems and services, and relevant infrastructure including hardware and software for all kinds of payment solution systems

NOTES TO THE FINANCIAL STATEMENTS

cont'd

4. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of company	Country of incorporation	Effective interest		Principal activities
		2010 %	2009 %	
Indirect holding:				
* GHL (China) Co. Ltd.	Hong Kong	100	100	Engaged in provision of terminal software development and maintenance services.
Subsidiary company of GHL (China) Co. Ltd.				
* GHL (Beijing) Co. Ltd.	People's Republic of China	100	100	Development and sale of in-house software solutions, and sale and rental of EDC equipment and related services
Subsidiary company of GHL (Beijing) Co. Ltd.				
* GHL Services Co. Ltd.	People's Republic of China	100	100	Development and sale of in-house software solutions, and sale and rental of EDC equipment and related services

* Subsidiary company not audited by UHY

^ Preferred shares with 99.99% of voting rights.

5. OTHER INVESTMENT

	Group/Company	
	2010 RM	2009 RM
Quoted shares outside Malaysia		
Cost		
At 1 January	553,688	553,688
Disposal	(553,688)	-
At 31 December	-	553,688
Accumulated impairment losses		
At 1 January	553,688	465,438
Impairment loss recognised in statements of comprehensive income	-	88,250
Disposal	(553,688)	-
At 31 December	-	553,688
Carrying amount		
At 31 December	-	-

NOTES TO THE FINANCIAL STATEMENTS

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5. GOODWILL ON CONSOLIDATION

	Group	
	2010	2009
	RM	RM
Cost		
At 1 January/31 December	2,255,434	2,255,434
Accumulated impairment loss		
At 1 January	342,329	342,329
Impair during the financial year	816,866	-
At 31 December	1,159,195	342,329
Carrying amount	1,096,239	1,913,105

(a) Impairment test for goodwill on consolidation

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

(b) Key assumptions used to determine recoverable amount

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

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

- (i) Gross margin - Budgeted value based on the average margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements and market development.
- (ii) Growth rate - Not applicable as the cash flow projections made is for a year of 5 years, in accordance with the expected lifecycle of the CGU.
- (iii) Pre-tax discount rate - Rate that reflect specific risks relating to the relevant CGU.

7. INVENTORIES

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
EDC equipments	2,385,041	3,287,386	-	-
Others	4,153,097	3,032,341	2,663,867	2,282,772
	6,538,138	6,319,727	2,663,867	2,282,772

8. TRADE RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Trade receivables				
- Related party	513,226	1,456,997	513,226	1,456,997
- Third parties	16,726,945	17,522,665	3,130,632	3,566,024
	17,240,171	18,979,662	3,643,858	5,023,021
Allowance for doubtful debts	(4,066,780)	(4,989,016)	(1,557,681)	(1,767,148)
	13,173,391	13,990,646	2,086,177	3,255,873

NOTES TO THE FINANCIAL STATEMENTS

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8. TRADE RECEIVABLES (CONT'D)

The Group's and the Company's normal trade credit terms range from 30 to 180 days and 30 to 60 days (2009: 30 to 180 days and 30 to 60 days) respectively. Other credit terms are assessed and approved on a case to case basis.

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

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

Movements in allowance for doubtful debts are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
At 1 January	4,989,016	4,817,064	1,767,148	1,690,148
Allowance made	1,035,775	402,693	260,267	77,000
Reversal of allowance of doubtful debts no longer required	(1,963,484)	(231,559)	(469,734)	-
Exchange difference	5,473	818	-	-
At 31 December	4,066,780	4,989,016	1,557,681	1,767,148

Analysis of the trade receivables ageing is as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Neither past due nor impair	8,323,105	7,546,903	1,426,009	1,925,295
Past due less than 30 days not impaired	1,576,072	2,447,835	471,543	249,097
Past due for more than 31-60 days not impaired	724,429	792,467	159,978	144,694
Past due for more than 60 - 90 days not impaired	2,549,785	2,269,407	28,647	2,753
Past due for more than 90 days not impaired	-	934,034	-	934,034
	13,173,391	13,990,646	2,086,177	3,255,873
Impaired	4,066,780	4,989,016	1,557,681	1,767,148
	17,240,171	18,979,662	3,643,858	5,023,021

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

9. OTHER RECEIVABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Other receivables	696,587	2,862,295	163,416	196,320
Deposits	467,255	543,036	92,724	88,402
Prepayments	4,764,267	2,216,607	252,281	1,752,062
	5,928,109	5,621,938	508,421	2,036,784
Allowance for doubtful debts	(154,915)	(154,915)	(154,915)	(154,915)
	5,773,194	5,467,023	353,506	1,881,869

NOTES TO THE FINANCIAL STATEMENTS

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9. OTHER RECEIVABLES (CONT'D)

Movements in allowance for doubtful debts are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
At 1 January/31 December	154,915	154,915	154,915	154,915

Analysis of the other receivables ageing is as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Neither past due nor impair	527,247	2,695,706	5,000	40,775
Past due less than 30 days not impaired	-	-	-	-
Past due for more than 31-60 days not impaired	1,275	-	1,275	-
Past due for more than 60 days not impaired	13,150	11,674	2,226	630
	541,672	2,707,380	8,501	41,405
Impaired	154,915	154,915	154,915	154,915
	696,587	2,862,295	163,416	196,320

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

10. AMOUNT OWING BY/TO SUBSIDIARY COMPANIES

(a) Amount owing by subsidiary companies

	Company	
	2010 RM	2009 RM
Amount owing by subsidiary companies	53,446,574	57,189,282
Less: Allowance for doubtful debts	(3,458,968)	-
	49,987,606	57,189,282

These represents unsecured interest free advances and repayable on demand except for an amount of RM43,129,531 (2009: RM47,085,429) which represents trade transactions.

(b) Amount owing to a subsidiary company

The amount owing to a subsidiary company represent unsecured interest free advances and repayable on demand except for an amount of RM592,232 (2009: Nil) which represents trade transactions.

11. FIXED DEPOSITS WITH LICENSED BANKS

Included in the above is an amount of RM1,963,293 and RM1,124,591 (2009: RM1,116,376 and RM297,512) pledged to licensed banks as securities for credit facilities granted to the subsidiary company and the Company respectively as disclosed in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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11. FIXED DEPOSITS WITH LICENSED BANKS (CONT'D)

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

	Group		Company	
	2010	2009	2010	2009
Interest rates (%)	2.46 - 2.75	3.0 - 3.67	2.46	3.67
Maturities (days)	30 - 365	30 - 365	30 - 365	30 - 365

12. SHARE CAPITAL

	Group/Company	
	2010	2009
	RM	RM
Ordinary shares of RM0.50 each:		
Authorised	100,000,000	100,000,000
Issued and fully paid		
At 1 January	69,431,108	69,431,108
Bonus issue	3,469,942	-
At 31 December	72,901,050	69,431,108

Of the total 138,862,215 issued and fully paid ordinary shares, 1,415,901 (2009: 4,901) ordinary shares are held as treasury shares by the Company. At 31 December 2010, the number of ordinary shares in issue after deducting treasury shares held is 137,446,314 (2009: 138,857,314) ordinary shares of RM0.50 each.

During the financial year, the Company increased its issued and paid-up share capital from RM69,431,108 to RM72,901,050 by issuance of 6,939,885 new ordinary shares of RM0.50 each pursuant to bonus issue on the basis of one new ordinary shares for every twenty existing ordinary shares held by way of utilisation of RM3,469,942 from retained profits.

13. RESERVES

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Non-distributable:				
ESOS reserves	257,915	35,364	257,915	35,364
Foreign exchange reserves	(1,255,024)	(749,850)	-	-
Distributable:				
(Accumulated losses)/Retained profits	(9,770,809)	7,874,971	1,423,792	19,595,286
	(10,767,918)	7,160,485	1,681,707	19,630,650

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

13. RESERVES (CONT'D)

	2010	2009
	Group RM	Company RM
(Accumulated Losses)/Retained Profits		
- Realised	(27,028,485)	2,056,495
- Unrealised	(670,553)	(632,703)
	(27,699,038)	1,423,792
Less: Consolidation adjustments	17,928,229	-
	(9,770,809)	1,423,792

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

The disclosure of realised and unrealised profits and losses is solely for the purpose of disclosure requirements of Bursa Malaysia Securities Berhad Listing Requirements, and the comparative figures are not required in the first financial year of complying with the realised and unrealised profits and losses disclosure.

14. TREASURY SHARES

		Group/Company	2009
	Note	2010 RM	2009 RM
At 1 January		824	4,467
Share purchased during the financial year		637,397	226,991
Distributed as share dividend	25	-	(230,634)
At 31 December		638,221	824

During the financial year, the Company purchased a total of 1,411,000 (2009: 1,362,500) ordinary shares of its issued share capital from the open market at a total cost of RM637,397 (2009: RM226,991). The average price paid for the shares purchased was RM0.452 (2009: RM0.167) per share.

During the financial year, a total of Nil (2009: 1,371,564) treasury shares were distributed to the entitled shareholders in relation to the distribution of share dividend of one treasury share for every one hundred existing ordinary shares of RM0.50 each held in the Company. As at 31 December 2010, the total number of treasury shares held by the Company is 1,415,901 (2009: 4,901) ordinary shares.

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

15. HIRE PURCHASE PAYABLES

	Group	Company
	2010 RM	2009 RM
(a) Minimum hire purchase payments		
Within one year	536,116	23,144
Between one and five years	43,721	26,590
	579,837	49,734
Less: Future finance charges	(8,227)	(14,259)
Present value of hire purchase liabilities	571,610	35,475

NOTES TO THE FINANCIAL STATEMENTS

cont'd

15. HIRE PURCHASE PAYABLES (CONT'D)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
(b) Present value of hire purchase liabilities				
Within one year	527,889	17,544	510,852	-
Between one and five years	43,721	17,931	43,721	-
	<u>571,610</u>	<u>35,475</u>	<u>554,573</u>	<u>-</u>
Analyse as:				
Repayable within twelve months	527,889	17,544	510,852	-
Repayable after twelve months	43,721	17,931	43,721	-
	<u>571,610</u>	<u>35,475</u>	<u>554,573</u>	<u>-</u>

The weighted average effective interest rate of the Group and the Company at the statements of financial position date is 4.5% and 2.71% (2009: 4.5% and Nil) per annum respectively.

16. BANK BORROWINGS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Secured				
Term loans	2,801,069	3,057,333	2,801,069	3,057,333
Total bank borrowings	<u>2,801,069</u>	<u>3,057,333</u>	<u>2,801,069</u>	<u>3,057,333</u>
Analysed as:				
Repayable within twelve months				
Secured				
Term loans	182,518	176,563	182,518	176,563
Repayable after twelve months				
Secured				
Term loans	2,618,551	2,880,770	2,618,551	2,880,770
	<u>2,801,069</u>	<u>3,057,333</u>	<u>2,801,069</u>	<u>3,057,333</u>

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

- fixed charge over the Company's long term leasehold land and buildings as disclosed in Note 3 to the financial statements; and
- pledge of fixed deposits of the Company and its subsidiary companies as disclosed in Note 11 to the financial statements.

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

The weighted average effective interest rate of the Group and of the Company for the above facilities are 5.0% and 5.0% (2009: 5.7% and 5.7%) per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS

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16. BANK BORROWINGS (CONT'D)

The maturity of borrowings is as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Within one year	182,518	176,563	182,518	176,563
Between one and two years	195,518	188,388	195,518	188,388
Between two and five years	674,145	644,301	674,145	644,301
After five years	1,748,888	2,048,081	1,748,888	2,048,081
	2,801,069	3,057,333	2,801,069	3,057,333

17. DEFERRED TAXATION

	Group/Company	
	2010 RM	2009 RM
At 1 January	503,559	-
Recognised in statements of comprehensive income	(503,559)	(797,059)
Under provision in prior year	-	1,300,618
At 31 December	-	503,559
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	-	1,224,102
Deferred tax assets	-	(720,543)
	-	503,559

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

Deferred tax liabilities of the Group and of the Company:

	Accelerated capital allowances RM	Total RM
At 1 January 2010	1,224,102	1,224,102
Recognised in statements of comprehensive income	(1,224,102)	(1,224,102)
At 31 December 2010	-	-
At 1 January 2009	-	-
Under provision in prior year	(76,516)	(76,516)
Recognised in statements of comprehensive income	1,300,618	1,300,618
At 31 December 2009	1,224,102	1,224,102

NOTES TO THE FINANCIAL STATEMENTS

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17. DEFERRED TAXATION (CONT'D)

Deferred tax assets of the Group and of the Company:

	Unutilised capital allowances RM	Unused tax losses RM	Allowance for doubtful debts RM	Total RM
At 1 January 2010	(445,459)	(129,113)	(145,971)	(720,543)
Recognised in statements of comprehensive income	445,459	129,113	145,971	720,543
At 31 December 2010	-	-	-	-
At 1 January 2009	-	-	-	-
Recognised in statements of comprehensive income	(445,459)	(129,113)	(145,971)	(720,543)
At 31 December 2009	(445,459)	(129,113)	(145,971)	(720,543)

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

	Group	
	2010 RM	2009 RM
Unused tax losses	21,022,942	4,586,833
Unutilised capital allowances	30,722,927	29,272,781
Allowance for doubtful debts	610,185	1,617,990
Accelerated capital allowances	(26,897,795)	(27,575,587)
	25,458,259	7,902,017

The unused tax losses and unutilised capital allowance are available indefinitely for offset against future taxable profits of the companies in which those items arose.

18. TRADE PAYABLES

The Group's and the Company's normal trade credit terms range from 30 to 90 days and 30 to 60 days (2009: 30 to 90 days and 30 to 60 days) respectively. Other credit terms are assessed and approved on a case to case basis.

19. OTHER PAYABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Other payables	7,040,142	6,217,034	382,937	1,134,149
Deposits	4,213,034	3,666,193	1,879	1,879
Accruals	3,189,628	1,150,310	2,157,297	636,856
	14,442,804	11,033,537	2,542,113	1,772,884

NOTES TO THE FINANCIAL STATEMENTS

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20. REVENUE

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Rental of EDC equipment	14,253,315	20,867,280	-	-
Sales of value-added solutions	49,734,438	36,282,937	21,167,310	17,199,145
	63,987,753	57,150,217	21,167,310	17,199,145

21. FINANCE COSTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Term loan interest	146,756	180,287	146,756	180,287
Hire purchase interest	43,147	7,244	37,760	-
Overdraft interest	8,863	-	-	-
	198,766	187,531	184,516	180,287

22. LOSS BEFORE TAXATION

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Auditors' remuneration	88,512	99,832	15,000	15,000
Allowance for doubtful debts	1,035,775	402,693	3,719,235	77,000
Bad debts written-off	2,380,997	70,362	861,734	9,000
Directors' remuneration	3,815,215	2,354,915	3,517,539	1,966,783
Depreciation of property, plant and equipment	8,047,134	10,777,449	2,510,803	2,454,307
Fixed deposit interest	(84,785)	(155,216)	(13,927)	(82,701)
Impairment loss on property, plant and equipment	5,760,325	-	-	-
Impairment loss on investment in subsidiary companies	-	-	3,941,562	-
Impairment loss on other investment	-	88,250	-	88,250
Impairment loss on goodwill on consolidation	816,868	-	-	-
Inventories written off/(reversal)	95,793	336,544	(66,467)	56,282
(Gain)/Loss on disposal of property, plant and equipment	(169,851)	176,363	(181,002)	-
Gain on disposal of other investment	(17,461)	-	(17,461)	-
(Gain)/Loss on foreign exchange				
- Realised	(82,710)	2,622	68,052	(63,908)
- Unrealised	528,756	(529,498)	632,703	(78,368)
Intangible asset written off	1,291,697	-	-	-
Property, plant and equipment written off	450,503	71,980	450,000	-
Property, plant and equipment written back	(30,164)	-	-	-
Rental of premises	1,260,154	1,186,659	298,760	276,615
Share based payment	222,551	35,364	222,551	35,364
Reversal of allowance for doubtful debts no longer required	(1,963,484)	(231,559)	(469,734)	-
Other interest income	(89,458)	(52,962)	(14,153)	(19,870)

NOTES TO THE FINANCIAL STATEMENTS

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22. LOSS BEFORE TAXATION (CONT'D)

Directors' remuneration

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Company's Directors				
Executive Directors				
Fees	99,000	108,000	99,000	108,000
Salaries and other emoluments	1,603,866	1,563,163	1,603,866	1,563,163
EPF	192,485	187,620	192,485	187,620
Provision for retirement benefit	1,500,000	-	1,500,000	-
Non Executive Directors				
Fees	121,888	108,000	121,888	108,000
	3,517,239	1,966,783	3,517,239	1,966,783
Other Directors				
Fees	-	44,900	-	-
Salaries and other emoluments	297,976	343,232	-	-
	297,976	388,132	-	-
	3,815,215	2,354,915	3,517,239	1,966,783

23. TAXATION

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current tax provision				
- Malaysia income tax	5,203	-	-	-
- Foreign tax	3,426	20,174	-	-
	8,629	20,174	-	-
Under/(Over) provision in prior year	5,880	(751)	-	(751)
	14,509	19,423	-	(751)
Deferred tax:				
Relating to origination and reversal of temporary differences	(503,559)	(797,059)	(503,559)	(797,059)
Under provision in prior financial years	-	1,300,618	-	1,300,618
	(503,559)	503,559	(503,559)	503,559
Tax expenses for the financial year	(489,050)	522,982	(503,559)	502,808

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

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23. TAXATION (CONT'D)

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

	Group	
	2010 RM	2009 RM
Loss before taxation	(14,664,888)	(6,474,842)
Taxation at statutory tax rate of 25%	(3,666,222)	(1,618,711)
Pioneer status tax incentive	(293,855)	(109,500)
Expenses not deductible for tax purposes	3,962,548	806,900
Income not subject to tax	(29,344)	(25,051)
Deferred tax assets not recognised	-	296,017
Reversal of deferred tax assets not recognised	(468,057)	-
Utilisation of prior year unrecognised tax losses and capital allowances	-	(126,540)
Under/(Over) provision of taxation in respect of prior year	5,880	(751)
Under provision of deferred taxation in respect of prior year	-	1,300,618
Tax expense for the financial year	(489,050)	522,982

	Company	
	2010 RM	2009 RM
Loss before taxation	(15,205,111)	(4,709,410)
Taxation at statutory tax rate of 25%	(3,801,278)	(1,177,353)
Expenses not deductible for tax purposes	404,199	385,261
Income not subject to tax	(3,588)	(4,967)
Deferred tax assets not recognised	2,897,108	-
Over provision of taxation in respect of prior year	-	(751)
Under provision of deferred taxation in respect of prior year	-	1,300,618
	(503,559)	502,808

The Company has unused tax losses and unutilised capital allowances amounting to approximately RM12,290,000 (2009: RM2,298,000) available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

24. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group	
	2010 RM	2009 RM
Net loss for the financial year attributable to the equity holders of the parent	(14,175,838)	(6,977,824)
Weighted number of ordinary shares issue	145,802,100	138,862,215
Adjusted for :		
Treasury shares	(3,521,803)	(531,179)
	142,280,297	138,331,036

NOTES TO THE FINANCIAL STATEMENTS

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24. EARNINGS PER SHARE

(b) Fully diluted earnings per share

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

	Group	
	2010 RM	2009 RM
Net loss for the financial year	(14,175,838)	(6,977,824)
Weighted number of ordinary shares issue	145,802,100	138,862,215
Adjusted for :		
Treasury shares	(3,521,803)	(531,179)
Assumed exercise of ESOS at no consideration	*	*
	142,280,297	138,331,036

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

25. DIVIDENDS

	Group/Company	
	2010 RM	2009 RM
First and final share dividend on the basis of one ordinary share for every one hundred existing ordinary shares on 137,485,750 ordinary shares of RM0.50 each in respect of the financial year ended 31 December 2009	-	230,634
Net dividend per ordinary shares (sen)	-	0.1678

26. SECTION 108 TAX CREDIT AND TAX EXEMPT INCOME

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from the year of assessment 2008. Under the single tier system, the tax on a company's profit is a final tax and the dividends distributed to its shareholders would be exempted from tax. Unutilised Section 108 balances as at 31 December 2007 will be available until such time the tax credit is fully utilised or upon expiry of the 6 years transitional period on 31 December 2013, whichever is earlier.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income under Promotion of Investments Act, 1986 as at 31 December 2010 to distribute cash dividend out of its entire retained profits as no election has been made to disregard the Section 108 as at today by the Company.

27. EMPLOYEES' SHARE OPTION SCHEME

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

The salient features of the ESOS are as follows:

- (a) Eligible employees comprise confirmed full time employees, including executive Directors of the Company and its eligible subsidiary companies, subject to the following conditions:
 - (i) An employee must be at least eighteen (18) years of age on the date of offer;
 - (ii) An employee must fall under one of the categories of employees listed in GHL Systems Berhad ESOS By-Laws 6.2 maximum entitlement and basis of allotment;

NOTES TO THE FINANCIAL STATEMENTS

cont'd

27. EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

- (iii) An employee must have been confirmed on the date of offer; and
- (iv) Provided always that the selection of any employee for participation and the amount of options to be granted in the scheme shall be at the discretion of the Option Committee and the decision of the Option Committee shall be final and binding.
- (b) No employee shall participate at any time in more than one (1) ESOS scheme currently implemented by any company within the Group.
- (c) The maximum number of new ordinary shares which may be available under the ESOS scheme shall not exceed 15% of the total issued and paid-up share capital of the Company at any point in time during the tenure of the ESOS.
- (d) The ESOS shall come into force for duration of three (3) years from effective date, 3 November 2009 subject however to any extension of the ESOS for a further period of up to seven (7) years at the discretion of the Option Committee. The date of expiry of the ESOS shall be at the end of the three (3) years from the effective date or, if the ESOS shall be extended, shall be the date of expiry as so extended.
- (e) The option price is based on the weighted average market price of the shares for the five (5) market days immediately preceding the date of offer on which the shares were traded, with a discount of not more than ten per centum (10%) or such other percentage of discount as may be permitted by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time during the duration of the ESOS.
- (f) A Grantee shall exercise his options by notice in writing to the Company in the prescribed form stating the number of options exercised, the number of shares relating thereto and the Grantee's individual/nominee CDS account number. The options shall be exercised in multiples of and not less than one hundred (100) options. The exercise by a Grantee of some but not all of the options which have been offered to and accepted by him shall not preclude the Grantee from subsequently exercising any other options which have been or will be offered to and accepted by him, during the option period.

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

Share Options	Exercise prices RM	Exercise Period
2010/2009		
Ninth Grant	0.500	03.11.2009 - 02.11.2012

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

	No. of Share Option					
	<----- Movement during the financial ----->				Outstanding at 31 December	Exercisable at 31 December
	Outstanding at 1 January	Granted	Bonus issue	Lapsed		
2010						
Ninth Grant	19,566,500	-	971,700	2,277,400	18,260,800	12,011,800
Total	19,566,500	-	971,700	2,277,400	18,260,800	12,011,800
WAEP	0.50		0.50	0.50	0.50	0.50
2009						
Ninth Grant	-	19,769,000	-	202,500	19,566,500	6,453,100
Total	-	19,769,000	-	205,500	19,566,500	6,453,100
WAEP	-	0.50	-	0.50	0.50	0.50

Fair value of share options granted during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

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27. EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

The fair value of share options granted during the financial year was estimated by the management using Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted. The fair value of share options were measured at Grant Date and the assumptions are as follows:

Grant dates	03.11.2009
Fair value of share options (RM)	0.163
Weighted average share price (RM)	0.433
Weighted average exercise price (RM)	0.50
Expected volatility	109%
Expected option life (years)	3.000
Risk-free interest rate, p.a.	3.21%
Expected dividend yield (%)	1%

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur in the future. The expected volatility is based on the historical volatility, adjusted for unusual or extraordinary volatility arising from certain economic or business occurrences which is not reflective of its long term average level. While the expected volatility is assumed to be indicative of future trends, it may not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

28. STAFF COSTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Staff costs (excluding Directors) comprise:				
Charged to income statements	18,825,375	19,852,195	7,089,056	6,968,821
Share base payment	222,551	35,364	222,551	35,364
Total staff costs for the financial year	19,047,926	19,887,559	7,311,607	7,004,185

Included in the staff costs (excluding Directors) are contributions made to the Employees Provident Fund under a defined contribution plan of the Group and of the Company amounting to RM1,410,311 and RM824,948 (2009 : RM1,324,011 and RM668,386) respectively.

29. SEGMENTAL REPORTING

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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29. SEGMENTAL REPORTING

Segment assets

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

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

Segment liabilities

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

2010	Malaysia RM	Singapore RM	Hong Kong RM	Philippines RM	Thailand RM	China RM	Adjustment and elimination RM	Consolidated RM
REVENUE								
External sales	39,868,424	-	-	5,913,595	4,480,160	13,725,574	-	63,987,753
Inter-segment sales	15,404,755	-	-	1,582,433	67,950	402,968	(17,458,106)	-
Total revenue	55,273,179	-	-	7,496,028	4,548,110	14,128,542	(17,458,106)	63,987,753
RESULTS								
Segment results	(31,045,017)	(40,082)	(19,008)	216,093	(2,175,533)	(961,379)	19,384,561	(14,640,365)
Interest income								174,243
Interest expense								(198,766)
Loss before taxation								(14,664,888)
Taxation								489,050
Net loss for the financial year								(14,175,838)
Asset:								
Additions to non-current assets	3,825,051	-	-	1,854,320	55,570	757,424	-	6,492,365
Segment assets	57,173,650	25,888	20,458	8,937,567	6,080,245	11,222,541	1,096,239	84,556,588
Segment liabilities	14,006,691	16,588	4,360	1,611,940	999,085	6,400,776	22,237	23,061,677

NOTES TO THE FINANCIAL STATEMENTS

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29. SEGMENTAL REPORTING (CONT'D)

2010	Malaysia RM	Singapore RM	Hong Kong RM	Philippines RM	Thailand RM	China RM	Adjustment and elimination RM	Consolidated RM
OTHER INFORMATION								
Allowance for doubtful debts	417,471	-	-	-	618,304	-	-	1,035,775
Impairment loss on goodwill on consolidation	691,315	-	-	-	-	125,553	-	816,868
Bad debts written off	2,380,997	-	-	-	-	-	-	2,380,997
Depreciation of property, plant and equipment	5,508,632	-	-	644,057	960,597	933,848	-	8,047,134
Gain on disposal of property, plant and equipment	(156,695)	-	-	-	(13,156)	-	-	(169,851)
Share based payment	222,551	-	-	-	-	-	-	222,551
Inventory written off	95,793	-	-	-	-	-	-	95,793
Impairment loss on property, plant and equipment	5,760,325	-	-	-	-	-	-	5,760,325
Gain on disposal of other investment	(17,461)	-	-	-	-	-	-	(17,461)
Unrealised loss/ (gain) on foreign exchange	680,812	8,033	111,375	7,167	(74,031)	(204,600)	-	528,756
Intangible asset written off	-	-	-	-	-	1,291,697	-	1,291,697
Property, plant and equipment written off	450,503	-	-	-	-	-	-	450,503
Property, plant and equipment written back	(30,164)	-	-	-	-	-	-	(30,164)
Reversal of allowance for doubtful debts no longer required	(1,963,484)	-	-	-	-	-	-	(1,963,484)

NOTES TO THE FINANCIAL STATEMENTS

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29. SEGMENTAL REPORTING (CONT'D)

2009	Malaysia RM	Singapore RM	Hong Kong RM	Philippines RM	Thailand RM	China RM	Adjustment and elimination RM	Consolidated RM
REVENUE								
External sales	35,886,077	-	-	6,894,904	5,686,508	8,682,728	-	57,150,217
Inter-segment sales	15,874,028	-	-	-	-	-	(15,874,028)	-
Total revenue	51,760,105	-	-	6,894,904	5,686,508	8,682,728	(15,874,028)	57,150,217
RESULTS								
Segment results	(5,498,468)	(12,770)	(9,318)	414,664	(53,571)	(1,336,026)	-	(6,495,489)
Interest income								208,178
Interest expense								(187,531)
Loss before taxation								(6,474,842)
Taxation								(522,982)
Net loss for the financial year								(6,997,824)
Additional to non-current assets	6,517,433	-	-	731,743	251,621	1,113,249	-	8,614,046
Segment assets	69,902,924	33,139	22,802	7,765,104	6,321,359	10,487,997	1,913,105	96,446,430
Segment liabilities	13,519,089	16,994	4,860	2,679,985	415,340	3,019,160	200,233	19,855,661

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29. SEGMENTAL REPORTING (CONT'D)

2009	Malaysia RM	Singapore RM	Hong Kong RM	Philippines RM	Thailand RM	China RM	Adjustment and elimination RM	Consolidated RM
OTHER INFORMATION								
Additional to non-current assets	6,517,433	-	-	731,743	251,621	1,113,249	-	8,614,046
Allowance for doubtful debts	373,192	-	-	-	29,501	-	-	402,693
Bad debts written off	70,362	-	-	-	-	-	-	70,362
Depreciation of property, plant and equipment	8,373,980	-	-	575,522	919,533	908,414	-	10,777,449
Loss/(Gain) on disposal of property, plant and equipment	174,854	-	-	2,278	(769)	-	-	176,363
Share based payment	35,364	-	-	-	-	-	-	35,364
Inventory written off	336,544	-	-	-	-	-	-	336,544
Impairment loss on other investment	88,250	-	-	-	-	-	-	88,250
Unrealised gain on foreign exchange	(240,083)	-	-	(48,265)	(241,150)	-	-	(529,498)
Property, plant and equipment written off	500	-	-	-	-	71,480	-	71,980
Reversal of allowance for doubtful debts no longer required	(231,559)	-	-	-	-	-	-	(231,559)

30. SIGNIFICANT EVENTS

During the financial year, the following significant events took place:

(a) GHL Systems Berhad ("the Company")

- (i) During the financial year end, the Company made the following share buy-back of its own shares from the open market:

Date	No. of ordinary shares	Average price per share RM	Total cost RM
02.12.2010	240,000	0.425 - 0.430	103,000
03.12.2010	432,300	0.430 - 0.440	189,902
06.12.2010	466,800	0.465 - 0.470	220,128
14.12.2010	219,600	0.440 - 0.465	100,871
15.12.2010	52,300	0.440 - 0.450	23,496
	<u>1,411,000</u>		<u>637,397</u>

NOTES TO THE FINANCIAL STATEMENTS

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30. SIGNIFICANT EVENTS (CONT'D)

(a) GHL Systems Berhad ("the Company") (Cont'd)

The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares and carried at cost in accordance with the requirements of Section 67A of the Companies Act, 1965.

- (ii) On 7 August 2007, two letters of demand were issued against MobilityOne Sdn Bhd ("MobilityOne"). The first claim were made by GHL Systems demanding MobilityOne to pay GHL Systems RM591,426 which comprises fees for servers hosting, rental of EDC terminals and other miscellaneous matters. The second claim were made by GHL Transact Sdn Bhd ("GHL Transact") demanding MobilityOne to pay RM375,241 which comprises fees for maintenance and rental of EDC terminals and other miscellaneous matters. MobilityOne has made partial payments to these claims.

Thereafter, MobilityOne via their solicitors Messrs Gan Rao & Chuah's letter dated 27 December 2007 made three claims against GHL Systems. They are summarised as follows:

- (1) A claim for refund of excess payment amounting to RM1,737,895 made to GHL Systems for the purchase of prepaid soft pin from GHL Systems. Based on records from GHL Systems, GHL Systems has delivered all prepaid soft pin MobilityOne paid for. GHL Systems is of the view that MobilityOne misconstrued the quantity of the staggered delivery of prepaid soft pin by telecommunication companies against their inventory count. GHL Systems has a good defence against the claim.
 - (2) A claim for refund of RM520,000 being payment made to GHL Systems for the installation of lightning arrestors and voltage regulators on MobilityOne's EDC terminals. MobilityOne claimed that they have not requested for the services and the services were never rendered. The Directors of GHL Systems are of the view that the Company has a good defence because MobilityOne recognised this contract in their Admission Document for listing in AIM Market of the London Stock Exchange. GHL Systems's record showed the services were rendered.
 - (3) A claim for refund of interest paid to GHL Systems from year 2005 to 2007 amounting to RM269,330. MobilityOne paid interests to GHL Systems for loan advanced. MobilityOne claimed that interest payments were unlawful and illegal. The Directors of GHL Systems are of the view that the Company has a good defence because MobilityOne had earlier recognised the payment of interest and had never disputed the payment.
- (iii) On 10 February 2010, the Company and MobilityOne had executed a Settlement Agreement to resolve all the disputes or misunderstanding between both parties. Both parties had withdrew and/or discontinued legal suit against each others without the liberty to file afresh.
- (iv) On 12 February 2010, proposed issuance of up to 13,800,000 ordinary shares of RM0.50 each in the Company through private placement, representing up to 10% of the issued and paid-up share capital of the Company. The proposed private placement is based on a prior approval obtained pursuant to Section 132D of the Companies Act, 1965 from the Company's shareholders in a general meeting held on 8 May 2009.
- (v) On 3 March 2010, the Company execute the call option under Subscription And Shareholders Agreement dated 29 July 2009 to purchase 20,000 ordinary shares of RM1.00 each in Ideal Sales Concept Sdn. Bhd. ("ISCSB") from Chen Wooi Kok and Foo Lih Ching @ Foo Wen Ching, being the two founders of ISCSB at total cash consideration of RM2.00 ("Call Option"). Upon completion of the Call Option, ISCSB shall be a wholly-owned subsidiary of the Company.
- (vi) Save as disclosed below, there were no corporate proposals announced and not completed as at the date of this report:
- (1) The proposed subscription of shares in GHL AP by the Directors of the Company was approved by the shareholders of the Company in the extraordinary general meeting held on 7 May 2007 ("Proposed Subscription").
 - (2) On 1 September 2010, The Board of Directors of GHL had announced that it had on 30 August 2010 received a letter from the Executive Directors of GHL, namely Tay Beng Lock, Yeng Fook Hoo and Chin Fook Kheong respectively on their intentions not to proceed with the Proposed Subscription after taking into consideration of the prevailing market condition.

NOTES TO THE FINANCIAL STATEMENTS

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30. SIGNIFICANT EVENTS (CONT'D)

(a) GHL Systems Berhad ("the Company") (Cont'd)

- (3) On 12 February 2010, on behalf of the Board of Directors of GHL ("Board"), Public Investment Bank Berhad ("PIVB") had announced that the Company proposed to undertake a private placement of up to 13,800,000 ordinary shares of RM0.50 each in GHL ("Placement Shares"), representing up to 10% of the issued and paid-up share capital of GHL ("Proposed Private Placement").
- (vii) PIVB had also on 17 February 2010, on behalf of GHL, submitted the listing application in relation to the Proposed Private Placement to Bursa Malaysia Securities Berhad ("Bursa Securities") which was duly approved by Bursa Securities vide its letter dated 2 March 2010.
- (viii) On 1 September 2010, on behalf of GHL, PIVB had announced that the Company has decided not to proceed with the Proposed Private Placement after taking into consideration that the approval granted by Bursa Securities on 2 March 2010 ("Approval Date") for the listing and quotation of the Placement Shares to be issued pursuant to the Proposed Private Placement has lapsed on 1 September 2010 (being six (6) months from the Approval Date).

31. CONTINGENT LIABILITIES

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Corporate guarantees given to licensed banks for banking facilities granted to				
- subsidiary companies	-	-	117,000	-
Banker's guarantee in favour of third parties				
- secured	278,500	258,500	278,500	258,500

32. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

	Group	
	2010	2009
	RM	RM
Future minimum rentals payables:		
Within one year	103,481	166,713
Between one and five years	-	35,966
	103,481	202,679

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

33. RELATED PARTY DISCLOSURES

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

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Subsidiary Companies:				
*Sales of software	-	-	-	49,654
*Sales of other hardware	-	-	2,349,612	2,015,817
*Rental and license fee	-	-	6,002,040	5,296,320
*Hosting services	-	-	312,000	352,800
*Purchase of goods and services	-	-	112,800	145,650

NOTES TO THE FINANCIAL STATEMENTS

cont'd

33. RELATED PARTY DISCLOSURES (CONT'D)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Settlement of liabilities by the Company on behalf of the subsidiary companies	-	-	1,319,150	4,590,087
Settlement of liabilities by the subsidiary companies on behalf of the Company	-	-	1,457,033	-

Related Party:

* Supply of EuroPay-MasterCard-Visa chip-based cards and/or data preparation and personalisation of chip-based cards and installation of EDC equipment to Bank Simpanan Nasional[^] ("BSN")

4,419,422	3,184,459	4,419,422	3,184,459
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[^] BSN is a substantial shareholder of BSNC Corporation Berhad ("BSNC") and BSNC is a substantial shareholder of the Company. On 26 October 2010, BSNC had fully disposed off its shareholding by way of married deal.

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

- (b) Information regarding outstanding balances arising from related party transactions as at 31 December 2010 is disclosed in Notes 9 and 10 to the financial statements.
- (c) Information regarding the compensation of key management personnel is as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short-term employee benefits	7,278,654	5,701,485	6,631,849	4,765,818
Share based payment	90,645	13,081	86,795	12,276

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

		No. of Share Option Movement during the financial year					
		Outstanding at 1 January	Granted	Bonus issue	Lapsed	Outstanding at 31 December	Exercisable at 31 December
2010							
Ninth Grant		7,187,500	-	357,200	129,300	7,415,400	4,892,400
Total		7,187,500	-	357,200	129,300	7,415,400	4,892,400
WAEP		0.50	-	0.50	0.50	0.50	0.50
2009							
Ninth Grant		-	7,312,500	-	125,000	7,187,500	2,371,500
Total		-	7,312,500	-	125,000	7,187,500	2,371,500
WAEP		-	0.50	-	0.50	0.50	0.50

NOTES TO THE FINANCIAL STATEMENTS

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33. RELATED PARTY DISCLOSURES (CONT'D)

The share options were granted on the same terms and conditions as those offered to other employees of the Group as disclosed in Note 27 to the financial statements.

34. MATERIAL LITIGATION

GHL International Sdn Bhd ("GHLI"), GHLSYS Singapore Pte Ltd ("GHLSYS") and Privilege Investment Holdings Pte Ltd ("Privilege") had entered into a shareholders' agreement dated 31 October 2005 ("Agreement") for the purpose of a joint venture. Subsequently, the parties mutually agreed to terminate the Agreement via a termination agreement dated 3 March 2006 with a view of entering into a new joint venture subject to further discussions on the terms of such new joint venture. However, the new joint venture did not eventuate, as the parties were unable to reach an agreement on its final terms. Consequently, a dispute has since arisen in respect of the termination of the Agreement.

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

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

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.

The matter has yet to proceed to Court and the GHL Entities and GHL Representatives hope to negotiate with Privilege and/or PT MAM to settle the matter amicably. The GHL Lawyers had expressed that they were not aware of any doctrine of intended beneficiary under Indonesian law in respect of the PT MAM Threat. The GHL Lawyers are of the view that there are legal grounds for the GHL Entities to defend both the Privilege Threat and the PT MAM Threat in the event that litigation is commenced in the Courts of the Republic of Indonesia. However, the GHL Lawyers have qualified all such views by expressing that the Indonesian judiciary is sometimes unpredictable in its decision-making process and that a decision may not necessarily be based on the merits of a case.

However, as no calculation of a claim for damages has been submitted by Privilege or its Indonesian lawyers and the PT MAM's claim for USD3 million was not quantified, the GHL Lawyers are not able to opine fully on the financial consequences to the GHL Entities. The Directors of GHL are of the opinion that should this matter go to court, the GHL Entities will vigorously defend its position.

The matter has yet to proceed to litigation or arbitration and the GHL Entities and GHL Representatives are in negotiations with Privilege to settle the matter amicably. The ultimate outcome of the abovementioned claims cannot presently be determined, therefore, no provision for any liability that may result has been made in the financial statements.

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

cont'd

34. MATERIAL LITIGATION (CONT'D)

- (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 its 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 GHL Entities have a good defence against such claims made by Privilege. The directors of GHL are of the opinion that should this matter go to court, the GHL Entities will vigorously defend its position.

35. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in the paragraph 44AA of FRS 7, which is effective for annual periods beginning on and after 1 January 2010.

(a) Classification of financial instruments

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

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Group			
2010			
Financial Assets			
Trade and other receivables	18,946,585	-	18,946,585
Fixed deposits with licensed banks	2,121,037	-	2,121,037
Cash and bank balances	10,571,573	-	10,571,573
Total financial assets	31,639,195	-	31,639,195
Financial Liabilities			
Trade and other payables	-	19,688,998	19,688,998
Hire purchase payables	-	571,610	571,610
Bank borrowings	-	2,801,069	2,801,069
	-	23,061,677	23,061,677

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS (CONT'D)

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

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Group			
2009			
Financial Assets			
Trade and other receivables	19,457,669	-	19,457,669
Fixed deposits with licensed banks	1,959,470	-	1,959,470
Cash and bank balances	12,773,273	-	12,773,273
Total financial assets	34,190,412	-	34,190,412
Financial Liabilities			
Trade and other payables	-	16,259,294	16,259,294
Hire purchase payables	-	35,475	35,475
Bank borrowings	-	3,057,333	3,057,333
	-	19,352,102	19,352,102
Company			
2010			
Financial Assets			
Trade and other receivables	2,439,683	-	2,439,683
Amount owing by subsidiary companies	49,987,606	-	49,987,606
Fixed deposits with licensed banks	1,240,091	-	1,240,091
Cash and bank balances	1,216,209	-	1,216,209
Total financial assets	54,883,589	-	54,883,589
Financial Liabilities			
Trade and other payables	-	3,454,360	3,454,360
Amount owing to a subsidiary company	-	454,882	454,882
Hire purchase payables	-	554,573	554,573
Bank borrowings	-	2,801,069	2,801,069
	-	7,264,884	7,264,884
2009			
Financial Assets			
Trade and other receivables	5,137,742	-	5,137,742
Amount owing by subsidiary companies	57,189,282	-	57,189,282
Fixed deposits with licensed banks	1,140,606	-	1,140,606
Cash and bank balances	628,980	-	628,980
Total financial assets	64,096,610	-	64,096,610
Financial Liabilities			
Trade and other payables	-	2,697,099	2,697,099
Bank borrowings	-	3,057,333	3,057,333
	-	5,754,432	5,754,432

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial assets/(liabilities) at "fair value through profit or loss"

There is no fair value through profit or loss has been imposed as the Group and the Company credit risks and liquidity risk are within the acceptable collection/payment period.

(c) Financial risk management objectives and policies

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

(d) Credit risk

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

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

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting represents the Group's and the Company's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk.

(e) Liquidity risk

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

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

	Weighted Average Effective Interest Rate %	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total RM
Group						
2010						
Trade and other payables	-	19,688,998	-	-	-	19,688,998
Hire purchase payables	4.5	527,889	43,721	-	-	571,610
Bank borrowings	5.0	182,518	195,518	674,145	1,748,888	2,801,069
		20,399,405	239,239	674,145	1,748,888	23,061,677
2009						
Trade and other payables	-	16,259,294	-	-	-	16,259,294
Hire purchase payables	4.5	17,544	17,931	-	-	35,475
Bank borrowings	5.7	176,563	188,388	644,301	2,048,081	3,057,333
		16,453,401	206,319	644,301	2,048,081	19,352,102

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS (CONT'D)

(e) Liquidity risk (Cont'd)

	Weighted Average Effective Interest Rate %	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total RM
Company						
2010						
Trade and other payables	-	3,454,360	-	-	-	3,454,360
Amount owing to a subsidiary company	-	454,882	-	-	-	454,882
Hire purchase payables	4.5	510,852	43,721	-	-	554,573
Bank borrowings	5.0	182,518	195,518	674,145	1,748,888	2,801,069
		4,602,612	239,239	674,145	1,748,888	7,264,884
2009						
Trade and other payables	-	2,697,099	-	-	-	2,697,099
Bank borrowings	5.7	176,563	188,388	644,301	2,048,081	3,057,333
		2,873,662	188,388	644,301	2,048,081	5,754,432

(f) Market risks

(i) Foreign currency exchange risk

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

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

	Financial Assets			Total RM
	Trade and other receivables	Fixed deposits with licensed banks	Cash and bank balances	
	RM	RM	RM	
Group				
2010				
USD	742,384	157,744	580,212	1,480,340
GBP	-	-	9	9
SGD	-	-	27,496	27,496
THB	2,566,431	-	80,775	80,775
PHP	4,001,132	-	1,347,232	5,348,364
HKD	128,709	-	121,058	249,767
RMB	5,533,101	-	809,569	6,342,670
Others	-	-	36,336	36,336

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS (CONT'D)

(f) Market risks (Cont'd)

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

	Financial Assets			Total RM
	Trade and other receivables RM	Fixed deposits with licensed banks RM	Cash and bank balances RM	
Group				
2009				
USD	246,095	629,000	1,007,704	1,882,799
GBP	-	-	514	514
SGD	6,543	-	26,956	33,499
THB	2,490,277	-	126,517	2,616,794
PHP	2,171,825	-	3,303,043	5,474,868
HKD	212,545	-	583,080	795,625
RMB	3,481,001	-	1,442,142	4,923,143
Others	-	-	23,237	23,237

	Financial Assets				Total RM
	Trade and other receivables RM	Amount owing by subsidiary companies RM	Fixed deposits with licensed banks RM	Cash and bank balances RM	
Company					
2010					
USD	286,136	4,767,263	115,500	147,261	5,316,160
RMB	-	-	-	1,552	1,552
SGD	-	-	-	1,406	1,406
PHP	-	-	-	1,399	1,399
THB	-	-	-	511	511
HKD	-	-	-	337	337
Others	-	-	-	21,910	21,910

	Trade and other receivables RM	Amount owing by subsidiary companies RM	Fixed deposits with licensed banks RM	Cash and bank balances RM	Total RM
Company					
2009					
USD	65,901	2,647,194	629,000	109,268	3,451,363
RMB	-	-	-	1,687	1,687
THB	-	-	-	1,516	1,516
PHP	-	-	-	578	578
GBP	-	-	-	508	508
HKD	-	-	-	463	463
SGD	-	-	-	158	158
Others	-	-	-	20,604	20,604

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS (CONT'D)

(f) Market risks (Cont'd)

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

	Financial Liabilities		Total RM
	Trade and other payables RM	Hire purchase payables RM	
Group			
2010			
USD	2,785,300	-	2,785,300
GBP	-	-	-
SGD	16,588	-	16,588
THB	122,394	-	122,394
PHP	1,066,544	17,037	1,083,581
HKD	385,002	-	385,002
RMB	6,202,804	-	6,202,804
2009			
USD	3,357,604	-	3,357,604
GBP	-	-	-
SGD	16,994	-	16,994
THB	108,740	1,607	110,347
PHP	759,964	33,868	793,832
HKD	371,708	-	371,708
RMB	2,915,280	-	2,915,280
Company			
2010			
USD	877,459	-	877,459
2009			
USD	440,871	-	440,871

(ii) Foreign currency risk sensitivity

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

	Loss before taxation	
	Group RM	Company RM
USD	130,496	(443,870)
RMB	(13,987)	(155)
SGD	(1,091)	(141)
PHP	(426,478)	(140)
THB	4,162	(51)
HKD	13,524	(34)
GBP	(1)	-
Others	(3,634)	(2,190)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

35. FINANCIAL INSTRUMENTS (CONT'D)

(f) Market risks (Cont'd)

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

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

(iii) Interest rate risk

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

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

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

	Weighted average effective interest rate %	2010 RM	2009 RM
Financial Assets			
Group			
Fixed deposits with licensed banks	4.50	2,121,037	1,959,470
Company			
Fixed deposits with licensed banks	2.71	1,240,091	1,140,606
Financial Liabilities			
Group/Company			
Bank borrowings	5.01	2,801,069	3,057,333

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

(iv) Interest rate risk sensitivity

An increase in market interest rates by 1% on financial assets and liabilities of the Group and of the Company which have variable interest rates at the end of the reporting period would decrease the profit before tax by RM27,550 and RM29,011 (2009: RM29,437 and RM30,493) respectively. This analysis assumes that all other variables remain unchanged.

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

36. FINANCIAL INSTRUMENTS (CONT'D)

(g) Fair values of financial assets and financial liabilities

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

The carrying amount of these financial assets and liabilities are reasonable approximation of fair values, 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 reporting date.

The carrying amounts of the current portion of bank borrowings are reasonable approximations of fair value due to the insignificant impact of discounting.

The fair values of current bank borrowings are estimated by discounting expected future cash flows at market incremental lending rate similar types of lending, borrowing or leasing arrangements at the reporting date.

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

	2010		2009	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Financial Assets				
Other investment	-	-	-	408,334
Financial liabilities				
Hire purchase payables	43,721	42,664	17,931	17,486
Bank borrowings	2,618,551	2,526,438	2,880,770	2,819,492
Contingent liabilities	278,500	@	258,500	@
Company				
Financial liabilities				
Hire purchase payables	43,721	42,664	-	-
Bank borrowings	2,601,755	2,526,438	2,880,770	2,819,492
Contingent liabilities	395,500	@	258,500	@

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

37. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 22 March 2011.

LIST OF PROPERTY

Title/Location	Description/ Existing Use	Registered Owner	Age of Building (Years)	Land Area	Tenure	Net Book Value as at 31.12.2010 (RM)	Original Cost (RM)
4 1/2-storey shop office at Unit L 7, 8 & 9, C-G-15, Block C, Jalan Dataran SD1, Dataran SD PJU 9, Bandar Sri Damansara, 52200 Kuala Lumpur.	Office Space	GHL Systems Berhad	6	570 sq m	Leasehold Expired on 27 Aug 2102	4,628,787	4,875,000

SHAREHOLDING STATISTICS

AS AT 17 MARCH 2011

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

BREAKDOWN OF SHAREHOLDINGS

Size of Holdings	No. of holders	%	No. of shares	%
Less than 100	1,735	22.85	60,555	0.04
100 - 1,000 shares	980	12.90	468,382	0.32
1001 - 10,000 shares	3,338	43.95	11,942,477	8.27
10,001 - 100,000 shares	1,412	18.59	36,489,068	25.28
100,001 to less than 5% of issued shares	127	1.67	46,507,212	32.21
5% and above of issued shares	3	0.04	48,918,505	33.88
Total	7,595	100	144,386,199	100

SUBSTANTIAL SHAREHOLDERS AS AT 17 MARCH 2011

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

Substantial Shareholders	No. of Shares Held			
	Direct Interest	%	Indirect Interest	%
Cimsec Nominees (Tempatan) Sdn Bhd CIMB For Loh Wee Hian (PB)	22,506,034	15.59	-	-
Goh Kuan Ho	18,619,104	12.90	-	-
Tay Beng Lock	7,793,367	5.40	-	-

DIRECTORS' SHAREHOLDINGS AS AT 17 MARCH 2011

Name of Directors	Note	No. of shares Held			
		Direct Interest	%	Indirect Interest	%
Loh Wee Hian	1	22,506,034	15.59	-	-
Goh Kuan Ho		18,619,104	12.90	-	-
Tay Beng Lock		7,793,367	5.40	-	-
Yeng Fook Hoo	2	2,959,599	2.05	-	-

SHAREHOLDING STATISTICS

AS AT 17 MARCH 2011

cont'd

Notes:

- 1) 22,506,034 held under CIMSEC Nominees (Tempatan) Sdn. Bhd.
- 2) 1,567,046 held under CIMB Group Nominees (Tempatan) Sdn. Bhd.

STATEMENT OF SHAREHOLDINGS

THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 17 MARCH 2011

No	Shareholders	Holdings	%
1	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Loh Wee Hian (PB)	22,506,034	15.59
2	Goh Kuan Ho	18,619,104	12.90
3	Tay Beng Lock	7,793,367	5.40
4	HSBC Nominees (Asing) Sdn Bhd Exempt An For HSBC Private Bank (Suisse) S.A. (SPORE TST AC CL)	3,254,500	2.25
5	Tey Choon Siang	2,004,942	1.39
6	Kenanga Nominees (Asing) Sdn Bhd Pledged Securities Account For Alpine Pacific Limited	1,619,100	1.12
7	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yeng Fook Hoo (36315 Peta)	1,567,046	1.09
8	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Goh Heng Loo (PB)	1,514,500	1.05
9	Hong Chin Chai	1,489,300	1.03
10	Yeng Fook Hoo	1,392,553	0.96
11	Cartaban Nominees (Asing) Sdn Bhd Exempt An For Jefferies And Company Incorporated New York	1,326,824	0.92
12	Goh Heng Loo	1,311,768	0.91
13	Lim Chee Sing	1,000,000	0.69
14	EB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Wong Yoke Yung (EPIC -BUR)	990,000	0.69
15	Su Ming Keat	984,000	0.68
16	Chin Yoke Sun	954,000	0.66
17	Ong Boey Hwa	945,000	0.65
18	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Seow Soon Fat	865,000	0.60
19	Chin Sui Heong	800,000	0.55
20	Ang Kok Seong	658,193	0.46
21	HSBC Nominees (Asing) Sdn Bhd Exempt An For Credit SUISSE (SG BR-TST-ASING)	612,671	0.42
22	Chew Chee Seng	560,830	0.39
23	Tan Choon Hian	556,200	0.39
24	Poh Lai Yoke	550,000	0.38
25	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Teow Wooi Huat (STA 2)	521,100	0.36
26	Lim Chai Ong	447,582	0.31
27	Chew Soh Imm	440,000	0.30
28	Chin Lin Thai	420,664	0.29
29	Ong Siew Mooi	420,000	0.29
30	Ong Khoon Seng	414,540	0.29

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting of GHL SYSTEMS BERHAD (“GHL” or “the Company”) will be held at Level 3A, Unit L8 C-G-15, Block C, Jalan Dataran SD1, Dataran SD PJU 9, Bandar Sri Damansara, 52200 Kuala Lumpur on Wednesday, 27 April 2011 at 9.30 a.m. for the purpose of transacting the following businesses:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To re-elect the following Directors who retire pursuant to Article 127 of the Company’s Articles of Association:-
 - (a) Mr Angus Eugenio Campos (Resolution 2)
 - (b) Mr Tay Beng Lock (Resolution 3)
3. To re-elect the following Directors who retire pursuant to Article 132 of the Company’s Articles of Association:-
 - (a) Mr Loh Wee Hian (Resolution 4)
 - (b) Mr Fong Seow Kee (Resolution 5)
 - (c) Encik Mohd Rafi bin Daud (Resolution 6)
4. To approve the payment of Directors’ fees of RM220,887.09 for the financial year ended 31 December 2010. (Resolution 7)
5. To re-appoint Messrs. UHY as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 8)

As Special Business:

To consider and, if thought fit, to pass the following Ordinary Resolution:

6. **Authority to Directors to Allot and Issue Shares** (Resolution 9)

“THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies having been obtained for such allotment and issue.”

7. To transact any other business of the Company for which due notice shall have been given.

BY ORDER OF THE BOARD

Tan Tong Lang (MAICSA 7045482)
Chin Fook Kheong (MIA 12596)
Company Secretaries

Kuala Lumpur
Date: 5 April 2011

NOTICE OF ANNUAL GENERAL MEETING

cont'd

NOTES ON APPOINTMENT OF PROXY

1. A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its attorney duly authorised in writing.
4. If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
5. The Form of Proxy or other instruments of appointment must be deposited at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur at least 48 hours before the time fixed for holding the meeting or any adjournment thereof, or in the case of a poll, at least 24 hours before the time appointed for the taking of the poll.

EXPLANATORY NOTES ON SPECIAL BUSINESS

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

The Proposed Ordinary Resolution 9, if passed, is a renewal of General Mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

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 the purpose of funding future investment project(s) workings capital and/or acquisitions.

As at the date of this Notice, no new shares in the Company were issued pursuant to the General Mandate granted to the Directors at the Sixteenth Annual General Meeting held on 5 May 2010 and which will lapse at the conclusion of the Seventeenth Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

(i) Mr Angus Eugenio Campos	Article 127	(Resolution 2)
(ii) Mr Tay Beng Lock	Article 127	(Resolution 3)
(iii) Mr Loh Wee Hian	Article 132	(Resolution 4)
(iv) Mr Fong Seow Kee	Article 132	(Resolution 5)
(v) Encik Mohd Rafi bin Daud	Article 132	(Resolution 6)

The profile of the above Directors are set out on pages 14 and 17 of the Annual Report 2010. The details of the interest of the above Directors in the securities of the Company or its related corporations are disclosed in the Directors report on page 34 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 22 of the Annual Report 2010.

The Seventeenth Annual General Meeting of the Company will be held at Level 3A, Unit L8 C-G-15, Block C, Jalan Dataran SD1, Dataran SD PJU 9, Bandar Sri Damansara, 52200 Kuala Lumpur on Wednesday, 27 April 2011 at 9.30 a.m.

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GHL SYSTEMS BERHAD

(Company No. 293040-D)

(Incorporated in Malaysia)

FORM OF PROXY FOR ANNUAL GENERAL MEETING

No. of Shares held

I/We* (Name & NRIC/Company* No.) _____
(in capital letters)

of _____
(full address)

being a Member/Members* of GHL SYSTEMS BERHAD, do hereby appoint

(Name & NRIC No.) _____ of _____

_____ and/or*

(Name & NRIC No.) _____ of _____

or failing him/her*, the Chairman of the Meeting as my/our* proxy to vote for me/us* on my/our* behalf at the Seventeenth Annual General Meeting of the Company to be held at Level 3A, Unit L8 C-G-15, Block C, Jalan Dataran SD1, Dataran SD PJU 9, Bandar Sri Damansara, 52200 Kuala Lumpur on Wednesday, 27 April 2011 at 9.30 a.m. and at any adjournment thereof.

The proportion of my/our* holding to be represented by my/our* proxies are as follows:-

First Proxy (1)

Second Proxy (2)

My/our* proxy is to vote as indicated below:-

No.	Resolution	For	Against
	As Ordinary Business		
1.	To receive the Financial Statements and Reports for the financial year ended 31 December 2010.		
2.	To re-elect Mr Angus Eugenio Campos as Director.		
3.	To re-elect Mr Tay Beng Lock as Director.		
4.	To re-elect Mr Loh Wee Hian as Director.		
5.	To re-elect Mr Fong Seow Kee as Director.		
6.	To re-elect Encik Mohd Rafi bin Daud as Director.		
7.	To approve the payment of Directors' fees for the financial year ended 31 December 2010.		
8.	To re-appoint Messrs UHY as Auditors of the Company.		
	As Special Business		
9.	To approve the authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		

(Please indicate with an "X" in the spaces provided whether you wish your vote to be casted for or against the resolution. In the absence of specific instructions, your proxy will vote or abstain as he thinks fit.)

Dated this _____ day of _____, 2011

* Delete if not applicable

Signature/Common Seal* of Shareholder(s)

Notes on appointment of proxy:

1. A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its attorney duly authorised in writing.
4. If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
5. The Form of Proxy or other instruments of appointment must be deposited at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur at least 48 hours before the time fixed for holding the meeting or any adjournment thereof, or in the case of a poll, at least 24 hours before the time appointed for the taking of the poll.

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**AFFIX
STAMP**

THE COMPANY SECRETARY

GHL Systems Berhad (Company No. 293040-D)

Suite 10.03, Level 10, The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

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