



GH SYSTEMS BERHAD
(Company No: 293040-D)

Quarterly report on consolidated results for the first quarter ended 31 March 2007

A. EXPLANATORY NOTES AS PER FRS 134

A1. Basis of Preparation

The quarterly financial report has been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards (“FRS”) 134: Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted by GH System Berhad (“Company”) and its subsidiaries, (collectively referred to as the “Group”) in this quarterly report is consistent with those adopted in the financial statements for the year ended 31 December 2006.

A2. Audit Report

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2006 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 of 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 except for the following:-

(a) Employee Share Option Scheme (“ESOS”)

On 28 October 2005, the Company offered 69,807,200 ESOS options at an exercise price of RM0.10 per share to eligible directors and eligible employees of the Group for a period of three (3) years. As a consequence of the Bonus Issue on 1 November 2006 on the basis of one (1) new ordinary share of RM0.10 each for every ten (10) existing ordinary share of RM0.10 each, the number of unexercised ESOS Options were adjusted by 5,300,100 ESOS Options in accordance with Bye-Law 15 of GHJ Systems Berhad – ESOS Bye Laws.

On 9 February 2007, the Company have consolidated every five (5) ordinary shares of RM0.10 each held into one (1) ordinary share of RM0.50 each (“Share Consolidation”). As a consequence of the Share Consolidation, the number of unexercised ESOS Options were adjusted to 9,488,922 in accordance with Bye-Law 15 of GHJ Systems Berhad – ESOS Bye Laws. As at 31 March 2007, 1,721,732 ESOS options had lapsed and 7,767,190 ESOS options still remained unexercised.

On 8 November 2006, the Company offered 15,723,000 ESOS options at an exercise price of RM0.21 per share to eligible employees of the Group which shall expired on 27 October 2008. As a consequence of the Share Consolidated, the number of unexercised ESOS options were adjusted to 3,080,260 in accordance with Bye-Law 15 of GHJ Systems Berhad – ESOS Bye Laws. As at 31 March 2007, 37,560 ESOS options had lapsed and 3,042,700 ESOS options still remained unexercised.

<u>Date of Allotment</u>	<u>ESOS Options granted on 28 October 2005 that have been exercised</u>	<u>ESOS Options granted on 8 November 2006 that have been exercised</u>
10 March 2006	6,887,100	-
4 October 2006	9,919,100	-
8 November 2006	3,119,300	-
8 December 2006	3,486,750	-
11 December 2006	641,430	-
10 January 2007	3,609,010	-
11 January 2007	-	321,700
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	27,662,690	321,700

Pursuant to the abovementioned exercise of ESOS Options, Bonus Issue and Share Consolidation, the issued and paid-up share capital of the Company has increased to RM62,871,814.50 comprising 125,743,629 ordinary shares of RM0.50 each as at 31 March 2007.

(b) **Share Consolidation**

On 9 February 2007, the Company has consolidated every five (5) ordinary shares of RM0.10 each held in the Company into one (1) ordinary share of RM0.50 each.

(c) **Transfer of Listing from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad (“Bursa Securities”)**

On 15 February 2007, the Company has successfully transferred the listing of and quotation for the entire issued and paid-up share capital of RM62,871,814.50 comprising 125,743,629 ordinary shares of RM0.50 each from the MESDAQ Market to the Main Board of Bursa Securities.

A7. Dividend

There were no dividends paid during the quarter under review.

A8. Segmental Reporting

The principal businesses of the Group are dealing in Electronic Draft Capture (“EDC”) 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 31 March 2007

There were no material events between 31 March 2007 and the date of this report that have not been reflected in the interim financial statement for the quarter under review except for the following:-

- a) On 9 April 2007, the Company issued and allotted 170,712 ordinary shares of RM0.50 each pursuant to exercise of ESOS options.

Pursuant to the exercise of ESOS options, the issued and paid up share capital of the Company has increased to RM62,957,170.50 comprising 125,914,341 ordinary shares of RM0.50 each.

- b) On 7 May 2007, the Company has declared a first and final tax-exempt dividend of 0.5 sen or 1% per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2006, pursuant to obtaining its shareholders’ approval at the Thirteenth Annual General Meeting. The entitlement date for the first and final tax-exempt dividend has been fixed on 22 May 2007 and will be paid on 18 June 2007.

- c) On 24 May 2007, the Company has entered into a Share Sale Agreement with Thornbeam Limited to sell 35,150,000 ordinary shares of RM0.10 each in MobilityOne Sdn Bhd (“MobilityOne”), for a cash consideration of RM7,030,000 (“Disposal”). Pursuant to the Disposal, MobilityOne will ceased to be an associated

company of the Company as the Company will hold only 3.93% of the issued and paid-up share capital of MobilityOne.

A11. Changes in the Composition of the Group

- a) On 4 January 2007, GHL International Sdn Bhd (GHL International”), a wholly owned subsidiary of the Company has submitted its application to subscribe 6,195 ordinary shares representing 1.24% voting rights in GHL (Thailand) Co Ltd (“GHL Thailand”), a private limited company incorporated in Thailand for a purchase consideration of 619,500 Baht, to the Board of Investment in Thailand. This transaction was completed on 13 February 2007.
- b) On 13 March 2007, GHL Asia Pacific Limited (“GHL AP”), a wholly owned subsidiary of the Company, has entered into a Sale and Purchase of Shares Agreement with GHL International, a wholly owned subsidiary of the Company, to acquire all of the shares owned by GHL International in PaymentOne Singapore Pte Ltd (“PaymentOne Singapore”), GHL (China) Company Ltd (“GHL China”), PaymentOne HK Pte Ltd (“PaymentOne HK”), GHL Thailand and GHLSYS Philippines Inc (“GHLSYS Philippines”) for a total cash consideration of USD341,020. As the acquisition of shares in these companies are to facilitate the Group’s internal restructuring, there is no change in the effective interest of the Company in these subsidiaries.
- c) On 15 March 2007, GHL AP has entered into a Share Purchase Agreement with Mr. Sampan Charnnarong to acquire additional 3,999 ordinary shares of 100 Baht each representing 20% equity interest in GHL Thailand, for a purchase consideration of 399,900 Baht. Consequently on 15 March 2007, the shareholding of the Company in GHL Thailand has increased from 79.97% to 99.97%.
- d) On 15 March 2007, GHL AP has entered into a Share Purchase Agreement with Luk Cheung Hung and Lee Ting Wah, Stanley, to acquire additional 585,000 ordinary shares of HKD1 each representing 48.75% equity interest in GHL China, a private limited company incorporated in Hong Kong for a purchase consideration of HKD585,000. Consequently on 30 March 2007, the shareholding of the Company in GHL China has increased from 51.25% to 100.00%.
- e) On 30 March 2007, GHL AP has increased its issued and paid-up share capital from GBP1 to GBP1,524,701 by the issuance of 15,247,000 ordinary shares of GBP0.10 each at par for cash which were fully subscribed by the Company.

A12. Contingent Liabilities

Save as disclosed below, the Group does not have any contingent liabilities as at the date of this report.

Limit of guarantees

RM

Corporate guarantee given to licensed banks for credit facilities granted to:-
- associated company

1,050,000

Amount utilised

Banker’s guarantee in favour of third parties
- Secured

100,000

Corporate guarantee given to licensed banks for term loans facility
granted to:-

- associated company

1,050,000

A13. Capital commitment

There was no capital commitment as at the date of this report.