



GHL SYSTEMS BERHAD

(Company No. 293040-D)

Quarterly report on consolidated results for the first quarter ended 31 March 2009

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

B1. Review of Performance

For the quarter ended 31 March 2009, the Group recorded revenue of RM10.52 million, representing a decrease of approximately 7.85% as compared to RM11.42 million achieved in the preceding year's corresponding quarter ended 31 March 2008. The decrease was mainly attributable to the slower sales in the domestic markets during the current quarter under review. The Group incurred a loss before taxation of RM3.08 million as compared to a loss before taxation of RM0.48 million in the preceding year's corresponding quarter ended 31 March 2008. The loss before taxation was mainly due to an increase in operational costs as a result of the continued regional expansion and the write-down of residual value of the Non-Europay MasterCard and Visa ("EMV") Electronic Data Capture ("EDC") terminals of RM1.38 million as depreciation.

B2. Comparison of Current Quarter Results with the Preceding Quarter

	<u>Current Quarter ended</u> <u>31 March 2009</u>	<u>Preceding Quarter ended</u> <u>31 December 2008</u>
	RM'000	RM'000
Revenue	10,519	16,342
Loss Before Tax	(3,079)	(4,202)

For the current quarter under review, the Group's revenue decreased by 35.63% to RM10.52 million, as compared to RM16.34 million registered in the preceding quarter ended 31 December 2008 mainly due to the decreased sales of hardware in the local and overseas markets. The Group incurred a loss before taxation of RM3.08 million in the current quarter as compared to a loss before taxation of RM4.20 million in the preceding quarter due to lower operating costs and higher value added sales mix composition in the quarter under review.

B3. Current Year's Prospects

In view of the economic downturn affecting business sentiment across the region, the Board of Directors of GHL ("Board") believes that the level of competition will be more intense in the domestic and overseas markets. Therefore, the Group will continue to enhance its competitive edge by providing value-added solutions, and focus on capturing opportunities in the overseas markets via resellers/ distributors.

Nonetheless, amidst the slowing economy, the Board expects the business of the Group to be challenging in the financial year ending 31 December 2009.

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 to 31 May 2009, 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

Save as disclosed below, there were no corporate proposals announced and not completed as at the date of this report:-

Proposed subscription of shares in GHIL 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 31 March 2009 are as follows:-

(a) Bank Borrowings

	Total Secured Term Loan
	RM
Repayable within twelve months	403,020
Repayable more than twelve months	2,809,398
	<u>3,212,418</u>

The secured term loan from a local financial institution is to finance the purchase of three (3) units of 4 ½ storey shop offices. 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 + 0.00% per annum and is repayable over fourteen (14) years. The loan is expected to be fully repaid by year 2019. The Base Lending Rate as at 31 March 2009 is 5.55% per annum.

The Group's banking facilities are secured by way of pledging of fixed deposits 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	26,638
Repayable more than twelve months	30,358
	<u>56,996</u>

The hire purchase payables of the Group as at 31 March 2009 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 GHL 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 GHL 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 GHL 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 (“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 for such new joint venture. However, the said new joint venture has not eventuated as the parties were unable to reach an agreement on the 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 GHL, GHLI 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 USD3 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”). GHLI 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 GHLI remained open to meeting with PT MAM to resolve matters amicably.

As 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.

Meanwhile on 13 May 2009, GHLI received a letter from Messrs Zaid Ibrahim & Co., representing Privilege with the following claims:-

- (i) Payment of the sum of USD3,009,700.00 as general damages suffered by Privilege arising out of GHLI's failure to perform the obligations;
- (ii) Payment of the sum of USD43,047.00 as special damages for expenses incurred by Privilege in setting up PT MAM and GHLSYS;
- (iii) Return of all confidential information, trade secrets and/ or any other proprietary information belonging to Privilege that remain in GHLI's and/ or any other related party's custody;
- (iv) Provision of a written undertaking that GHLI does not have any confidential information, trade secrets and/ or proprietary information belonging to Privilege other than that which was returned, and that GHLI has not and will not utilize the confidential information, trade secrets and/ or proprietary information save other than in the course of the joint venture; and
- (v) Payment of the sum of RM2,500.00 being the cost of the letter of demand.

The Board of Directors of GHL remains of the view that the GHL Entities have a good defence against such claims made by Privilege. The directors of GHL are of the opinion that should this matter go to court, the GHL Entities will vigorously defend its position.

- (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 RM591,425 which comprises fees for servers hosting, rental of EDC terminals and other miscellaneous matters. The second claim was 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 15 April 2009, the Board of Directors has recommended a first and final share dividend on the basis of one (1) ordinary share for every one hundred (100) existing ordinary shares held by the entitled shareholders on the entitlement date of 9 July 2009 in respect of the financial year ended 31 December 2008 by way of utilisation of retained profits, which was duly approved by the shareholders of the Company at the Fifteenth Annual General Meeting on 8 May 2009.

The share dividend will be distributed on 21 July 2009 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 9 July 2009.

B13. Loss Per Share

(a) Basic loss per share

The basic loss per share is calculated by dividing the net 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 and excluding the treasury shares held by the Company.

(b) Diluted loss per share

For the purpose of calculating diluted loss per share, the net loss for the period attributable to equity holders of the parent and weighted average number of ordinary shares in issue during the period and excluding treasury shares held by the Company.

Basic

		Current Quarter 31.03.09	Preceding Year Corresponding Quarter 31.03.08	Current Year To Date 31.03.09	Preceding Year Corresponding Period 31.03.08
Net loss attributable to equity holders of the parent	(RM)	3,167,249	491,960	3,167,249	491,960
Weighted average number of ordinary shares in issue and issuable	(Unit)	138,516,347	138,836,552	138,516,347	138,836,552
Basic loss per share	(Sen)	2.29	0.35	2.29	0.35

Diluted

		Current Quarter 31.03.09	Preceding Year Corresponding Quarter 31.03.08	Current Year To Date 31.03.09	Preceding Year Corresponding Period 31.03.08
Net loss attributable to equity holders of the parent	(RM)	3,167,249	491,960	3,167,249	491,960
Weighted average number of ordinary shares in issue and issuable	(Unit)	138,516,347	138,836,552	138,516,347	138,836,552
Diluted loss per share	(Sen)	2.29	0.35	2.29	0.35

For the current quarter and period ended 31 March 2009, the calculation of basic or diluted loss per share had excluded the treasury shares held by the Company.

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.