



## **GHL SYSTEMS BERHAD**

(Company No. 293040-D)

### **Quarterly report on consolidated results for the third quarter ended 30 September 2007**

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

##### **B1. Review of Performance**

For the quarter ended 30 September 2007, the Group recorded revenue of RM11.92 million, representing a decrease of approximately 21.58% as compared to RM15.20 million achieved in the preceding year's corresponding quarter. The decrease was brought mainly due to lower payment solution sales both locally and regionally. The Company incurred loss before taxation of RM0.15 million as compared to profit before taxation of RM2.05 million in the preceding quarter ended 30 September 2006. The loss before taxation was mainly due to stiff competition in the local market and the Group's regional expansion.

For the nine-month period ended 30 September 2007, the Group recorded revenue of RM38.65 million, representing an increase of 9.27% as compared to RM35.37 million achieved in the preceding year's corresponding period. The profit before taxation of the Group for the current nine-month period decreased by 33.45% to RM3.66 million as compared to the previous year corresponding period's profit before taxation of RM5.50 million. The lower profit before taxation for the current period ended 30 September 2007 as compared to preceding year's corresponding period was mainly due to stiff competition in the local market and the Group's regional expansion.

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

	<u>Q3 2007</u> <u>Current Quarter</u> RM'000	<u>Q2 2007</u> <u>Preceding Quarter</u> RM'000
Revenue	11,918	13,593
(Loss)/Profit Before Tax	(145)	1,918

For the current quarter under review, the Group recorded revenue of RM11.92 million, representing a decrease of 12.3% as compared to RM13.59 million recorded in the preceding quarter. The Company incurred loss before taxation of RM145,000 as compared to RM1.92 million profit before taxation in the previous quarter. The loss before taxation for the quarter ended 30 September 2007 was mainly due to keener competition in the local market and the Group's regional expansion.

##### **B3. Current Year's Prospects**

The Board expects keener competition in most of its business segments in Malaysia and in the region. Nevertheless, the Board remains cautiously positive of the Group's performance in the financial year ending 31 December 2007.

The local payment solutions industry continues to hold positive prospects due to improved fraud mitigation with the introduction of chip-based infrastructure. The Group will strive to increase the penetration of EDC terminals in the local market.

Regionally, the Group will continue to build market-wide awareness and presence, in view of the huge potential in the various countries, namely China, Philippines and Thailand. The Group will also continue to further extend the breadth of the Group's integrated payment solutions in these countries.

**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 ("MSC") status. The pioneer status is renewed upon application by the Company prior to 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. 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) Proposed subscription of shares in GHL Asia Pacific Limited by the Directors of the Company was approved by the shareholders of the Company in the extraordinary general meeting held on 7 May 2007. The completion of the Proposed Subscription will be postponed to the end of second quarter of year 2008 after taking into consideration the prevailing market condition.

## B9. Group Borrowings and Debt Securities

The Group borrowings and debt securities as at the financial period ended 30 September 2007 are as follows:-

### (a) Term Loans

	Secured RM	Unsecured RM	Total RM
Repayable within twelve months	191,571	605,532	797,103
Repayable more than twelve months	3,323,618	171,268	3,494,886
	<u>3,515,189</u>	<u>776,800</u>	<u>4,291,989</u>

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	144,443
Repayable more than twelve months	114,885
	<u>259,328</u>

The hire purchases payable of the Group as at 30 September 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 US Dollar 3 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 Proposed**

No dividend was proposed or declared during the current quarter under review.

**B13. Earnings Per Share****(a) Basic earnings per share**

The earnings per share for the current quarter ended 30 September 2007 is calculated by dividing the net profit attributable to shareholders of RM3,619,600 by the adjusted weighted average number of ordinary shares in issue of 138,510,162 ordinary shares of RM0.50 each.

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

The fully diluted earnings per share for the current quarter ended 30 September 2007 is calculated by dividing the net profit attributable to shareholders of RM3,619,600 by the adjusted weighted average number of ordinary shares issued and issuable of 153,600,604 ordinary shares of RM0.50 each. The adjusted weighted average number of ordinary shares was computed as follows: -

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Weighted average number of shares	138,510
Adjusted for:	
Assumed exercise of ESOS at no consideration	15,091
Adjusted weighted average number of shares	<u>153,601</u>