



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

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

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

**B1. Review of Performance**

For the quarter ended 31 March 2008, the Group recorded revenue of RM11.42 million, representing a decrease of approximately 13.13% as compared to RM13.14 million achieved in the preceding year's corresponding quarter. The decrease was mainly attributed to slower sales in the domestic market due to increasing competition from new entrants. The Group incurred a loss before taxation of RM0.48 million as compared to profit before taxation of RM1.88 million in the preceding year's corresponding quarter ended 31 March 2007. The loss before taxation was mainly due to an increase in operational costs as a result of the continued regional expansion.

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

	Q1 2008 <u>Current Quarter</u> RM'000	Q4 2007 <u>Preceding Quarter</u> RM'000
Revenue	11,416	12,688
Loss Before Tax	(479)	(3,184)

For the current quarter under review, the Group recorded a revenue of RM11.42 million, representing a decrease of 10.03% as compared to RM12.69 million recorded in the preceding quarter. The Company incurred a marginal loss before taxation of RM0.48 million in the current quarter as compared to RM3.18 million loss before taxation in the previous quarter. The lower loss before taxation for the current quarter as compared to the previous quarter was mainly due to the preceding quarter's operating costs higher than that of the quarter under review.

**B3. Current Year's Prospects**

The Board expects to face intense competition in both local and overseas markets. At this point in time, the Group will continue to broaden its income base by developing its overseas markets and also to enhance its competitiveness in both the domestic and overseas markets. We are in fact receiving many leads from foreign market for our new product of VersaRead VR-300 readers, the supply of payment solutions, deployment of EDC terminals and provision of back-end network solutions to banks. With that, the Board believes that we can endure the gestation period but remain cautious of the Group's performance in the financial year ending 31 December 2008.

Nevertheless, the Group has made headway in regional markets – Philippines, Thailand and Greater China, and will continue to build market awareness and presence, in view of the huge potential in these countries. 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:-

- (a) 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.
- (b) 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.

## B9. Group Borrowings and Debt Securities

The Group borrowings and debt securities as at the financial period ended 31 March 2008 are as follows:-

### (a) Bank Borrowings

	Term Loan		Total RM
	Secured RM	Unsecured RM	
Repayable within twelve months	141,610	610,000	751,610
Repayable more than twelve months	3,108,928	-	3,108,928
	<u>3,250,538</u>	<u>610,000</u>	<u>3,860,538</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 the first three (3) years and thereafter Base Lending Rate (BLR) + 0% per annum and is repayable over fifteen (15) years.

The banking facilities are secured by way of pledging of fixed deposit to the financial institution and pledging of the aforementioned three (3) units of the 4 ½ storey shop offices.

(b) **Hire Purchase**

	RM
Repayable within twelve months	100,245
Repayable more than twelve months	<u>90,523</u>
	<u>190,768</u>

The hire purchase payables of the Group as at 31 March 2008 are 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 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:-

- (a) GHL International Sdn Bhd ("GHLI"), GHLSYS Singapore Pte Ltd ("GHLSYS") and Privilege Investment Holdings Pte Ltd ("Privilege") had entered into a shareholders' agreement dated 31 October 2005 ("Agreement") for the purpose of a joint venture. Subsequently, the parties mutually agreed to terminate the 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 did not eventuate, as the parties were unable to reach an agreement on its final terms. Consequently, a dispute has since arisen in respect of the termination of the Agreement.

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

In this connection, the GHL Entities and GHL Representatives have engaged a firm of Indonesian lawyers, Brigitta I. Rahayoe & Syamsuddin ("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.

The matter has yet to proceed to litigation or arbitration and the GHL Entities and GHL Representatives are in negotiation with Privilege to settle the matter amicably. The ultimate outcome of the abovementioned claims cannot presently be determined, therefore, no provision for any liability that may result has been made in the financial statements.

- (b) On 7 August 2007, two letters of demand were issued against M1. The first claim made by the Company demanding M1 to pay to the Company RM591,426 which comprises fees for servers hosting, rental of EDC terminals and other miscellaneous matters. The second claim were made by 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. Further details are set out in Note A12 - Contingent Liabilities.

## **B12. Dividend Proposed**

On 22 April 2008, the Board of Directors has recommended a first and final share dividend of one percent (1%) on the basis of one (1) ordinary share for every one hundred (100) existing ordinary shares held on the entitlement date in respect of the financial year ended 31 December 2007 by way of utilisation of the retained profits, which was duly approved by the shareholders of the Company at the fourteenth Annual General Meeting on 15 May 2008.

The entitlement date is fixed on 16 June 2008.

## **B13. Earnings Per Share**

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

The earnings per share for the current quarter is calculated by dividing the net loss attributable to shareholders of RM491,960 by the adjusted weighted average number of ordinary shares in issue of 138,836,552.

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

The fully diluted earnings per share for the current quarter is calculated by dividing the net loss attributable to shareholders of RM491,960 by the adjusted weighted average number of ordinary shares issued and issuable of 138,836,552 GHL Shares. The adjusted weighted average number of GHL Shares was computed as follows: -

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Weighted average number of GHL Shares	138,837
Adjusted for:	
Assumed exercise of ESOS at no consideration	-
Adjusted weighted average number of GHL Shares	<u>138,837</u>