



**GH SYSTEMS BERHAD**  
**(Company No. 293040-D)**

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

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD**

**B1. Review of Performance**

For the quarter ended 31 March 2007, the Group recorded revenue of RM13.14 million, compared to RM7.47 million achieved in the preceding year's corresponding quarter. The profit before taxation for the current quarter increased by 15.34% to RM1.88 million as compared to the previous year corresponding quarter's profit before taxation of RM1.63 million. At the same time, profit after tax increased 13.50%, from RM1.63 million to RM1.85 million. The growth was brought about mainly due to increase in sales generated from sales and rental of EDC terminals, supply of EuroPay-MasterCard-Visa ("EMV") chip-based cards and payment solutions network.

**B2. Comparison of Current Quarter Results with the Preceding Quarter**

	<u>Q1 2007</u> <u>Current Quarter</u> RM'000	<u>Q4 2006</u> <u>Preceding Quarter</u> RM'000
Revenue	13,141	16,903
Profit Before Tax	1,883	3,623

For the current quarter under review, the Group recorded revenue of RM13.14 million, representing a decreased of 22.25% as compared to RM16.90 million recorded in the previous quarter. The profit before taxation for the current quarter has decreased by 48.03% to RM1.88 million compared to RM3.62 million of the previous quarter. The decrease in profit before taxation for the current quarter as compared to the preceding quarter was mainly due to higher sales of payment solutions network during the quarter leading to 31 December 2006.

**B3. Current Year's Prospects**

Barring any unforeseen circumstances, the Board is positive of the Group's performance in the financial year ending 31 December 2007.

The payment solutions industry locally continues to have positive prospects due to improved fraud mitigation with the chip-based infrastructure. The increasing penetration of Electronic Draft Capture ("EDC") terminals locally augurs well for the Group.

Regionally, the neighboring countries are exploring migration onto the EMV platform, as well as adopting increased terminalization in line with providing greater convenience for

merchants, consumers, and tourists. The Group continues to set its sights in the region in order to further extend the breadth of the Group's integrated payment solutions.

**B4. Profit forecast and Profit Guarantee**

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

**B5. Taxation**

The taxation charge for the period 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 is renewed upon application by the Company 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 for the following:

- i) The proposed bonus issue of up to 13,900,829 new ordinary shares of RM0.50 each in the Company on the basis of one (1) new ordinary share of RM0.50 for every ten (10) existing ordinary shares of RM0.50 each held in the Company ("Proposed Bonus Issue") has been approved by the shareholders of the Company on 7 May 2007. The Company has obtained the approval from Bursa Securities for the listing of and quotation for the bonus shares on the Main Board of Bursa Securities vide its letter dated 30 May 2007; and

- ii) Proposed subscription of shares in GHJ AP by the Directors of the Company (“Proposed Subscription”) was approved by the shareholders of the Company on 7 May 2007.

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

The proceeds received from the Two-Call Rights Issue in October 2005 amounted to RM16.34 million, of which RM15.79 million was for working capital and RM0.55 million was for defraying the expenses. Proceeds earmarked for rights issue exercise expenses have been disbursed accordingly. As at to date, the Company has fully utilised the RM15.79 million as working capital

**B9. Group Borrowings and Debt Securities**

**(a) Bank Borrowings**

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	RM	RM	
Repayable within twelve months	191,572	605,532	797,104
Repayable more than twelve months	3,418,413	504,868	3,923,281
	3,609,985	1,110,400	4,720,385

The unsecured term loan is to part finance the purchase of EDC terminals of the Group. The term loan bears an interest rate of 6.15% per annum.

The secured term loan from a local financial institution is to finance the purchase of three (3) units of 4 ½ storey shop office. The term loan bears an interest of 5.0 % per annum on monthly rest for three (3) years and thereafter Base Lending Rate (BLR) + 0.60% per annum and is repayable over fifteen (15) years.

**(b) Hire Purchase**

	RM
Repayable within twelve months	54,193
Repayable more than twelve months	53,262
	107,455

The hire purchases payable of the Group as at 31 March 2007 is for the Group’s motor vehicles. The portion of the hire purchase due within one (1) year is 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**

Save as disclosed below, as at the date of this report, the Group is not engaged in any material litigation, claims, arbitration or prosecution, either as plaintiff or defendant, and the Board is not aware of any proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group:-

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

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

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

Subsequently, PT Multi Adiprakarsa Manunggal ("PT MAM") had in its letter dated 13 February 2007 addressed to the GHL Entities and the GHL Representatives referred to the Allegation Letter dated 1 April 2006 and alleged that it was an intended beneficiary of the Shareholders Agreement and a direct contracting party to all contracts arising out of the Shareholders Agreement and it was injured by the unlawful conduct of the GHL Entities. PT MAM also claimed an amount of USD3 million in damages to be payable by or before 20 February 2007, failing which PT MAM deemed itself free to file litigation in Malaysia, Singapore and/or Indonesia and that the GHL Entities's reporting of accounts receivable in its financial statements may constitute fraudulent misrepresentation as the amount claimed were provided by the GHL Entities as equity contributions to a proposed joint venture company in Indonesia ("PT MAM Threat"). GHL International had in its letter dated 21 February 2007 replied to PT MAM requesting them to refer to the letter dated 6 July 2006 issued by GHL Lawyers to Privilege Lawyers and that GHL International remained open to meeting with PT MAM to resolve matters amicably.

The matter has yet to proceed to Court and the GHL Entities and GHL Representatives hope to negotiate with Privilege and/or PT MAM to settle the matter amicably. The GHL Lawyers had expressed that they were not aware of any doctrine of intended beneficiary under Indonesian law in respect of the PT MAM Threat. The GHL Lawyers are of the view

that there are legal grounds for the GHL Entities to defend both the Privilege Threat and the PT MAM Threat in the event that litigation is commenced in the Courts of the Republic of Indonesia. However, the GHL Lawyers have qualified all such views by expressing that the Indonesian judiciary is sometimes unpredictable in its decision-making process and that a decision may not necessarily be based on the merits of a case. However, as no calculation of a claim for damages has been submitted by Privilege or its Indonesian lawyers and the PT MAM's claim for USD3 million was not quantified, the GHL Lawyers are not able to opine fully on the financial consequences to the GHL Entities. The Directors of GHL are of the opinion that should this matter go to court, the GHL Entities will vigorously defend its position.

As the matter has yet to proceed to court, there are no cause papers issued in respect to this matter.

## **B12. Dividend**

- (a) The shareholders of the Company had on 7 May 2007, approved 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.

The book closure and payment dates in respect of the aforesaid dividend are fixed on 22 June 2007 and 28 June 2007.

- (b) No dividend has been proposed or declared for the first quarter ended 31 March 2007.

## **B13. Earnings Per Share**

### **(a) Basic earnings per share**

The earnings per share for the current quarter is calculated by dividing the net profit attributable to shareholders of RM1,848,474 by the adjusted weighted average number of ordinary shares in issue of 125,664,301 ordinary shares of RM0.50 each.

### **(b) Fully diluted earnings per share**

The fully diluted earnings per share for the current quarter is calculated by dividing the net profit attributable to shareholders of RM1,848,474 by the adjusted weighted average number of ordinary shares issued and issuable of 130,513,918 ordinary shares of RM0.50 each. The adjusted weighted average number of ordinary shares was computed as follows: -

Weighted average number of shares	628,321,505
Adjusted for:	
Share consolidation	(522,055,671)
Assumed exercise of ESOS at no consideration	24,248,084
Adjusted weighted average number of shares	<u>130,513,918</u>