

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an assets or liabilities 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 income statements, 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 in 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.

(p) 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 contributed plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statements as incurred.

(iii) Employee share option scheme

GHL Systems Bhd's Employee Share Option Scheme allows the Company's employees to subscribe for shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

(q) Financial instruments

Financial instruments carried on the balance sheets include cash and bank balances, deposits, receivables, payables and borrowings. Financial instruments are recognised in the balance sheets when the Group and the Company has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group and the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The particular recognition method adopted for financial instruments recognised on the balance sheets is disclosed in the individual accounting policy statements associated with each item.

3. Property, Plant and Equipment

Group	Computer equipment RM	EDC equipment RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Renovation RM	Total RM
Cost							
At 1.1.2004	1,665,579	11,723,396	9,978,000	885,500	373,220	686,848	25,312,543
Additions	713,954	10,677,302	1,512,000	1,748,294	21,765	201,960	14,875,275
Acquisition of subsidiary company	416,929	-	615,200	-	6,533	322,840	1,361,502
Disposals/Write-off	(470,182)	(1,380,216)	(4,978,000)	(650,000)	(680)	(960)	(7,480,038)
At 31.12.2004	2,326,280	21,020,482	7,127,200	1,983,794	400,838	1,210,688	34,069,282
Accumulated depreciation and impairment losses							
Accumulated depreciation	995,854	4,552,326	1,250,000	337,041	59,275	504,040	7,698,536
Accumulated impairment losses	-	-	3,478,000	-	-	-	3,478,000
At 1.1.2004	995,854	4,552,326	4,728,000	337,041	59,275	504,040	11,176,536
Acquisition of subsidiary company	83,712	-	65,053	-	13,042	53,819	215,626
Charge for the financial year	549,334	2,167,854	712,020	302,980	39,661	232,823	4,004,672
Disposals/Write-off	(134,787)	(952,232)	(3,478,000)	(333,333)	-	(145)	(4,898,497)
Other movements	-	(171)	-	-	-	171	-
At 31.12.2004	1,494,113	5,767,777	2,027,073	306,688	111,978	790,708	10,498,337
Carrying amount							
At 31.12.2004	832,167	15,252,705	5,100,127	1,677,106	288,860	419,980	23,570,945
At 31.12.2003	669,725	7,171,070	5,250,000	548,459	313,945	182,808	14,136,007
Depreciation charge for the financial year ended 31.12.2003							
	344,594	2,266,576	500,000	177,100	22,554	354,837	3,665,661

Company	Computer equipment RM	Computer software RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Renovation RM	Total RM
Cost						
At 1.1.2004	1,246,666	9,978,000	870,000	134,430	284,348	12,513,444
Additions	634,256	1,500,000	1,748,294	13,946	-	3,896,496
Disposals/Write-off	(470,182)	(4,978,000)	(650,000)	(680)	-	(6,098,862)
At 31.12.2004	1,410,740	6,500,000	1,968,294	147,696	284,348	10,311,078
Accumulated depreciation and impairment losses						
Accumulated depreciation	755,993	1,250,000	328,000	32,603	156,220	2,522,816
Accumulated impairment losses	-	3,478,000	-	-	-	3,478,000
At 1.1.2004	755,993	4,728,000	328,000	32,603	156,220	6,000,816
Charge for the financial year	287,286	650,000	299,880	14,640	126,967	1,378,773
Disposals/Write-off	(134,787)	(3,478,000)	(333,333)	-	-	(3,946,120)
At 31.12.2004	908,492	1,900,000	294,547	47,243	283,187	3,433,469
Carrying amount						
At 31.12.2004	502,248	4,600,000	1,673,747	100,453	1,161	6,877,609
At 31.12.2003	490,673	5,250,000	542,000	101,827	128,128	6,512,628
Depreciation charge for the financial year ended 31.12.2003						
	220,360	500,000	174,000	11,966	141,013	1,047,339

Property, plant and equipment acquired under hire purchase and lease stated at carrying amount are as follows:

	Group/Company	
	2004	2003
	RM	RM
Motor vehicles	1,567,414	542,000

4. **Investment in Subsidiary Companies**

	Company	
	2004	2003
	RM	RM
(a) Unquoted shares, at cost	4,400,000	4,400,000

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

Name of company	Country of incorporation	Equity interest		Principal activities
		2004 %	2003 %	
Direct holding -				
GHL Transact Sdn. Bhd.	Malaysia	100	100	Sale and rental of Electronic Data Capture (EDC) equipment and related services.
GHL Payments Sdn. Bhd.	Malaysia	100	100	Sale and rental of Electronic Data Capture (EDC) equipment and related services.
GHL Eftpos Sdn. Bhd.	Malaysia	100	100	Sale and rental of Electronic Data Capture (EDC) equipment and related services.
PaymentOne Sdn. Bhd.	Malaysia	100	100	Investment holding.
Indirect holding -				
Subsidiary company of PaymentOne Sdn. Bhd. Card Pay Sdn. Bhd	Malaysia	52	-	Third party acquirer for e-debit and MEPS CASH transactions.

(c) Acquisition of subsidiary companies

The effect of the acquisition on the financial results of the Group during the financial period is as follows:-

	Group 2004 RM
Revenue	184,309
Cost of sales	(8,810)
Gross profit	<u>175,499</u>
Administrative expenses	(733,537)
Minority interests	<u>119,967</u>
Loss for the financial period	<u><u>(438,071)</u></u>

The summary of effects of the acquisition on the financial position of the Group as at 31 December 2004 is as follows:-

	Group 2004 RM
Goodwill on consolidation	120,037
Property, plant and equipment	1,113,733
Trade and other receivables	46,889
Cash and bank balances	123,520
Trade and other payables	<u>(1,592,250)</u>
Group net liabilities	<u><u>(188,071)</u></u>

The fair value of the assets acquired and liabilities assumed from the acquisition of subsidiary company is as follows:-

	Group 2004 RM
Net assets acquired:-	
Goodwill on consolidation	120,037
Property, plant and equipment	1,145,877
Trade and other receivables	107,993
Cash and bank balances	450,448
Trade and other payables	(1,454,388)
Minority interest	<u>(119,967)</u>
Cash outflow on acquisition of subsidiary company	250,000
Net cash inflow arising on acquisition:	
Cash and cash equivalent acquired	<u>(450,448)</u>
Cash inflow on acquisition of subsidiary company	<u><u>(200,448)</u></u>

5. Investment in Associated Company

	Group	
	2004 RM	2003 RM
Unquoted shares - at cost	-	400,000
Share of post acquisition losses	-	(344,764)
	<u>-</u>	<u>55,236</u>
Loss on deemed disposal of associated company shares	-	(32,661)
	<u>-</u>	<u>22,575</u>
The Groups' investment in associated companies is represented by:		
Share of net assets	-	46,628
Reserve on acquisition	-	(24,053)
	<u>-</u>	<u>22,575</u>

The associated company and shareholding therein is as follows:

Name of company	Country of incorporation	Effective interest		Principal activities
		2004 %	2003 %	
Card Pay Sdn. Bhd.	Malaysia	-	40	Third party acquirer for e-debit and MEPS CASH transactions

During the financial year, Card Pay Sdn. Bhd. became the subsidiary company of PaymentOne Sdn. Bhd., which is a subsidiary company of GHL Systems Berhad.

6. Goodwill on consolidation

	Group	
	2004 RM	2003 RM
At 1 January	1,623,556	1,623,556
Acquisition of subsidiary company	120,037	-
At 31 December	<u>1,743,593</u>	<u>1,623,556</u>

7. Inventories

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
At cost				
Whoops	-	2,136,128	-	2,136,128
EDC equipment	3,854,775	342,247	-	-
Others	368,394	134,182	-	-
	<u>4,223,169</u>	<u>2,612,557</u>	<u>-</u>	<u>2,136,128</u>

8. Trade Receivables

The Group's and the Company's normal trade credit terms range from 30 to 60 days (2003 : 30 to 60 days).

9. Other Receivables

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Other receivables	259,720	75,128	214,594	5,000
Deposits	1,162,765	150,558	1,134,126	124,619
Prepayments	2,190,651	157,326	2,042,577	31,690
	<u>3,613,136</u>	<u>383,012</u>	<u>3,391,297</u>	<u>161,309</u>

10. Amount Owing by Subsidiary Companies

This represents unsecured interest free advances with no fixed term of repayment except for an amount of RM23,109,035 (2003 : RM11,444,959) which is made up of trade transactions.

11. Fixed Deposits Placed with Licensed Banks

Included in the above is an amount of RM4,100,000 (2003 : RM1,300,000) and RM3,700,000 (2003 : RM900,000) pledged to licensed banks as security for banking facilities granted to the Group and the Company respectively.

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

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Interest rates (%)	<u>2.75 - 4</u>	<u>2.2 - 4</u>	<u>2.75 - 3.7</u>	<u>2.2 - 3</u>
Maturities (days)	<u>30 - 365</u>	<u>30 - 365</u>	<u>30 - 365</u>	<u>30 - 365</u>

12. Trade Payables

The Group's and the Company's normal trade credit terms range from 30 to 60 days (2003 : 30 to 60 days).

13. **Other Payables**

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Other payables	59,657	470,626	46,330	105,199
Deposits	2,678,740	2,170,290	-	-
Accruals	459,138	446,015	273,949	302,498
	<u>3,197,535</u>	<u>3,086,931</u>	<u>320,279</u>	<u>407,697</u>

14. **Lease and Hire Purchase Payables**

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
(a) Minimum hire purchase and lease payments				
Not later than 1 year	739,548	80,202	739,548	80,202
Later than 1 year and not later than 5 years	421,278	-	421,278	-
	<u>1,160,826</u>	<u>80,202</u>	<u>1,160,826</u>	<u>80,202</u>
Less: Finance charges	<u>(52,986)</u>	<u>(950)</u>	<u>(52,986)</u>	<u>(950)</u>
	<u>1,107,840</u>	<u>79,252</u>	<u>1,107,840</u>	<u>79,252</u>
(b) Present value of hire purchase and finance lease liabilities				
Not later than 1 year	694,416	79,252	694,416	79,252
Later than 1 year and not later than 5 years	413,424	-	413,424	-
	<u>1,107,840</u>	<u>79,252</u>	<u>1,107,840</u>	<u>79,252</u>

15. **Bank Borrowing - Secured**

	Group/Company	
	2004 RM	2003 RM
Revolving credit	<u>1,500,000</u>	<u>-</u>
Repayable within twelve months		
Revolving credit	<u>1,500,000</u>	<u>-</u>

The above credit facility is obtained from a licensed bank and is secured by way of a pledge of fixed deposits of the Company amounting to RM3,000,000.

The revolving credit is repayable within three months on the maturity of each drawdown.

Maturity of borrowings is as follows:-

	Group/Company	
	2004 RM	2003 RM
Within one year	<u>1,500,000</u>	<u>-</u>

Weighted average of interest rates is as follows:

	Group/Company	
	2004 %	2003 %
Revolving credit	<u>6.5</u>	<u>-</u>

16. Share Capital

	Group/Company	
	2004 RM	2003 RM
Ordinary shares of RM0.10 each:		
Authorised	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid		
Ordinary shares of RM0.10 each		
At 1 January	25,850,378	18,715,178
Issue of shares pursuant to ESOS	1,102,750	-
Bonus issue	<u>6,697,157</u>	<u>-</u>
	33,650,285	18,715,178
Upon sub-division		-
Issued during the financial year	-	6,300,000
ESOS exercised	-	835,200
At 31 December	<u>33,650,285</u>	<u>25,850,378</u>

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 GHIL 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 GHIL 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 GHIL 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.

17. Share Premium

	Group/Company	
	2004 RM	2003 RM
At 1 January	5,912,788	-
Arising in respect of public issue and private placement	-	5,071,438
Arising in respect of ESOS	1,374,897	841,350
Utilisation for bonus issue	(6,697,157)	-
Direct attributable costs pertaining to ESOS and bonus issue	(199,144)	-
At 31 December	391,384	5,912,78

18. Deferred Tax Assets/Liabilities

	Group	
	2004 RM	2003 RM
At 1 January	694,004	-
Prior years adjustment	-	544,229
As restated	694,004	544,229
Recognised in income statement	270,912	149,775
At 31 December	964,916	694,004
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	3,122,539	1,874,860
Deferred tax assets	(2,157,563)	(1,180,856)
	964,916	694,004

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

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Total RM
At 1 January 2004	1,874,860	1,874,860
Recognised in income statement	1,247,679	1,247,679
At 31 December 2004	<u>3,122,539</u>	<u>3,122,539</u>

Deferred tax assets of the Group:

	Accelerated capital allowances RM	Total RM
At 1 January 2004	(1,180,856)	(1,180,856)
Recognised in income statement	(976,767)	(976,767)
At 31 December 2004	<u>(2,157,623)</u>	<u>(2,157,623)</u>

19. **Revenue**

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Whoops	21,367,908	33,644,427	21,367,908	33,644,427
Rental	13,732,022	9,872,641	-	-
Solutions	29,072,318	19,750,909	20,579,283	17,063,918
	<u>64,172,248</u>	<u>63,267,977</u>	<u>41,947,191</u>	<u>50,708,345</u>

20. **Other Operating Income**

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Fixed deposit interest	180,291	213,614	151,192	190,324
Gain on foreign exchange	728	28,435	-	-
Dividend income	81,676	34,181	81,676	34,181
Gain on disposal of property, plant and equipment	233,683	-	180,938	-
Management fees received from subsidiary company	-	-	-	1,200,000
Others	26,233	157,516	25,000	-
	<u>522,611</u>	<u>433,746</u>	<u>438,806</u>	<u>1,424,505</u>

21. Profit from Operations

Profit from operations is derived after charging:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Auditors' remuneration	28,000	26,000	10,000	10,000
Directors' remuneration	1,403,984	1,206,246	1,403,984	1,206,246
Depreciation of property, plant and equipment	4,048,602	3,665,661	1,378,773	1,047,339
Realised loss on foreign exchange	46,885	2,063	20,913	2,063
Rental of premises	709,956	684,058	390,556	365,458
Impairment losses	-	3,478,000	-	3,478,000
Property, plant and equipment written off	-	2,685	-	-
Loss on disposal of property, plant and equipment	-	34,016	-	-
Loss on deemed disposal of associated company shares	-	32,661	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Directors' remuneration

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Executive Directors				
Fees	72,000	64,000	72,000	64,000
Salaries and other emoluments	1,060,700	891,292	1,060,700	891,292
EPF	127,284	106,954	127,284	106,954
Non Executive Directors				
Fees	144,000	144,000	144,000	144,000
Total directors' remuneration	<u>1,403,984</u>	<u>1,206,246</u>	<u>1,403,984</u>	<u>1,206,246</u>

22. Finance Costs

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Hire purchase interest	<u>33,254</u>	<u>19,900</u>	<u>33,254</u>	<u>19,900</u>

23. **Taxation**

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Tax expense for the financial year:				
Current tax provision	49,960	59,743	43,000	53,141
(Over)/Under provision in prior financial year	<u>(3,472)</u>	<u>14,277</u>	<u>(1,530)</u>	<u>10,314</u>
	46,488	74,020	41,470	63,455
Deferred tax:				
Relating to origination and reversal of temporary differences	387,356	149,775	-	-
Over provision in prior financial year	<u>(116,443)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>317,401</u>	<u>223,795</u>	<u>41,470</u>	<u>63,455</u>

Income tax is calculated at the statutory rate of 28% on chargeable income of the estimated assessable profit for the financial year.

During the financial year, the Company has been granted an extension of Pioneer Status for another five years effective from 1 June 2004.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate are as follows:

Group	2004 RM	2003 RM
Profit before taxation	<u>7,793,405</u>	<u>6,227,081</u>
Taxation at statutory tax rate of 28% (2003 : 28%)	2,182,153	1,743,583
Tax incentive	(2,458,459)	(1,824,712)
Expenses not deductible for tax purposes	564,572	176,342
Income not subject to tax	(160)	-
Deferred tax assets not recognised	160,745	120,565
Tax incentive for small and medium scale companies at 20% tax rate	(11,535)	(2,297)
(Over)/Under provision of current taxation in prior financial year	(3,472)	10,314
Over provision of deferred taxation in prior financial year	<u>(116,443)</u>	<u>-</u>
	<u>317,401</u>	<u>223,795</u>

Company	2004 RM	2003 RM
Profit before taxation	<u>7,032,615</u>	<u>6,377,462</u>
Taxation at statutory tax rate of 28% (2003 : 28%)	1,969,132	1,785,689
Tax incentive	(2,458,459)	(1,824,712)
Expenses not deductible for tax purposes	532,327	92,164
(Over)/Under provision of current taxation in respect of prior financial year	<u>(1,530)</u>	<u>10,314</u>
	<u>41,470</u>	<u>63,455</u>

24. Earnings Per Share

(a) Basic earnings per share

The earnings per share has been calculated based on the consolidated profit after taxation of RM7,651,959 (2003 : RM6,003,286) for the Group and the weighted average number of ordinary shares in issue during the financial year of 332,597,763 (2003 : 303,584,514*).

(b) Fully diluted earnings per share

Fully diluted earnings per share has been calculated based on the consolidated profit after taxation of RM7,671,959 (2003: RM6,003,286) for the Group and the adjusted weighted average number of ordinary shares issued and issuable of 336,042,454 (2003: 358,040,963*) shares. The adjusted weighted average number of ordinary shares issued and issuable has been arrived at based on the assumption that all the ESOS are converted to ordinary shares on 31 December 2004.

* Being the weighted average number or adjusted weighted average number of ordinary shares of RM0.10 each in issue after adjusting for the bonus issue of 66,971,570 ordinary shares of RM0.10 each.

25. Purchase of Property, Plant and Equipment

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Aggregate cost	14,972,314	7,258,350	3,896,496	5,448,940
Less: Hire purchase financing	(1,394,000)	-	(1,394,000)	-
Other payables	(4,500)	-	-	-
	<u>13,573,814</u>	<u>7,258,350</u>	<u>2,502,496</u>	<u>5,448,940</u>

26. **Staff Information**

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Staff costs (excluding directors)	<u>8,086,773</u>	<u>10,602,953</u>	<u>5,520,655</u>	<u>3,373,346</u>

Included in the staff costs (excluding directors) are contributions made to the Employees Provident Fund under a defined contribution plan of the Group and the Company amounting to RM773,510 and RM403,054 (2003 : RM719,797 and RM401,275) respectively.

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

27. **Significant Related Parties Transactions**

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Sales to subsidiary companies				
GHL Transact Sdn Bhd	-	-	5,238,560	5,074,720
GHL Payments Sdn Bhd	-	-	451,520	39,520
GHL Eftpos Sdn Bhd	-	-	1,112,480	606,040
PaymentOne Sdn Bhd	-	-	<u>550,000</u>	-
Management fee received from subsidiary company				
GHL Transact Sdn Bhd	-	-	-	<u>1,200,000</u>
Maintenance fee received from subsidiary company				
Card Pay Sdn Bhd	-	-	<u>240,000</u>	-
Purchase of IT Equipment from a related company, GHL Transact Sdn Bhd	-	-	<u>288,418</u>	-
Rental and maintenance charges paid to GHL Enterprise Sdn Bhd, a company in which Goh Kuan Ho, a director of the Company, has substantial financial interest	<u>492,000</u>	<u>492,000</u>	<u>196,800</u>	<u>196,800</u>

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.

28. Significant Events

During the financial year, the following significant events took place for the Company and its subsidiary company:-

- (a) **GHL Systems Berhad (the Company)**
- (i) On 27 May 2004, the Company entered into an agreement with CME Media and Rentak Arena to purchase 3 units of 4 1/2 storey shop office for a total cash consideration of RM4,875,000.
 - (ii) On 30 June 2004, the Company entered into a Sale and Purchase of Assets Agreement with Whoops Sdn Bhd to sell the application software known as "Mobile Commerce" for a cash consideration of RM3,800,000.
 - (iii) On 9 September 2004, the Company signed a Memorandum of Understanding ("MOU") with Thai Smart Card Co.Ltd. ("TSC") to jointly conduct a payment solution project in Thailand ("JV").

The project will undertake to jointly study, invest, and operate the payment related business in Thailand including the deployment of Point-of-Sales ("POS") terminals, communication networking, service and maintenance transactions, marketing activities, and other related activities.

- (b) On 27 February 2004, PaymentOne Sdn. Bhd. subscribed for 250,000 ordinary shares of RM1 each representing 12% of the issued and paid-up share capital of Card Pay Sdn. Bhd. for a purchase consideration of RM250,000. As a result, PaymentOne Sdn. Bhd.'s equity interest in Card Pay Sdn. Bhd. increased from 40% to 52% and consequently became its holding company.

29. Subsequent Events

- (a) On 25 January 2005, the Company agreed to provide a Corporate Guarantee to AmBank Berhad in consideration of them granting banking facilities totalling RM3,100,000 to a subsidiary company, GHL Transact Sdn. Bhd.
- (b) The Company increased its issued and paid-up share capital from RM33,650,285 to RM33,815,685 by issuance of :
- (i) 1,505,000 new ordinary shares of RM0.10 each pursuant to the exercise of option granted under GHL Systems Berhad Employee Share Option Scheme (ESOS) at the option price of RM0.16 each;
 - (ii) 50,000 new ordinary shares of RM0.10 each pursuant to the exercise of option granted under GHL Systems Berhad ESOS at the option price of RM0.164 each; and
 - (iii) 99,000 new ordinary shares of RM0.10 each pursuant to the exercise of option granted under GHL Systems Berhad ESOS at the option price of RM0.305 each.

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

30. Contingent Liabilities

	Group/Company	
	2004	2003
	RM	RM
Limit of guarantees		
Banker's guarantee in favour of third parties		
- secured	2,200,000	450,000
- unsecured	<u>1,197,678</u>	<u>450,000</u>
	<u>3,397,678</u>	<u>900,000</u>
Amount utilised		
Banker's guarantee in favour of third parties		
- secured	250,000	150,000
- unsecured	<u>150,000</u>	<u>150,000</u>
	<u>400,000</u>	<u>300,000</u>

31. Capital Commitment

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Authorised and contracted for	<u>3,900,000</u>	<u>-</u>	<u>3,900,000</u>	<u>-</u>

32. Financial Instruments

(a) Financial risk management objectives and policies

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

(b) Interest Rate Risk

The Group's/Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's/Company's borrowings and deposits. The Group/Company monitors the interest rates constantly although the prevailing interest rates are low.

(c) Foreign Exchange Risk

The Group/Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar, Singapore Dollar and Indonesian Rupiah. The Group/Company maintains a natural hedge that minimises the foreign exchange exposure by matching foreign currency income with foreign currency costs. As most foreign currency transactions are in United States Dollar and as Ringgit Malaysia is pegged against United States Dollar, the Directors are of the view that the foreign exchange risk is minimal.

(d) Credit Risk

The Group's/Company's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via management reporting procedure and action is taken to recover debts when due.

At balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk for the Company is the carrying amount of the financial assets shown in the balance sheet.

(e) Liquidity and Cash Flow Risks

The Group/Company seeks to achieve a flexible and cost effective borrowing structure to ensure that the projected net borrowing needs are covered by available committed facilities. Debt maturities are structured in such a way to ensure that the amount of debt maturing in any one year is within the Company's ability to repay and/or refinance.

The Group/Company also maintains a certain level of cash and cash convertible investments to meet its working capital requirements.

(f) Fair Values

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings are carried at their approximate fair values due to the relatively short term maturity of these financial instruments.

33. Segmental Reporting

The principal business of the Group are those of dealing with EDC equipment and its related services, developing and selling software programmes in Malaysia which are substantially within a single business segment, as such, segmental reporting is deemed not necessary.

34. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 December 2004 were authorised for issue in accordance with a resolution of the Board of Directors on 22 February 2005.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GHL GROUP FOR THE SIX (6) MONTHS ENDED 30 JUNE 2005

CERTIFIED TRUE COPY



CHIN FOOK KHEONG
Company Secretary
MIA 12596

GHL SYSTEMS BERHAD
CONSOLIDATED INCOME STATEMENTS
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2005
THE FIGURES HAVE NOT BEEN AUDITED

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/06/2005	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2004	CURRENT YEAR TO DATE 30/06/2005	PRECEDING YEAR CORRESPONDING PERIOD 30/06/2004
		RM	RM	RM	RM
Revenue	A8	8,206,454	16,766,955	20,497,411	34,488,704
Cost of sales		<u>(2,028,152)</u>	<u>(10,209,605)</u>	<u>(7,800,835)</u>	<u>(22,084,179)</u>
Gross profit		6,178,302	6,557,350	12,696,576	12,404,525
Other operating income		38,749	228,058	26,018	348,832
Operating expenses		<u>(4,556,374)</u>	<u>(5,545,585)</u>	<u>(10,000,080)</u>	<u>(10,776,276)</u>
Profit from operations		1,660,677	1,239,823	2,722,514	1,977,081
Finance cost		(56,355)	(2,089)	(91,045)	(3,049)
Share of loss in associated company		-	-	-	<u>(22,575)</u>
Profit before taxation		1,604,322	1,237,734	2,631,469	1,951,457
Less: Taxation	B5	2,486	(28,472)	(7,200)	(53,475)
Profit after taxation		1,606,808	1,209,262	2,624,269	1,897,982
Minority shareholders' interest		-	73,309	-	113,409
Net profit for the financial year		<u>1,606,808</u>	<u>1,282,571</u>	<u>2,624,269</u>	<u>2,011,391</u>
Weighted average number of ordinary shares in issue		338,308,269	333,250,026	338,308,269	329,573,512
Nominal value per share		RM0.10	RM0.10	RM0.10	RM0.10
Earnings Per Ordinary Share					
- Basic (sen)	B13	0.48	0.38	0.78	0.61
- Diluted (sen)		-	0.38	-	0.60

(The Condensed Consolidated Income Statement should be read in conjunction with Annual Financial Report for the year ended 31 December 2004)

GHL SYSTEMS BERHAD
CONSOLIDATED BALANCE SHEET
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2005
THE FIGURES HAVE NOT BEEN AUDITED

	AS AT END OF CURRENT QUARTER 30/06/2005	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2004 (Audited)
Note	RM	RM
Non-Current Assets		
Property, plant and equipment	21,409,811	23,570,945
Investment in associated company	3,800,000	-
Goodwill on consolidation	1,743,593	1,743,593
	<u>26,953,404</u>	<u>25,314,538</u>
Current Assets		
Inventories	10,518,109	4,223,169
Trade receivables	19,776,410	28,770,853
Other receivables	1,823,169	3,613,136
Tax recoverable	33,062	11,955
Fixed deposits placed with licensed banks	5,362,183	4,444,813
Cash and bank balances	2,258,018	3,473,525
	<u>39,770,951</u>	<u>44,537,451</u>
Current Liabilities		
Trade payables	3,102,224	12,464,950
Other payables	3,273,684	3,197,535
Hire purchase payables	B9 348,512	694,416
Bank borrowings	B9 3,899,993	1,500,000
Taxation	-	1,184
	<u>10,624,413</u>	<u>17,858,085</u>
Net Current Assets	29,146,538	26,679,366
	<u>56,099,942</u>	<u>51,993,904</u>
Finance By:		
Share capital	34,037,110	33,650,285
Share premium	463,936	391,384
Retained profits	19,198,164	16,573,895
	<u>53,699,210</u>	<u>50,615,564</u>
Non-Current Liabilities		
Hire purchase payables	B9 410,815	413,424
Deferred taxation	964,917	964,916
Bank borrowing	B9 1,025,000	-
	<u>56,099,942</u>	<u>51,993,904</u>
Number of ordinary shares	340,371,100	336,502,850
NTA per share (sen)	15.26	14.52

(The Condensed Consolidated Balance Sheet should be read in conjunction with Annual Financial Report for the year ended 31 December 2004)

GHL SYSTEMS BERHAD
CONSOLIDATED CASH FLOW STATEMENT
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2005
THE FIGURES HAVE NOT BEEN AUDITED

	CURRENT YEAR TO DATE 30/06/2005 RM	PRECEDING YEAR CORRESPONDING PERIOD 30/06/2004 RM
Cash Flows From Operating Activities		
Profit for the year	2,631,469	1,951,457
Adjustment for:		
Depreciation of property, plant & equipment	2,974,745	2,088,844
Gain on disposal of property, plant and equipment	(22,280)	(219,849)
Share of loss in associated company	-	22,575
Loss on foreign exchange	-	11,765
Interest income	(60,105)	(89,881)
Dividend Received	-	(45,344)
Interest expenses	91,045	3,048
Operating profit before working capital changes	<u>5,614,874</u>	<u>3,722,615</u>
(Increase) / decrease in working capital		
Inventories	(4,884,047)	464,340
Receivables	10,784,411	(5,559,171)
Payables	(9,286,577)	(90,326)
Amount owing to associate company	-	1,066,760
	<u>(3,386,213)</u>	<u>(4,118,397)</u>
Cash from / (used in) operations	2,228,661	(395,782)
Interest received	60,105	89,881
Interest paid	(91,045)	(3,048)
Dividend received	-	45,344
Tax paid	(29,491)	(42,978)
	<u>(60,431)</u>	<u>89,199</u>
Net cash from / (used in) operating activities	2,168,230	(306,583)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(2,256,327)	(815,030)
Proceeds from disposal of property, plant and equipment	54,103	791,655
Acquisition of associated company	(3,800,000)	200,448
Net cash (used in) from investing activities	<u>(6,002,224)</u>	<u>177,073</u>
Cash Flows From Financing activities		
Drawdown of Revolving credit facility	2,999,993	-
Drawdown of term loan	2,000,000	464,000
Decrease in fixed deposit pledge	900,000	-
Repayment of term loan	(75,000)	-
Repayment of hire purchase	(348,513)	(107,919)
Proceeds from issue of shares	459,377	2,191,786
Net cash from financing activities	<u>5,935,857</u>	<u>2,547,867</u>
Net Increase in cash and cash equivalents	2,101,863	2,418,357
Cash and cash equivalents at beginning of financial year	<u>2,318,338</u>	<u>12,332,730</u>
Cash and cash equivalents at end of financial year	<u>4,420,201</u>	<u>14,751,087</u>
Cash and cash equivalents at end of year comprises:		
Cash and bank balances	2,258,018	3,687,282
Fixed deposits placed with licensed banks	5,362,183	7,984,337
Short term funds	-	3,079,468
	<u>7,620,201</u>	<u>14,751,087</u>
Less: Fixed deposits pledged to licensed banks	(3,200,000)	-
	<u>4,420,201</u>	<u>14,751,087</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with Annual Financial Report for the year ended 31 December 2004)

GHL SYSTEMS BERHAD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2005
THE FIGURES HAVE NOT BEEN AUDITED

	Share Capital RM	Share Premium RM	Retained Profits RM	Total RM
Balance at 1 January 2004	25,850,378	5,912,788	8,921,936	40,685,102
Issue of shares pursuant to bonus issue	6,697,157	(6,697,157)	-	-
Issue of shares pursuant to ESOS	938,250	1,253,536	-	2,191,786
Profit for the quarter	-	-	2,011,391	2,011,391
Balance at 30 June 2004	<u>33,485,785</u>	<u>469,167</u>	<u>10,933,327</u>	<u>44,888,279</u>
Balance at 1 January 2005	33,650,285	391,384	16,573,895	50,615,564
Issue of shares pursuant to bonus issue				
Issue of shares pursuant to ESOS	386,825	72,552	-	459,377
Profit for the quarter	-	-	2,624,269	2,624,269
Balance at 30 June 2005	<u>34,037,110</u>	<u>463,936</u>	<u>19,198,164</u>	<u>53,699,210</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with Annual Financial Report for the year ended 31 December 2004)

GHL SYSTEMS BERHAD
(Company No: 293040-D)
Notes on Quarterly Report – 30 June 2005

A. EXPLANATORY NOTES AS PER MASB 26

A1. Basis of Preparation

The audited quarterly report has been prepared in compliance with the Financial Reporting Standard (“FRS”) Standard No. 134, Interim Financial Reporting and Appendix 7A of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The accounting policies and methods of computation adopted by the Group in this quarterly report are consistent with those adopted in the financial statements for the year ended 31 December 2004.

A2. Audit Report

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2004 was not subject to any qualification.

A3. Seasonal or Cyclical Factors

The business of the Company is not affected by any significant seasonal or cyclical factors.

A4. Unusual Items

During the current quarter under review, there were no items or events that arose and affected the assets, liabilities, equity, net income or cash flows, to the effect that is unusual nature, size or incidence.

A5. Change in estimates

There were no changes in the estimates of amounts reported in the previous quarter that have a material effect on the results for the current quarter under review.

A6. Changes in Debts and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current quarter under review.

A7. Dividend

No dividend has been declared or paid during the current quarter under review.

A8. Segmental Reporting

The principal businesses of the Group are dealing in Electronic Draft Capture equipment and related services, and developing and selling of software programmes in Malaysia and Asian region which are essentially within a single business segment and as such, segmental reporting is not necessary.

A9. Valuation of Property, Plant and Equipment

The Company did not revalue any of its property, plant and equipment.

A10. Material Events Subsequent to 30 June 2005

There were no material events between 30 June 2005 and the date of this report that have not been reflected in the financial statement for the quarter under review except for:

On 15 July 2005, GHL International Sdn Bhd (formerly known as PaymentOne Sdn Bhd), a wholly owned subsidiary of the Company has entered into a Shareholders Agreements with Luk Cheung and Lee Ting Wah, Stanley to subscribe shares in GHL (China) Company Limited. As at to date, GHL International Sdn Bhd has subscribed for HKD117,000 new ordinary shares of HKD1.00 each in GHL (China) Company Limited, or 30% of the issued and paid-up share capital.

A11. Changes in the Composition of the Group

On 30 April 2005, the Company has subscribed for 38,000,000 new ordinary shares of RM0.10 each in Whoops Sdn Bhd or 34.86% of the issued and paid-up share capital of Whoops Sdn Bhd, for a cash consideration of RM3.8 million.

A12. Contingent Liabilities

Limit of guarantees	RM
Banker's guarantee in favour of third parties	
- Secured	700,000
- Unsecured	1,197,678
	<u>1,897,678</u>
Amount utilised	
Banker's guarantee in favour of third parties	
- Secured	250,000
- Unsecured	150,000
	<u>400,000</u>

A13. Capital commitment

	RM
Authorised and contracted for:	
Property, plant and equipment	<u>3,900,000</u>

The capital commitment represent the purchase of three (3) units of 4 ½ storey shop office for a purchase consideration of RM1,625,000 per unit, in total RM4,875,000. As at 30 June 2005, the Company had paid RM975,000 (20% of the total consideration), the balance of RM3,900,000 to be financed from Alliance Bank Malaysia Berhad ("Alliance bank"), repayable over fifteen (15) years by instalments.

GHL SYSTEMS BERHAD**(Company No. 293040-D)****Notes on the Quarterly Report – 30 June 2005****B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD****B1. Review of Performance**

For the quarter ended, 30 June 2005, the Group recorded revenue of RM8.2 million, representing a decrease of approximately 51% as compared to RM16.8 million achieved in the preceding year's corresponding quarter. However, profit before taxation for the current quarter increased by 29.6% to RM1.6 million as compared to the preceding year's profit before taxation of RM1.2 million. The lower revenue in the quarter under review compared to preceding year corresponding quarter was mainly because there is no longer revenue contribution from the Prepaid Reload Business. The growth in profit before taxation was mainly due to increased in sales generated from rent of electronic draft capture terminals and supply of EMV chip-based cards.

B2. Comparison of Current Quarter Results with the Preceding Quarter

	Q2 2005 <u>Current Quarter</u> RM'000	Q1 2005 <u>Preceding Quarter</u> RM'000
Revenue	8,206	12,291
Profit Before Tax	1,604	1,027

For the current quarter under review, the Group recorded revenue of RM8.2 million, representing a decrease of 33.2% as compared to RM12.3 million recorded in the previous quarter. However, the profit before taxation for the current quarter has increased by 56% to RM1.6 million as compared to RM1.0 million for the previous quarter. The growth in profit before taxation for the current quarter compared to the preceding quarter was mainly due to increased in revenue generated from sales and rent of electronic draft capture terminals.

B3. Current Year's Prospects

Barring any unforeseen circumstances, the Board is positive of the Company's performance in the financial year ending 31 December 2005. In the year 2005, the Company will continue to be more aggressive in the merchant-acquiring activities with regard to its strategic tie-up with merchant-acquiring financial institutions.

The Company is of the opinion that growth prospects will come from sales of EMV-compliant terminals to banks' merchants due to improved fraud mitigation with the chip-based payment infrastructure, sales of software solutions and to supply EMV chip-based cards.

B4. Profit forecast and Profit Guarantee

The Company has not issued any profit forecast and profit guarantee for the current year.

B5. Taxation

The taxation charge is in respect of interest income. There is no taxation charge on the business source of income as the Company was granted pioneer status which exempts its income from taxation for a period of five (5) years commencing from 1 June 1999. This exemption only applies in respect of income derived from the Company's MSC-qualifying activities as set out in its application documents submitted to Multimedia Development Corporation Sdn Bhd at the time when the Company applied for Multimedia Super Corridor status. The pioneer status can be renewed upon application by the Company on or before 1 June 2004 for a further period of five (5) years. The Company has obtained approval for another five (5) years extension for pioneer status from 1 June 2004, vide letters from Multimedia Development Corporation Sdn Bhd dated 21 June 2004 and Ministry of International Trade and Industry, Malaysia dated 15 September 2004.

The Company had applied FRS 112, Income Taxes, whereby under FRS 112, deferred tax liabilities are provided for, using the liability method, on temporary differences at the balance sheet date, between the tax bases of assets and liabilities and their carrying amounts in the financial statement.

B6. Profit on Sale of Unquoted Investment and/or Properties

There was no disposal of unquoted investment or properties during the financial quarter under review.

B7. Purchase and Disposal of Quoted Securities

There was no purchase or disposal of quoted securities during the financial quarter under review.

B8. (a) Status of Corporate Proposals

There were no corporate proposals announced and not completed as at the date of this report except the following:-

- (i) The Company's proposed Renounceable Two-Call Rights Issue of 204,222,660 new ordinary shares of RM0.10 each ("Rights Shares") at an issue price of RM0.10 per Rights Share on the basis of three (3) new ordinary shares of RM0.10 each for every five (5) existing ordinary shares of RM0.10 each held in the Company ("Proposed Two-Call Rights Issue").
- (ii) The Company's proposed Employee Share Option Scheme ("ESOS") of up to 15% of the issued and paid-up share capital of the Company ("Proposed ESOS").

The Company has obtained shareholders' approval for the Proposed Two-Call Rights Issue, Proposed ESOS, proposed increase in authorised share capital and recurrent related-party transactions of a revenue nature at the Extraordinary General Meeting held on 30 May 2005. The authorised share capital of the Company was increased from RM50,000,000 to RM100,000,000 on 30 May 2005.

The Company has obtained approval for the Proposed Two-Call Rights Issue from Securities Commission on 15 July 2005.

On 10 August 2005, Bursa Malaysia Securities Berhad has approved in-principle the listing and quotation of the additional 204,222,660 new ordinary shares of RM0.10 each to be issued pursuant to the Proposed Two-Call Rights Issue and up to 15% of the issued and paid-up share capital of the Company at any point of time during the existence of the Proposed ESOS.

(b) Status of Utilisation of Proceeds Raised from Corporate Proposal

The proceeds from the Group's Initial Public Offering amounted to RM12.6 million, of which RM11.294 million was for working capital and RM1.306 million was for defraying listing expenses. Proceeds earmarked for listing expenses have been disbursed accordingly. As at to date, the Company has fully utilised the RM11.294 million as working capital to purchase the EMV-compliant electronic draft capture terminals.

B9. Group Borrowings and Debt Securities

(a) Revolving Credit – secured

	RM
Repayable within twelve months	<u>2,999,993</u>
Repayable more than twelve months	<u>-</u>

The above credit facility is obtained from a licensed bank and is secured by way of a pledge of fixed deposits of the Company amounting to RM2 million.

(b) Term Loan – unsecured

	RM
Repayable within twelve months	900,000
Repayable more than twelve months	<u>1,025,000</u>
	<u>1,925,000</u>

The term loan is to part finance the purchase of Electronic Draft Capture (“EDC”) terminals of the Group. The term loan bears an interest of 1.5% above the bank’s base lending rate and is repayable by 26 equal monthly instalments of RM75,000.00 and a final instalment of RM50,000.00. The repayment of term loan commence on the first day of the fourth month after the first drawn down.

(c) The Hire Purchase payable of the Group as at 30 June 2005 represented hire purchase for the Group’s motor vehicles, the portion of the hire purchase due within one (1) year was classified as current liabilities.

B10. Off Balance Sheet Financial Instruments

The Company does not have any financial instruments with off balance sheet risk as at the date of this report.

B11. Material Litigation

The Company is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Company as at the date of this report.

B12. Dividend

No dividend has been declared or paid during the current quarter under review.

B13. Earnings Per Share**Basic earnings per share**

The earnings per share for the current year to date is calculated by dividing the net profit attributable to shareholders of RM2,624,269 by the weighted average number of ordinary shares in issue of 338,308,269 ordinary shares of RM0.10 each.

DIRECTORS' REPORT



GHL SYSTEMS BERHAD
293040-D

Registered Office:
No. 18C, Jalan 1/64
Off Jalan Kolam Air/Jalan Ipoh
51200 Kuala Lumpur

29 August 2005

The Shareholders

GHL Systems Berhad ("GHL" or "Company")

Dear Sir/Madam

On behalf of the Board of Directors of GHL ("Board"), I report that after making due enquiries in relation to the interval between 31 December 2004, being the date to which the last audited accounts of the Company and its subsidiary companies have been made up, and 29 August 2005, being a date not earlier than fourteen (14) days before the date of issue of this Abridged Prospectus:-

- (a) The business of the Company and its subsidiary companies has, in the opinion of the Board, been satisfactorily maintained;
- (b) In the opinion of the Board, no circumstances have arisen since the last audited accounts of the Company and its subsidiary companies which have adversely affected the trading or the value of the assets of the Company or any of its subsidiary companies;
- (c) The current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) Save as disclosed in Section 9 "Working Capital, Borrowings, Contingent Liabilities, Material Capital Commitments and Material Litigation" of this Abridged Prospectus, no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company or any of its subsidiary companies;
- (e) Since the last audited accounts of the Company and its subsidiary companies, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings which the Board is aware of, and
- (f) Save as disclosed in the Reporting Accountants' Letter on the Pro-forma Consolidated Balance Sheets of the GHL Group as set out in Appendix III of this Abridged Prospectus, there have been no material changes to the published reserves or any unusual factors affecting the profits of the Company and its subsidiary companies since the last audited accounts of the Company and its subsidiary companies.

Yours faithfully
For and on behalf of the Board of Directors of
GHL SYSTEMS BERHAD

TAY BENG LOCK
Group Managing Director

Kuala Lumpur / HQ
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FURTHER STATUTORY AND ADDITIONAL INFORMATION

1. Share Capital

- (a) No Shares will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of issue of this Abridged Prospectus.
- (b) There are no founder, management or deferred shares. There is only one (1) class of shares in the Company, namely ordinary shares of RM0.10 each, all of which rank pari passu with one another.
- (c) Save for the Two-Call Rights Issue and the ESOS, no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of the Company.

The ESOS involves the granting of Options of up to fifteen percent (15%) of the issued and paid-up share capital of the Company at any one time during the duration of the ESOS, to the eligible directors and employees of the GHL Group. The ESOS shall be in force for a duration of three (3) years effective from 6 September 2005. However, the Company's Option Committee may on or before the expiry of the ESOS, extend the ESOS for up to a further seven (7) years. The subscription price shall be at a discount of not more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the ESOS, from the weighted average market price of GHL Shares for the five (5) Market Days immediately preceding the date of offer, or the par value of the Shares, whichever is higher. An eligible director or employee shall pay a nominal consideration of RM1.00 only upon acceptance of an offer of Options made to him/her.

- (d) Save for the Two-Call Rights Issue, the ESOS and as disclosed in Section 2 of Appendix II, no securities of the Company have been issued or proposed to be issued, as fully or partly paid-up in cash, or otherwise than in cash within the two (2) years immediately preceding the date of this Abridged Prospectus.

2. Directors

- (a) The names, addresses and professions of the directors are as set out under the section entitled "Corporate Information on GHL" of this Abridged Prospectus.
- (b) There shall be no shareholding qualification for directors.
- (c) The provisions in the Company's Articles of Association dealing with the remuneration of the directors are as follows: -

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Article 110

Subject to these Articles, the remuneration of the Directors shall from time to time be determined by the Company in general meeting but:-

Remuneration

- (1) directors' fees payable to Directors not holding any executive office in the Company shall be a fixed sum and shall not be payable by a commission on or percentage of profits or turnover;
- (2) salaries payable to Directors holding executive office in the Company may not include a commission on or a percentage of turnover;
- (3) all remuneration payable to Directors shall be deemed to accrue from day to day;
- (4) fees payable to Directors shall not be increased except pursuant to a resolution passed by the Company in general meeting, where notice of the proposed increase has been given in the notice convening the meeting;
- (5) any fee paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration.

Article 111

The Directors may be paid all travelling, hotel and other expenses, properly incurred by them in attending and returning from meetings of the Directors or any committee of Directors or general or other meetings of the Company or in connection with the business of the Company.

Expenses

Article 112

The Directors may grant special remuneration to any Director who (on request by the Directors) is willing to:-

Special remuneration

- (1) render any special or extra services to the Company; or
- (2) to go or reside outside his country of domicile or residence in connection with the conduct of any of the Company's affairs.

Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be paid in a lump sum or by way of salary, or by a percentage of profits, or by all or any of such methods but shall not include (where such special remuneration is paid by way of salary) a commission on or a percentage of turnover.

3. Material Contracts

Save as disclosed below, the GHL Group has not entered into any material contracts, not being contracts entered into in the ordinary course of business, within the two (2) years preceding the date of this Abridged Prospectus:-

No.	Date	Parties	Nature of Contract
1.	26 March 2004	Chong Wee Huat, Chong Wee Sin, Yap Tiong Aik, Wong Yee Hui, Wong Ah Kau @ Wong Mun Sang, GHL and Computer Infobase System Sdn Bhd ("CIS")	A Subscription Agreement between the parties for GHL to subscribe for 1,500,000 new ordinary shares of RM1.00 each in CIS for a consideration sum of RM1,500,000 to be satisfied in cash. This Subscription Agreement has subsequently been terminated on 28 April 2004.
2.	26 March 2004	Chong Wee Huat, Chong Wee Sin, Yap Tiong Aik, Wong Yee Hui, Wong Ah Kau @ Wong Mun Sang, GHL and CIS	A Shareholders' Agreement between the parties pursuant to the Subscription Agreement dated 26 March 2004 between the same parties, to regulate the affairs of CIS and the respective rights of the parties as shareholders of CIS. This Shareholders' Agreement has subsequently been terminated on 28 April 2004.
3.	27 May 2004 and 10 June 2004	CME Media Holdings Sdn Bhd ("CME"), GHL and Rentak Arena Sdn Bhd ("RASB")	A Sale and Purchase Agreement ("S&P 1") dated 27 May 2004 between the parties for GHL to purchase Unit No. L7, Block C ("Property A") situated in a four and a half (4½) storey Shopoffice known as One Sri Damansara Shopoffice, erected on part of all that piece of land known as PT 27, Bandar Sri Damansara, District of Petaling, State of Selangor and held under HS(D) 191425 for a cash consideration of RM1,625,000.00. Simultaneous with the execution of S&P 1, GHL has entered into a Deed of Mutual Covenants dated 27 May 2004 with CME to govern and regulate the use and enjoyment of the commercial development project known as One Sri Damansara Shopoffice ("Project") for the purpose of maintaining and preserving the status, image, character, value and exclusiveness of the Project and ensuring the congenial and harmonious occupation, enjoyment and better management.
4.	27 May 2004 and 10 June 2004	CME, GHL and RASB	A Supplementary Agreement dated 10 June 2004 was entered into between CME and GHL to vary the terms of S&P 1 to the effect that vacant possession of Property A and the certificate of fitness in respect of Property A shall be delivered to GHL by 31 March 2005 and 31 May 2005 respectively. A Sale and Purchase Agreement ("S&P 2") dated 27 May 2004 between the parties for GHL to purchase Unit No. L8, Block C ("Property B") situated in a four and a half (4½) storey Shopoffice known as One Sri Damansara Shopoffice, erected on part of all that piece of land known as PT 28, Bandar Sri Damansara, District of Petaling, State of Selangor and held under HS(D) 191426 for a cash consideration of RM1,625,000.00. Simultaneous with the execution of S&P 2, GHL has entered into a Deed of Mutual Covenants dated 27 May 2004 with CME to govern and regulate the use and enjoyment of the Project for the purpose of maintaining and preserving the status, image, character, value and exclusiveness of the Project and ensuring the congenial and harmonious occupation, enjoyment and better management.

No.	Date	Parties	Nature of Contract
5.	27 May 2004 and 10 June 2004	CME, GHL and RASB	<p>A Supplementary Agreement dated 10 June 2004 was entered into between CME and GHL to vary the terms of S&P 2 to the effect that vacant possession of Property B and the certificate of fitness in respect of Property B shall be delivered to GHL by 31 March 2005 and 31 May 2005 respectively.</p> <p>A Sale and Purchase Agreement ("S&P 3") dated 27 May 2004 between the parties for GHL to purchase Unit No. L9, Block C ("Property C") of One Sri Damansara Shopoffice on the piece of land held under HS(D) 191427 PT 29 situated in Bandar Sri Damansara, District of Petaling, State of Selangor for a cash consideration of RM1,625,000.00. Simultaneous with the execution of S&P 3, GHL has entered into a Deed of Mutual Covenants dated 27 May 2004 with CME to govern and regulate the use and enjoyment of the Project for the purpose of maintaining and preserving the status, image, character, value and exclusiveness of the Project and ensuring the congenial and harmonious occupation, enjoyment and better management.</p> <p>A Supplementary Agreement dated 10 June 2004 was entered into between CME and GHL to vary the terms of S&P 3 to the effect that vacant possession of Property C and the certificate of fitness in respect of Property C shall be delivered to GHL by 31 March 2005 and 31 May 2005 respectively.</p>
6.	15 July 2005	Luk Cheung Hung ("LCH"), GHL International Sdn Bhd ("GHLI") and Lee Ting Wah, Stanley ("LTW")	<p>A Shareholders Agreement dated 15 July 2005 between LCH, GHLI and LTW whereby LCH and GHLI agreed to subscribe for the shares of GHL (China) Company Limited on the understanding that the parties will have their respective rights and obligations as set out in the Shareholders Agreement.</p>
7.	3 August 2005	GHL and AmMerchant Bank (as Lead Manager / Managing Underwriter) and AmMerchant Bank and AmSecurities Sdn Bhd (as Underwriters)	<p>An Underwriting Agreement dated 3 August 2005 between GHL and AmMerchant Bank as the Lead Manager/Managing Underwriter and AmMerchant Bank and AmSecurities Sdn Bhd as the Underwriters for the underwriting of 115,701,391 Rights Shares ("Underwritten Shares") at an underwriting commission of 1.25% on the cash call on the Underwritten Shares.</p>

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4. Material Litigation

As at 12 August 2005, the GHL Group is not engaged in any material litigation, claims, arbitration or prosecution, either as plaintiff or defendant, and the Board is not aware of any proceedings pending or threatened against the GHL Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the GHL Group.

5. General

- (a) The nature of the Company's business and the names of all corporations which are deemed to be related to the Company by virtue of Section 6 of the Companies Act, 1965 are set out in Appendix II of this Abridged Prospectus.
- (b) The estimated expenses of the Proposals amounting to RM550,000 will be borne by the Company.
- (c) No amount or benefit has been paid or payable within the two (2) years preceding the date of this Abridged Prospectus, as commission for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for any shares or debentures of the Company or its subsidiary companies and no director, proposed director, promoter or expert is entitled to receive any such commission.
- (d) There is no existing or proposed service contract entered or to be entered into by the Company or any of its subsidiaries with any director or proposed director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year.
- (e) Save as disclosed in Section 6 "Risk Factors" of this Abridged Prospectus, the Board of GHL is not aware of any material information including specific trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the Group.

6. Consents

- (a) The written consents of the Adviser, Managing Underwriter, Underwriters, Company Secretaries, Registrar, Solicitors and Principal Bankers to the inclusion in this Abridged Prospectus of their names in the form and context in which such names appear have been given before the issue of this Abridged Prospectus and have not subsequently been withdrawn; and
- (b) The written consent of the Auditors and Reporting Accountants to the inclusion in this Abridged Prospectus of their name and letter on the pro-forma consolidated balance sheets of the GHL Group as at 31 December 2004 in the form and context in which they appear has been given before the issue of this Abridged Prospectus and has not subsequently been withdrawn.

7. Documents for Inspection

Copies of the following documents are available for inspection during normal office hours on any weekday (except public holidays) at the Registered Office of the Company for a period of twelve (12) months from the date of this Abridged Prospectus: -

- (a) The Memorandum and Articles of Association of the Company;
- (b) The material contracts as stated in Section 3 above;
- (c) The certified true extract of the ordinary resolution in respect of the Two-Call Rights Issue passed at the EGM of GHL on 30 May 2005, as set out in Appendix I of this Abridged Prospectus;

- (d) The Directors' Report set out in Appendix VI of this Abridged Prospectus;
- (e) The audited financial statements of the GHL Group for the past two (2) financial years ended 31 December 2003 and 2004 and the unaudited financial statements of the GHL Group for the three (3) months ended 31 March 2005;
- (f) The pro-forma consolidated balance sheets of the GHL Group as at 31 December 2004 together with the Reporting Accountants' letter thereon as set out in Appendix III of this Abridged Prospectus;
- (g) The undertaking letters obtained from Goh Kuan Ho, BSNC Corporation Berhad, Tay Beng Lock, Yeng Fook Hoo, Chin Fook Kheong and Tunku Dato' Abdul Malek Bin Tunku Kassim in respect of their undertakings to subscribe or procure subscriptions for their entitlements to the Rights Shares; and
- (h) The letters of consent as stated in Section 6 above.

8. Responsibility Statement

- (a) AmMerchant Bank, being the Adviser of this Two-Call Rights Issue, acknowledges that based on all available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Two-Call Rights Issue.
- (b) This Abridged Prospectus has been seen and approved by the Board and the directors individually and collectively accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

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