



GH SYSTEMS BERHAD
(Company No: 293040-D)

Quarterly report on consolidated results for the first quarter ended 31 March 2008

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 quarterly financial statements should be read in conjunction with the latest audited financial statements of GH Systems Berhad (“GHL” or “Company”) and its subsidiary companies (“Group”) for the financial year ended 31 December 2007.

The accounting policies and methods of computation adopted by the Group in this quarterly report is consistent with those adopted in the financial statements for the financial year ended 31 December 2007.

A2. Audit Report

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2007 was not subject to any audit qualification.

A3. Seasonal or Cyclical Factors

The business of the Group 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 of the Group, 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 of the Group for the current quarter under review.

A6. Changes in Debts and Equity Securities

There have been no other issuance, cancellation, resale and repayment of debts and equity securities during the current quarter under review and the date of this report except the following:-

- (a) On 17 March 2008, the Company had repurchased a total of 505,600 ordinary shares of RM0.50 each in GHL (“GHL Shares”) from the open market at a total cost of RM164,977. The average price paid for the share purchased was RM0.325 per GHL Share. Subsequent to 31 March 2008, the Company had repurchased a total of 511,100 GHL Shares from the open market at a total consideration of RM162,189 and the average price paid for GHL Shares purchased was in the range of RM0.295 and RM0.319 per GHL Share. The total share repurchased to date is 1,016,700.

The repurchase transactions were financed by internally generated funds. The repurchased GHL Shares are being held as treasury shares and carried at cost in accordance with the requirements of section 67A of the Companies Act, 1965. None of the treasury shares held were resold or cancelled during the financial period ended 31 March 2008.

A7. Dividend Paid

There were no dividends paid during the current quarter.

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.

In determining the geographical segments of the Group, segment revenue is based on the geographical location of customers, which is presented as follows:-

Geographical location	Current quarter 31 March 2008 (RM)	Preceding year corresponding quarter 31 March 2007 (RM)
Malaysia	7,763,494	12,172,459
Philippines	302,945	-
Thailand	1,363,443	543,274
Hong Kong	304,274	-
Singapore	300,208	175,063
China	1,327,008	187,435
Sri Lanka	50,920	62,924
United States	3,350	-
Total (RM)	11,415,642	13,141,155

A9. Valuation of Property, Plant and Equipment

The Company did not revalue any of its property, plant and equipment during the current quarter under review.

A10. Material Events Subsequent to 31 March 2008

There were no material events between 31 March 2008 and the date of this report that have not been reflected in the interim financial statement for the quarter under review except the following:-

- (a) On 14 April 2008, Public Investment Bank Berhad had, on behalf of the Board of Directors of GHL, announced that the Company proposes to undertake an establishment of a new employees' share option scheme of up to fifteen percent (15%) of the issued and paid up capital of GHL at any point in time throughout the duration of this scheme ("Proposed New ESOS"). The Proposed New ESOS was duly approved by the shareholders of the Company at the Extraordinary General Meeting held on 15 May 2008.

A11. Changes in the Composition of the Group

Save as disclosed below, there were no other material changes in the composition of the Group for the current quarter under review:-

- (a) On 31 January 2008, GHLSYS Philippines, Inc ("GHL Philippines") had fully subscribed for 280,383 new ordinary shares of Philippines Peso 100.00 each in GHL Philippines for a cash consideration of Philippines Peso 28,038,300. As a result of this subscription, the total cost of investment of GHL Asia Pacific Limited ("GHL AP"), a wholly-owned subsidiary of GHL will increase to Philippines Peso 38,665,800 comprising 386,658 ordinary shares in GHL Philippines, representing 99.99% of the issued and paid-up share capital of GHL Philippines.

A12. Contingent Liabilities

On 7 August 2007, two letters of demand were issued against MobilityOne Sdn Bhd ("M1"). The first claim made by the Company demanding M1 to pay to the Company RM591,426 which comprises of fees for servers hosting, rental of EDC terminals and other miscellaneous matters. The second claim were made by GHL Transact Sdn Bhd ("GHL Transact"), a subsidiary of GHL, demanding M1 to pay RM375,241 which comprises fees for maintenance and rental of EDC terminals and other miscellaneous matters. M1 has made partial payments to these claims.

Thereafter, M1 via its solicitors Messrs Gan Rao & Chuah's letter dated 27 December 2007 made three claims against the Company, which are summarised as follows:-

- (a) A claim for refund of excess payment amounting to RM1,737,895 made to GHL for the purchase of prepaid soft pin from GHL. Based on records from GHL, GHL has delivered all prepaid soft pin that M1 paid for. GHL is of the view that M1 misconstrued the quantity of the staggered delivery of prepaid soft pin by

telecommunication companies against their inventory count. GHL has a good defence against the claim.

- (b) A claim for refund of RM520,000 being payment made to GHL for the installation of lightning arrestors and voltage regulators on M1's EDC terminals. M1 claimed that they have not requested for the services and that the services were never rendered. The Directors of GHL are of the view that the Company has a good defence because M1 recognised this contract in their Admission Document for listing in Alternative Investment Market of the London Stock Exchange. GHL's record showed the services were rendered.
- (c) A claim for refund of interest paid to GHL from year 2005 to 2007 amounting to RM269,330. M1 paid interests to GHL for loan advanced. M1 claimed that interest payments were unlawful and illegal. The Directors of GHL are of the view that the Company has a good defence because M1 had earlier recognized the payment of interest and had never disputed the payment.

As of to date, GHL and GHL Transact have not been served with any writ of summons or originating process that indicate M1 has commenced legal proceedings on the three claims.

Meanwhile representatives of both GHL and M1 had met on several occasions to attempt to resolve the matters amicably. However, no settlement has been achieved as at to-date. Due to the ongoing settlement negotiations, GHL has withheld legal proceedings for the remainder sum that M1 has not paid to GHL.

A13. Capital commitment

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

A14. Significant related party transactions

There were no significant related party transactions occurred during the quarter under review.