



GH SYSTEMS BERHAD
(Company No: 293040-D)

Quarterly report on consolidated results for the second quarter ended 30 June 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 System 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 except the following:-

- (a) On 15 May 2008, the shareholders of the Company renewed their approval for the purchase by GHL of its own shares.

From 2 June 2008 to 6 June 2008, the Company had repurchased 372,000 ordinary shares of RM0.50 each in GHL (“GHL Shares”) from the open market at a total cost of RM117,126.97. The average price paid for GHL Shares purchased was in the range of RM0.29 and RM0.32 per GHL Share. The total share repurchased to date is 1,388,700 GHL Shares.

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 30 June 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 30 June 2008 (RM)	Preceding year corresponding quarter 30 June 2007 (RM)
Malaysia	7,096,284	6,207,142
Philippines	373,891	4,440,944
Thailand	1,366,495	650,421
Hong Kong	561,354	866,450
Taiwan	-	791,948
Singapore	622,538	463,992
China	1,683,594	172,066
Indonesia	(7,910)	-
Total (RM)	11,696,246	13,592,963

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 30 June 2008

There were no material events between 30 June 2008 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 14 July 2008, a total of 1,372,789 treasury shares were distributed to the entitled shareholders on the basis of one (1) treasury share for every one hundred (100) existing ordinary shares of RM0.50 each held in GHL.
- (b) On 31 July 2008, a memorandum of understanding had been entered into between GHL with a group of Filipino investors, represented by Mr. Ferdinand A Domingo.

Please refer to B14 for more information.

A11. Changes in the Composition of the Group

There were no other material changes in the composition of the Group for the current quarter under review.

A12. Contingent Liabilities

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

(a) Banker's guarantee in favour of third parties	RM
- Secured	<u>200,000</u>

- (b) 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 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:-

- (i) A claim for refund of excess payment amounting to RM1,737,895 made to GHL Systems Berhad ("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.

(ii) 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.

(iii) 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.