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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GHL GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004 TOGETHER WITH THE AUDITORS' REPORT THEREON**

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Company No. 

|        |   |
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| 293040 | D |
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 AnuarulAzizanChew

CERTIFIED TRUE COPY



CHEN FOOK KUEONG  
Company Secretary  
MTA 42596

**GHL SYSTEMS BERHAD**  
(Incorporated in Malaysia)

**FINANCIAL STATEMENTS**  
**31 DECEMBER 2004**

**Registered office:**  
**18C, Jalan 1/64**  
**Off Jalan Kolam Air/Jalan Ipoh**  
**51200 Kuala Lumpur**  
**Wilayah Persekutuan**

**Principal place of business:**  
**No. 37, Cangkat Bukit Bintang**  
**50200 Kuala Lumpur**  
**Wilayah Persekutuan**

Company No. 

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**GHL SYSTEMS BERHAD**  
(Incorporated in Malaysia)

**FINANCIAL STATEMENTS**

**31 DECEMBER 2004**

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**GHL SYSTEMS BERHAD**  
(Incorporated in Malaysia)

**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 2004.

**Principal Activities**

The principal activities of the Company are those of developing and selling in-house software programmes. The principal activities of the subsidiary companies are stated 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<br>RM             | Company<br>RM           |
|-----------------------------------|-------------------------|-------------------------|
| Profit before taxation            | 7,793,405               | 7,032,615               |
| Taxation                          | (317,401)               | (41,470)                |
| Profit after taxation             | <u>7,476,004</u>        | <u>6,991,145</u>        |
| Minority shareholders' interest   | 175,955                 | -                       |
| Net profit for the financial year | <u><u>7,651,959</u></u> | <u><u>6,991,145</u></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 during the financial year nor in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the Group and of the Company for the current financial year.

**Dividends**

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

**Reserves and Provisions**

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

### Share Capital

During the financial year, the Company increased its issued and paid-up share capital from RM25,850,378 to RM33,650,285 by issuance of :

- (a) 6,724,000 new ordinary shares of RM0.10 each pursuant to the exercise of option granted under GHJ Systems Berhad Employee Share Option Scheme (ESOS) at the option price of RM0.20 each;
- (b) 1,540,000 new ordinary shares of RM0.10 each pursuant to the exercise of option granted under GHJ Systems Berhad ESOS at the option price of RM0.205 each;
- (c) 1,118,500 new ordinary shares of RM0.10 each pursuant to the exercise of option granted under GHJ Systems Berhad ESOS at the option price of RM0.475 each;
- (d) 1,479,500 new ordinary shares of RM0.10 each pursuant to the exercise of option granted under GHJ Systems Berhad ESOS at the option price of RM0.16 each;
- (e) 62,500 new ordinary shares of RM0.10 each pursuant to the exercise of option granted under GHJ Systems Berhad ESOS at the option price of RM0.164 each;
- (f) 53,000 new ordinary shares of RM0.10 each pursuant to the exercise of option granted under GHJ Systems Berhad ESOS at the option price of RM0.38 each;
- (g) 50,000 new ordinary shares of RM0.10 each pursuant to the exercise of option granted under GHJ Systems Berhad ESOS at the option price of RM0.375 each; and
- (h) 66,971,570 new ordinary shares of RM0.10 each pursuant to bonus issue by utilisation of the share premium account and retained earnings.

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

### Employee Share Option Scheme

The GHJ Systems Berhad Employee Share Option Scheme (ESOS) was approved by shareholders at the Extraordinary General Meeting on 11 February 2003.

The main features of the ESOS are as follows:

- (a) Eligible employees comprise confirmed full time employees, including executive directors of the Company to its eligible subsidiary companies, subject to meet the following conditions:
  - (i) An employee must be at least eighteen (18) years of age on the date of offer;

- (ii) An employee must fall under one of the categories of employee listed in GHL Systems Berhad ESOS Bye-Law 6.1 maximum entitlement and basis of allotment;
- (iii) An employee must have been confirmed on the date of offer;
- (iv) If an employee is employed by a subsidiary of the Company, the employee's period of employment in the Group, for purposes of determining the minimum period of continuous service as stipulated in paragraph (iii) above, shall be deemed to commence from the date on which the employee commenced employment with the subsidiary, or the date on which such company became a subsidiary of the Company, whichever is later; and

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

- (b) No employee shall participate at any time in more than one (1) ESOS currently implemented by any company within the Group.
- (c) The maximum number of new ordinary shares which may be available under the ESOS shall not exceed 10% of the total issued and paid-up share capital of the Company at the point in time during the tenure of the ESOS.
- (d) The ESOS shall come into force for duration of two (2) years from effective date, 31 March 2003 subject however to any extension of the ESOS for a further period of up to eight (8) years at the discretion of the Board upon the recommendation of the Option Committee. The date of expiry of the ESOS shall be at the end of the two (2) 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 which is made subsequent to the Company's listing on the MESDAQ Market of the KLSE, the weighted average market price of the shares for the five (5) market days immediately preceding the date of offer with a discount of not more than ten per centum (10%).
- (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.

The movements of options over unissued shares of the Company granted under the ESOS during the financial year are as follows:

| <----- Number of share options -----> |                  |                  |                   |                  |                  | Subscription price<br>per ordinary<br>share | Exercise<br>period         |
|---------------------------------------|------------------|------------------|-------------------|------------------|------------------|---|----------------------------|
| At<br>1.1.2004                        | Granted          | Bonus<br>Issue   | Exercised         | Lapsed           | At<br>31.12.2004 |   |                            |
| 11,058,000                            | -                | 1,496,000        | 8,203,500         | 618,750          | 3,731,750        | RM0.160<br>(adjusted exercise<br>price)     | 31.3.2003 to<br>31.3.2005  |
| 1,630,000                             | -                | 47,500           | 1,602,500         | 25,000           | 50,000           | RM0.164<br>(adjusted exercise<br>price)     | 31.5.2003 to<br>31.3.2005  |
| 3,730,000                             | -                | 652,875          | 1,171,500         | 943,750          | 2,267,625        | RM0.380<br>(adjusted exercise<br>price)     | 22.12.2003<br>to 31.3.2005 |
| -                                     | 1,410,000        | -                | 50,000            | 50,000           | 1,310,000        | RM0.375                                     | 5.7.2003 to<br>31.3.2005   |
| -                                     | 1,539,000        | -                | -                 | -                | 1,539,000        | RM0.305                                     | 28.12.2003<br>to 31.3.2005 |
| <u>16,418,000</u>                     | <u>2,949,000</u> | <u>2,196,375</u> | <u>11,027,500</u> | <u>1,637,500</u> | <u>8,898,375</u> |   |                            |

## Directors

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

Goh Kuan Ho  
Tay Beng Lock  
Yeng Fook Hoo  
Tunku Dato' A Malek Bin Tunku Kassim  
Mohamad Isa Bin Abdullah  
Yen Siew Kuin  
Chong Teck Foh  
Chin Fook Kheong

## Directors' Interests

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

|   | <----- No. of ordinary shares -----><br>of RM0.10 each |            |             |               |
|---|--|------------|-------------|---------------|
|   | At 1.1.2004  | Acquired   | Disposed    | At 31.12.2004 |
| <b>GHL Systems Berhad</b>               |  |            |             |               |
| Direct interest -                       |  |            |             |               |
| Goh Kuan Ho                             | 49,415,460   | 12,353,865 | -           | 61,769,325    |
| Tay Beng Lock                           | 13,207,070   | 4,932,517  | (1,500,000) | 16,639,587    |
| Yeng Fook Hoo                           | 8,225,100  | 1,993,775  | (250,000)   | 9,968,875     |
| Chin Fook Kheong                        | -  | 437,500    | -           | 437,500       |
| Tunku Dato' A Malek Bin Tunku<br>Kassim | -  | 10,000     | -           | 10,000        |

|                           | <-----No. of options over ordinary shares -----><br>of RM0.10 each (ESOS) |             |             |        | At<br>31.12.2004 |
|---------------------------|---|-------------|-------------|--------|------------------|
|                           | At<br>1.1.2004  | Bonus Issue | Exercised   | Lapsed |                  |
| <b>GHL Systems Berhad</b> |   |             |             |        |                  |
| Tay Beng Lock             | 1,000,000   | -           | (1,000,000) | -      | -                |
| Yeng Fook Hoo             | 1,000,000   | 250,000     | -           | -      | 1,250,000        |
| Chin Fook Kheong          | 350,000   | 87,500      | (437,500)   | -      | -                |

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

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

### Directors' Benefits

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

Neither during nor at the end of the financial year, was the Company a party to any arrangement the object of which is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Other Statutory Information

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (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 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 except as disclosed in Note 29 to the financial statements.

### **Significant Events**

The significant events are disclosed in Note 28 to the financial statements.

### **Subsequent Events**

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

### **Staff Information**

The total number of employees of the Group and of the Company (excluding directors) at the end of the financial year were 194 and 63 (2003 : 164 and 61) respectively.



Company No. 

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**Auditors**

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

Signed in accordance with a resolution of the directors.



TAY BENG LOCK



YENG FOOK HOO

KUALA LUMPUR

22 FEB 2005

Company No. 

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**GHL SYSTEMS BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**  
**Pursuant to Section 169(15) of the Companies Act, 1965**

We, TAY BENG LOCK and YENG FOOK HOO, being two of the directors of GHL SYSTEMS BERHAD., do hereby state that, in the opinion of the directors, the financial statements set out on pages 12 to 41 are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2004 and of the results of their operations and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the directors.

  
\_\_\_\_\_  
TAY BENG LOCK

  
\_\_\_\_\_  
YENG FOOK HOO

KUALA LUMPUR

22 FEB 2005

Company No. 

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**GHL SYSTEMS BERHAD**  
(Incorporated in Malaysia)


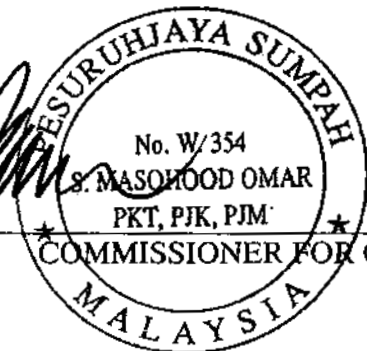
**STATUTORY DECLARATION**  
**Pursuant to Section 169(16) of the Companies Act, 1965**

I, TAY BENG LOCK, being the director primarily responsible for the financial management of GHL SYSTEMS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 12 to 41 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed TAY BENG LOCK )  
at Kuala Lumpur in the Federal )  
Territory this 22 FEB 2005 )

  
TAY BENG LOCK

Before me,

No. 66 Jalan Tun Perak  
50050 Kuala Lumpur

**ANUARUL AZIZAN CHEW & CO.**

CHARTERED ACCOUNTANTS

18 Jalan 1/64, Off Jalan Kolam Air/Jalan Ipoh, 51200 Kuala Lumpur.  
Tel : 603-40417233 Fax : 603-40410395

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
GHL SYSTEMS BERHAD  
(Company No. : 293040-D)  
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 12 to 41 of GHL Systems Berhad.

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

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

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

In our opinion:

- (a) the financial statements are properly drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as at 31 December 2004 and of their results and the cash flows of the Group and of the Company for the financial year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we acted as auditors have been properly kept in accordance with the provisions of the Act.

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

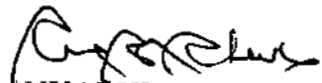
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 AnuarulAzizanChew

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



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



TEE GUAN PIAN  
Approved Number: 1886/05/06 (J/PH)  
Partner of Firm

KUALA LUMPUR

22 FEB 2005

**GHL SYSTEMS BERHAD**  
(Incorporated in Malaysia)

**BALANCE SHEETS AS AT 31 DECEMBER 2004**

|   |      | Group             |                   | Company           |                   |
|---|------|-------------------|-------------------|-------------------|-------------------|
|   | Note | 2004<br>RM        | 2003<br>RM        | 2004<br>RM        | 2003<br>RM        |
| <b>Non-Current Assets</b>                 |      |                   |                   |                   |                   |
| Property, plant and equipment             | 3    | 23,570,945        | 14,136,007        | 6,877,609         | 6,512,628         |
| Investment in subsidiary companies        | 4    | -                 | -                 | 4,400,000         | 4,400,000         |
| Investment in associated company          | 5    | -                 | 22,575            | -                 | -                 |
| Goodwill on consolidation                 | 6    | 1,743,593         | 1,623,556         | -                 | -                 |
|   |      | <u>25,314,538</u> | <u>15,782,138</u> | <u>11,277,609</u> | <u>10,912,628</u> |
| <b>Current Assets</b>                     |      |                   |                   |                   |                   |
| Inventories                               | 7    | 4,223,169         | 2,612,557         | -                 | 2,136,128         |
| Trade receivables                         | 8    | 28,770,853        | 14,338,288        | 14,005,296        | 4,797,508         |
| Other receivables                         | 9    | 3,613,136         | 383,012           | 3,391,297         | 161,309           |
| Amount owing by subsidiary companies      | 10   | -                 | -                 | 25,485,632        | 13,706,245        |
| Amount owing by associated company        |      | -                 | 1,066,760         | -                 | 1,066,760         |
| Tax recoverable                           |      | 11,955            | -                 | 8,989             | -                 |
| Short term funds                          |      | -                 | 3,034,124         | -                 | 3,034,124         |
| Fixed deposits placed with licensed banks | 11   | 4,444,813         | 6,475,706         | 4,014,087         | 6,062,455         |
| Cash and bank balances                    |      | 3,473,525         | 2,822,900         | 1,428,745         | 1,586,670         |
|   |      | <u>44,537,451</u> | <u>30,733,347</u> | <u>48,334,046</u> | <u>32,551,199</u> |
| <b>Current Liabilities</b>                |      |                   |                   |                   |                   |
| Trade payables                            | 12   | 12,464,950        | 1,953,953         | 6,304,127         | 1,852,826         |
| Other payables                            | 13   | 3,197,535         | 3,086,931         | 320,279           | 407,697           |
| Hire purchase and lease payables          | 14   | 694,416           | 79,252            | 694,416           | 79,252            |
| Bank borrowing                            | 15   | 1,500,000         | -                 | 1,500,000         | -                 |
| Taxation                                  |      | 1,184             | 16,243            | -                 | 14,291            |
|   |      | <u>17,858,085</u> | <u>5,136,379</u>  | <u>8,818,822</u>  | <u>2,354,066</u>  |
| Net current assets                        |      | <u>26,679,366</u> | <u>25,596,968</u> | <u>39,515,224</u> | <u>30,197,133</u> |
|   |      | <u>51,993,904</u> | <u>41,379,106</u> | <u>50,792,833</u> | <u>41,109,761</u> |
| <b>Financed By:</b>                       |      |                   |                   |                   |                   |
| Share capital                             | 16   | 33,650,285        | 25,850,378        | 33,650,285        | 25,850,378        |
| Share premium                             | 17   | 391,384           | 5,912,788         | 391,384           | 5,912,788         |
| Retained profits                          |      | 16,573,895        | 8,921,936         | 16,337,740        | 9,346,595         |
|   |      | <u>50,615,564</u> | <u>40,685,102</u> | <u>50,379,409</u> | <u>41,109,761</u> |
| <b>Non-Current Liabilities</b>            |      |                   |                   |                   |                   |
| Hire purchase and lease payables          | 14   | 413,424           | -                 | 413,424           | -                 |
| Deferred taxation                         | 18   | 964,916           | 694,004           | -                 | -                 |
|   |      | <u>1,378,340</u>  | <u>694,004</u>    | <u>413,424</u>    | <u>-</u>          |
|   |      | <u>51,993,904</u> | <u>41,379,106</u> | <u>50,792,833</u> | <u>41,109,761</u> |

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

**GHL SYSTEMS BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

|                                     |       | Group                   |                         | Company                 |                         |
|-------------------------------------|-------|-------------------------|-------------------------|-------------------------|-------------------------|
|                                     | Note  | 2004<br>RM              | 2003<br>RM              | 2004<br>RM              | 2003<br>RM              |
| Revenue                             | 19    | 64,172,248              | 63,267,977              | 41,947,191              | 50,708,345              |
| Cost of sales                       |       | (36,293,536)            | (35,403,714)            | (22,990,366)            | (30,953,965)            |
| Gross profit                        |       | <u>27,878,712</u>       | <u>27,864,263</u>       | <u>18,956,825</u>       | <u>19,754,380</u>       |
| Other operating income              | 20    | 522,611                 | 433,746                 | 438,806                 | 1,424,505               |
| Operating expenses                  |       | (20,552,089)            | (21,715,732)            | (12,329,762)            | (14,781,523)            |
| Profit from operations              | 21    | <u>7,849,234</u>        | <u>6,582,277</u>        | <u>7,065,869</u>        | <u>6,397,362</u>        |
| Finance costs                       | 22    | (33,254)                | (19,900)                | (33,254)                | (19,900)                |
| Share of loss in associated company |       | (22,575)                | (335,296)               | -                       | -                       |
| Profit before taxation              |       | <u>7,793,405</u>        | <u>6,227,081</u>        | <u>7,032,615</u>        | <u>6,377,462</u>        |
| Taxation                            | 23    | (317,401)               | (223,795)               | (41,470)                | (63,455)                |
| Profit after taxation               |       | <u>7,476,004</u>        | <u>6,003,286</u>        | <u>6,991,145</u>        | <u>6,314,007</u>        |
| Minority shareholders' interest     |       | 175,955                 | -                       | -                       | -                       |
| Net profit for the financial year   |       | <u><u>7,651,959</u></u> | <u><u>6,003,286</u></u> | <u><u>6,991,145</u></u> | <u><u>6,314,007</u></u> |
| Earnings per share (sen)            |       |                         |                         |                         |                         |
| Basic                               | 24(a) | 2.30                    | 1.98                    |                         |                         |
| Diluted                             | 24(b) | 2.28                    | 1.68                    |                         |                         |

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

**GHL SYSTEMS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

| Group                             | Share<br>Capital<br>RM | Share<br>Premium<br>RM | Retained<br>Profits<br>RM | Total<br>RM       |
|-----------------------------------|------------------------|------------------------|---------------------------|-------------------|
| Balance at 1 January 2003         |                        |                        |                           |                   |
| - As previously stated            | 18,715,178             | -                      | 3,462,879                 | 22,178,057        |
| - Prior year adjustment           | -                      | -                      | (544,229)                 | (544,229)         |
| - As restated                     | <u>18,715,178</u>      | -                      | <u>2,918,650</u>          | <u>21,633,828</u> |
| Issue of shares                   | 6,300,000              | 5,071,438              | -                         | 11,371,438        |
| Issue of shares pursuant to ESOS  | 835,200                | 841,350                | -                         | 1,676,550         |
| Net profit for the financial year | -                      | -                      | 6,003,286                 | 6,003,286         |
| Balance at 31 December 2003       | <u>25,850,378</u>      | <u>5,912,788</u>       | <u>8,921,936</u>          | <u>40,685,102</u> |
| Balance at 1 January 2004         | 25,850,378             | 5,912,788              | 8,921,936                 | 40,685,102        |
| Bonus Issue                       | 6,697,157              | (6,697,157)            | -                         | -                 |
| Issue of shares pursuant to ESOS  | 1,102,750              | 1,175,753              | -                         | 2,278,503         |
| Net profit for the financial year | -                      | -                      | 7,651,959                 | 7,651,959         |
| Balance at 31 December 2004       | <u>33,650,285</u>      | <u>391,384</u>         | <u>16,573,895</u>         | <u>50,615,564</u> |

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



| Company                           | Share<br>Capital<br>RM | Share<br>Premium<br>RM | Retained<br>Profits<br>RM | Total<br>RM       |
|-----------------------------------|------------------------|------------------------|---------------------------|-------------------|
| Balance at 1 January 2003         | 18,715,178             | -                      | 3,032,588                 | 21,747,766        |
| Issue of shares                   | 6,300,000              | 5,071,438              | -                         | 11,371,438        |
| Issue of shares pursuant to ESOS  | 835,200                | 841,350                | -                         | 1,676,550         |
| Net profit for the financial year | -                      | -                      | 6,314,007                 | 6,314,007         |
| Balance at 31 December 2003       | <u>25,850,378</u>      | <u>5,912,788</u>       | <u>9,346,595</u>          | <u>41,109,761</u> |
| Balance at 1 January 2004         | 25,850,378             | 5,912,788              | 9,346,595                 | 41,109,761        |
| Bonus issue                       | 6,697,157              | (6,697,157)            | -                         | -                 |
| Issue of shares pursuant to ESOS  | 1,102,750              | 1,175,753              | -                         | 2,278,503         |
| Net profit for the financial year | -                      | -                      | 6,991,145                 | 6,991,145         |
| Balance at 31 December 2004       | <u>33,650,285</u>      | <u>391,384</u>         | <u>16,337,740</u>         | <u>50,379,409</u> |

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

**GHL SYSTEMS BERHAD**  
(Incorporated in Malaysia)

**CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

|  | Group              |                    | Company             |                    |
|--|--------------------|--------------------|---------------------|--------------------|
|  | 2004<br>RM         | 2003<br>RM         | 2004<br>RM          | 2003<br>RM         |
| <b>Cash Flows From Operating Activities</b>              |                    |                    |                     |                    |
| Profit before taxation                                   | 7,793,405          | 6,227,081          | 7,032,615           | 6,377,462          |
| Adjustment for:  |                    |                    |                     |                    |
| Depreciation of property, plant and equipment            | 4,048,602          | 3,665,661          | 1,378,773           | 1,047,339          |
| Impairment losses  | -                  | 3,478,000          | -                   | 3,478,000          |
| (Gain)/Loss on disposal of property, plant and equipment | (233,683)          | 34,016             | (180,938)           | -                  |
| Share of loss in associated company                      | 22,575             | 335,296            | -                   | -                  |
| Loss on deemed disposal of associated company            | -                  | 32,661             | -                   | -                  |
| Property, plant and equipment written off                | -                  | 2,685              | -                   | -                  |
| Interest income  | (180,292)          | (213,614)          | (151,192)           | (190,324)          |
| Dividend income  | (81,676)           | (34,181)           | (81,676)            | (34,181)           |
| Interest expense   | 33,254             | 19,900             | 33,254              | 19,900             |
| Operating profit before working capital changes          | <u>11,402,185</u>  | <u>13,547,505</u>  | <u>8,030,836</u>    | <u>10,698,196</u>  |
| (Increase)/Decrease in working capital                   |                    |                    |                     |                    |
| Inventories  | (1,610,612)        | (754,662)          | 2,136,128           | (1,028,814)        |
| Receivables  | (17,554,696)       | (5,647,921)        | (12,437,777)        | (3,475,418)        |
| Payables   | 9,219,066          | (2,374,943)        | 4,363,883           | 1,094,600          |
| Amount owing by/(to) subsidiary companies                | -                  | -                  | (11,779,387)        | (4,961,398)        |
| Amount owing by/(to) associated companies                | <u>1,066,760</u>   | <u>(1,066,760)</u> | <u>1,066,760</u>    | <u>(1,066,760)</u> |
|  | <u>(8,879,482)</u> | <u>(9,844,286)</u> | <u>(16,650,393)</u> | <u>(9,437,790)</u> |
| Cash generated from/(used in) operations                 | 2,522,703          | 3,703,219          | (8,619,557)         | 1,260,406          |
| Interest received  | 180,292            | 213,614            | 151,193             | 190,324            |
| Interest paid  | (33,254)           | (19,900)           | (33,254)            | (19,900)           |
| Dividend received  | 81,676             | 34,181             | 81,676              | 34,181             |
| Tax paid   | (73,502)           | (57,777)           | (64,750)            | (49,165)           |
|  | <u>155,212</u>     | <u>170,118</u>     | <u>134,865</u>      | <u>155,440</u>     |
| Net cash from/(used in) operating activities             | <u>2,677,915</u>   | <u>3,873,337</u>   | <u>(8,484,692)</u>  | <u>1,415,846</u>   |

|   | Note |                     |                    |                    |                    |
|---|------|---------------------|--------------------|--------------------|--------------------|
| <b>Cash Flows From Investing Activities</b>                     |      |                     |                    |                    |                    |
| Purchase of property, plant and equipment                       | 25   | (13,573,814)        | (7,258,350)        | (2,502,496)        | (5,448,940)        |
| Proceeds from disposal of property, plant and equipment         |      | 2,867,968           | 6,450              | 2,333,680          | -                  |
| Net cash inflow on acquisition of subsidiary company            |      | 200,448             | -                  | -                  | -                  |
| <b>Net cash used in investing activities</b>                    |      | <u>(10,505,398)</u> | <u>(7,251,900)</u> | <u>(168,816)</u>   | <u>(5,448,940)</u> |
| <b>Cash Flows From Financing Activities</b>                     |      |                     |                    |                    |                    |
| Repayment of hire purchase and lease payables                   |      | (365,412)           | (238,604)          | (365,412)          | (238,604)          |
| Increase in fixed deposits pledged                              |      | (4,100,000)         | -                  | (2,800,000)        | (900,000)          |
| Drawdown of bank borrowing                                      |      | -                   | -                  | 1,500,000          | -                  |
| Proceeds from issue of shares                                   |      | 2,278,503           | 13,047,988         | 2,278,503          | 13,047,988         |
| <b>Net cash (used in)/from financing activities</b>             |      | <u>(2,186,909)</u>  | <u>12,809,384</u>  | <u>613,091</u>     | <u>11,909,384</u>  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>     |      | (10,014,392)        | 9,430,821          | (8,040,417)        | 7,876,290          |
| <b>Cash and cash equivalents at beginning of financial year</b> |      | <u>12,332,730</u>   | <u>2,901,909</u>   | <u>9,783,249</u>   | <u>1,906,959</u>   |
| <b>Cash and cash equivalents at end of financial year</b>       |      | <u>2,318,338</u>    | <u>12,332,730</u>  | <u>1,742,832</u>   | <u>9,783,249</u>   |
| <b>Cash and cash equivalents at end of year comprises:</b>      |      |                     |                    |                    |                    |
| Cash and bank balances  |      | 3,473,525           | 2,822,900          | 1,428,745          | 1,586,670          |
| Fixed deposits placed with licensed banks                       |      | 4,444,813           | 6,475,706          | 4,014,087          | 6,062,455          |
| Bank overdraft  |      | (1,500,000)         | -                  | -                  | -                  |
| Short term funds  |      | -                   | 3,034,124          | -                  | 3,034,124          |
|   |      | <u>6,418,338</u>    | <u>12,332,730</u>  | <u>5,442,832</u>   | <u>10,683,249</u>  |
| Less : Fixed deposits pledged to licensed banks                 |      | <u>(4,100,000)</u>  | <u>-</u>           | <u>(3,700,000)</u> | <u>(900,000)</u>   |
|   |      | <u>2,318,338</u>    | <u>12,332,730</u>  | <u>1,742,832</u>   | <u>9,783,249</u>   |

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

**GHL SYSTEMS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Corporate Information**

The principal activities of the Company are those of developing and selling in-house software programmes. 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 the Malaysian Exchange of Securities Dealing & Automated Quotation.

**2. Significant Accounting Policies**

**(a) Basis of accounting**

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

During the financial year ended 31 December 2004, the following new standards are issued by the Malaysian Accounting Standards Board (MASB) which became effective in the current financial year:-

- MASB 31 Accounting for Government Grants and Disclosure of Government Assistance
- MASB 32 Property Development Activities

However, MASB 31 and MASB 32 are not adopted as they are not applicable to the Group and to the Company.

**(b) Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Subsidiary companies are consolidated using the acquisition method of accounting. Companies acquired or disposed of are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

All inter-company transactions, balances and unrealised surpluses and deficits on transactions with and between subsidiary companies are eliminated.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

(c) Goodwill on consolidation

Goodwill arising on consolidation represents the excess of the acquisition cost over the fair value of the net assets of the subsidiary companies at the date of acquisition.

Goodwill on consolidation is reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

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 unamortised balance of goodwill which were not previously recognised in the consolidate income statement.

(d) Subsidiary companies

A subsidiary company is a company in which the Group owns, directly or indirectly, more than 50% of the equity share capital and has control over its financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies is stated at cost unless, in the opinion of the directors, a permanent diminution in value of the investments has arisen.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

All other property, plant and equipment are depreciated on a straight line method at rates calculated to write off the cost of the assets to its residual value over their estimated useful lives at the following annual rates:

|  |     |
|--|-----|
| Computer equipment                       | 33% |
| EDC equipment                            | 20% |
| Computer software                        | 10% |
| Motor vehicles                           | 20% |
| Furniture, fittings and office equipment | 10% |
| Renovation                               | 50% |

Gains or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are included in the income statements.

(f) Inventories

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

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

(g) Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. Doubtful debts are provided based on specific review of the receivables.

(h) Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(i) Leases and hire purchase

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

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

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

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

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

(j) Impairment

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statements, a reversal of that impairment loss is recognised as income in the income statements.

(k) 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.

(l) Provisions for liabilities and contingent liabilities

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

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote except for cases where the amount involved is material and the Directors are of the opinion that disclosure is appropriate.

(m) Foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the rates of exchange ruling at that date and exchange differences are taken to the income statements. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statements.

The closing exchange rate used by the Group and the Company for the main foreign currency is USD1 = RM3.83 (2003 : USD1 = RM3.83).

(n) Revenue recognition

(i) Goods sold and services rendered

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

(ii) Rental income/Interest income

Rental income and interest income are recognised on an accrual basis unless ability to collect is in doubt.

(o) Income tax

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.