



GH SYSTEMS BERHAD

(Company No. 293040-D)

Quarterly report on consolidated results for the second quarter ended 30 June 2008

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

B1. Review of Performance

For the quarter ended 30 June 2008, the Group recorded revenue of RM11.70 million, representing a decrease of approximately 13.95% as compared to RM13.59 million achieved in the preceding year's corresponding quarter. The decrease was mainly attributable to the declined sales performance in the overseas markets. The Group incurred a loss before taxation of RM1.52 million as compared to profit before taxation of RM1.92 million in the preceding year's corresponding quarter. The loss before taxation was contributed mainly by the increase in operating costs as a result of continued regional expansion and global inflationary pressures.

For the six (6) months period ended 30 June 2008, the Group recorded revenue of RM23.11 million, representing a decrease of 13.55% as compared to RM26.73 million achieved in the preceding year's corresponding period. The Group recorded a loss before taxation of RM1.99 million for the current six (6) months period ended 30 June 2008 as compared to the profit before taxation of RM3.80 million achieved in the preceding year's corresponding period. The loss was mainly due to lower software solution sales and increased operating costs in the overseas markets.

B2. Comparison of Current Quarter Results with the Preceding Quarter

	<u>Q2 2008</u> <u>Current Quarter</u> RM'000	<u>Q1 2008</u> <u>Preceding Quarter</u> RM'000
Revenue	11,696	11,416
Loss Before Tax	(1,519)	(479)

For the current quarter under review, the Group recorded revenue of RM11.70 million, representing a slight increase of 2.45% as compared to RM11.42 million recorded in the preceding quarter. The Company incurred a loss before taxation of RM1.52 million in the current quarter as compared to a loss before taxation of RM0.48 million in the previous quarter. The greater loss before taxation for the current quarter ended 30 June 2008 was mainly due to the higher operating costs.

B3. Current Year's Prospects

The Board expects to face more intense competition in both local and overseas markets. At this point in time, the Group will continue to broaden its future long-term income base by developing its overseas markets and enhancing its competitiveness in both the domestic and overseas markets.

The high commodity prices coupled with slowing economic growth and inflationary pressure, will indeed pose a challenge to the Group's performance in the financial year ending 31 December 2008.

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 the 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 (“Proposed Subscription”). The completion of the Proposed Subscription is deferred to a later date after taking into consideration the prevailing market condition.

B9. Group Borrowings and Debt Securities

The Group’s borrowings and debt securities as at the financial period ended 30 June 2008 are as follows:-

(a) Bank Borrowings

	Term Loan		Total RM
	Secured RM	Unsecured RM	
Repayable within twelve months	119,608	276,400	396,008
Repayable more than twelve months	3,248,259	-	3,248,259
	<u>3,367,867</u>	<u>276,400</u>	<u>3,644,267</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 4½ storey shop offices.

(b) Hire Purchase

	RM
Repayable within twelve months	66,128
Repayable more than twelve months	<u>91,302</u>
	<u>157,430</u>

The hire purchase payables of the Group as at 30 June 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

There was no dividend declared during the quarter under review.

B13. Earnings/ (loss) Per Share

(a) Basic earnings/ (loss) per share

The basic earnings/ (loss) per share is calculated by dividing the net profit/ (loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the financial period after taking into consideration of treasury shares.

(b) Diluted earnings/ (loss) per share

For the purpose of calculating diluted earnings/ (loss) per share, the net profit/ (loss) for the period attributable to equity holders of the parent and weighted average number of ordinary shares in issue during the period have taken into consideration of treasury shares and all dilutive potential ordinary shares.

<u>Basic</u>		Current Quarter 30.06.08	Preceding Year Corresponding Quarter 30.06.07	Current Year To Date 30.06.08	Preceding Year Corresponding Period 30.06.07
Net (loss)/ profit attributable to equity holders of the parent	(RM)	(1,519,260)	1,917,569	(1,998,642)	3,766,043
Weighted average number of ordinary shares in issue and issuable	(Unit)	137,783,849	138,490,767	138,281,362	138,373,900
Basic (loss)/ earnings per share	(Sen)	(1.10)	1.38	(1.45)	2.72

<u>Diluted</u>		Current Quarter 30.06.08	Preceding Year Corresponding Quarter 30.06.07	Current Year To Date 30.06.08	Preceding Year Corresponding Period 30.06.07
Net (loss)/ profit attributable to equity holders of the parent (RM)		(1,519,260)	1,917,569	(1,998,642)	3,766,043
Weighted average number of ordinary shares in issue and issuable (Unit)		137,783,849	141,428,132	138,281,362	141,311,264
Diluted (loss)/ earnings per share (Sen)		(1.10)	1.36	(1.45)	2.67

In the previous corresponding quarter and 6 months period ended 30 June 2007, the calculation of basic or diluted earnings per share had taken into consideration of bonus issue and the share options exercised or exercisable by employees under the Company's Employee Share Option Scheme.

For the current quarter and 6 months period ended 30 June 2008, the calculation of basic or diluted loss per share has taken into consideration of treasury shares. Meanwhile, the fully diluted loss per share are capped at basic loss per share as it become anti dilutive due to share market price lower than offer price in accordance with FRS133 on Earnings per Share.

B14. The Memorandum of Understanding pursuant to Chapter 9.28 of Listing Requirements of Bursa Securities for the Main Board Market

On 31 July 2008, GHL had entered into a memorandum of understanding ("MOU") with a Filipino group on the event date represented by Mr. Ferdinand A Domingo to establish teaming arrangement between GHL & the Filipino Group to undertake the business of providing information technology solutions in the Philippines through a joint venture agreement.

There was no material development or changes in the status of the above mentioned MOU since the date of announcement.