



GHL SYSTEMS BERHAD

(Company No: 293040-D)

Quarterly report on consolidated results for the third quarter ended 30 September 2009

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The quarterly financial statements should be read in conjunction with the latest audited financial statements of GHL Systems Berhad (“GHL” or “Company”) and its subsidiary companies (“Group”) for the financial year ended 31 December 2008.

The following notes explain the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company during the financial quarter under review.

The significant accounting policies adopted in the interim financial report are consistent with those adopted by the Group in the audited financial statements for the financial year ended 31 December 2008.

During the financial period, the Group and the Company has adopted the following applicable Financial Reporting Standards (“FRSs”) issued by the Malaysian Accounting Standards Board that are mandatory for current financial period:

FRS 8 Operating Segments

The revised FRSs are either not applicable to the Group and to the Company or the adoptions did not result in significant changes in accounting policies of the Group and of the Company and did not have significant impact on the Group and the Company.

The Group and the Company have not adopted the following new FRSs and amendments to FRSs which have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

		Effective date for financial periods beginning on or after
FRS 4	Insurance Contracts	<hr/> 1 January 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 139	Financial Instruments : Recognition and Measurement	1 January 2010

		Effective date for financial periods beginning on or after
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
Amendment to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
Amendment to FRS 7	Financial Instruments: Disclosures	1 January 2010
Amendment to FRS 8	Operating Segments	1 January 2010
Amendment to FRS 101	Presentation of Financial Statements	1 January 2010
Amendment to FRS 107	Statement of Cash Flows	1 January 2010
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendment to FRS 110	Events after the Reporting Period	1 January 2010
Amendment to FRS 116	Property, Plant and Equipment	1 January 2010
Amendment to FRS 117	Leases	1 January 2010
Amendment to FRS 118	Revenue	1 January 2010
Amendment to FRS 119	Employee Benefits	1 January 2010
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
Amendment to FRS 123	Borrowing Costs	1 January 2010
Amendment to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 127	Consolidated and Separate Financial Statements	1 January 2010
Amendment to FRS 128	Investments in Associates	1 January 2010
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendment to FRS 131	Interests in Joint Venture	1 January 2010
Amendment to FRS 132	Financial Instruments: Presentation	1 January 2010
Amendment to FRS 134	Interim Financial Statements	1 January 2010
Amendment to FRS 136	Impairment of assets	1 January 2010
Amendment to FRS 138	Intangible Assets	1 January 2010

		<u>Effective date for financial periods beginning on or after</u>
Amendment to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 140	Investment Property	1 January 2010

(i) FRS 7 Financial Instruments: Disclosures

This new standard requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which an entity is exposed and how these risks are managed. This standard requires both qualitative disclosures describing management's objectives, policies and processes for managing those risks, and quantitative disclosures providing information about the extent to which an entity is exposed to risk, based on information provided internally to the entity's key management personnel.

(ii) FRS 123 Borrowing Costs

This new standard removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. However, capitalisation of borrowing costs is not required for assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

(iii) FRS 139 Financial Instruments: Recognition and Measurement

This new standard establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. The impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 103AB of FRS 139.

FRS 4, Amendment to FRS 1, Amendment to FRS 5, Amendment to FRS 120, Amendment to FRS 128, Amendment to FRS 129, Amendment to FRS 131, Amendment to FRS 138 and Amendment to FRS 140 are not relevant to the Group's and to the Company's operations.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

The initial applications of the above applicable new FRSs and Amendments to FRSs are not expected to have any material impact on the financial statements of the Group and the Company.

A2. Audit Report

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2008 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

Save as disclosed below, there were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations and resale of treasury shares during the current quarter under review:-

	Number of treasury shares	Total considerations RM
Balance as at 1 July 2009	1,276,465	212,318
Repurchased during the quarter	100,000	19,139
Share Dividend	(1,371,564)	(230,633)
Balance as at 30 September 2009	4,901	824

The repurchase transaction was 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. On 21 July 2009, a total of 1,371,564 treasury shares at total cost of approximately RM230,633 were distributed as share dividend on the basis of one (1) treasury share for every one hundred (100) existing ordinary shares of RM0.50 each held in GHL. As at 30 September 2009, the treasury shares held were 4,901 ordinary shares with total purchase consideration of approximately RM824. None of the treasury shares held were resold or cancelled during the financial period ended 30 September 2009.

A7. Dividend Paid

On 21 July 2009, a total of 1,371,564 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 as share dividend which was approved by the shareholders of the Company at the Fifteenth Annual General Meeting held on 8 May 2009.

A8. Segmental Reporting

The principal business of the Group are dealing with Electronic Draft Capture (“EDC”) equipments and its related services, developing and selling software programmes which are substantially within a single business segment. As such, business segmental reporting is deemed not necessary.

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 September 2009 (RM)	Preceding year corresponding quarter 30 September 2008 (RM)
Malaysia	10,529,716	6,868,375
Thailand	1,018,669	1,227,090
Philippines	1,208,668	1,991,598
China	1,689,905	2,438,873
Hong Kong	927,326	472,959
Taiwan	2,217,782	715
Singapore	-	456,936
Indonesia	397,931	7,910
Qatar	70,596	380,646
United Kingdom	-	6,412
Romania	-	227,500
Australia	-	122,885
Hungary	6,860	-
Dubai	1,073	-
Colombo	1,532	-
Brazil	35,039	-
Total (RM)	18,105,097	14,201,899

A9. Valuation of Property, Plant and Equipment

The Company did not have any major adjustments on revaluation of its property, plant and equipment during the current quarter under review.

A10. Material Events Subsequent to 30 September 2009

Save as disclosed below, there were no other material events between 30 September 2009 and the date of this report that have not been reflected in the interim financial statement for the quarter under review:-

- (a) On 1 October 2009, Mobilityone Sdn Bhd (“M1”) has commenced legal proceedings against GHLL, Tay Beng Lock (“TBL”), Chin Fook Kheong (“CFK”) and Wong Ah Kau @ Wong Mun Sang (“WAK”) via Kuala Lumpur High Court Suit No. D22(NCC)-142-2009. The writ was issued on 25 September 2009 and served on the solicitors for the defendants (Messrs Goh Wong Pereira) on 30 September 2009.

Appearance has been entered by Messrs Goh Wong Pereira on 1 October 2009. The detailed information can be referred to Note A12 (c)(ii) – Contingent Liabilities of this report.

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 quarter under review:-

- (a) On 14 July 2009, GHL Asia Pacific Limited ("GHL AP"), which is a wholly owned subsidiary of GHL had acquired four (4) ordinary shares of Thai Baht One Hundred (100 Baht) each in GHL (Thailand) Co., Ltd ("GHL Thailand"), a subsidiary of GHL AP for a total cash consideration of Thai Baht Four Hundred (400 Baht).

As a result of this acquisition, the total cost of investment of GHL AP in GHL Thailand had increased to Thai Baht Twenty One Million Seven Hundred Ninety Nine Thousand and Eight Hundred (21,799,800 Baht) comprising Ten Thousand One Hundred and Ninety Eight (10,198) ordinary shares of Thai Baht One Hundred (100 Baht) each and Two Hundred Seven Thousand and Eight Hundred (207,800) preferred shares of Thai Baht One Hundred (100 Bath) each, representing 99.99% of the issued and paid-up share capital of GHL Thailand.

- (b) On 29 July 2009, the Company had completed the subscription for Eighty Thousand (80,000) new ordinary shares of Ringgit One (RM1.00) each in Ideal Sales Concept Sdn Bhd ("ISCSB"), at par for a total cash consideration of Ringgit Malaysia Eighty Thousand (RM80,000) ("Subscription"). Pursuant to the Subscription, ISCSB became a 80% owned subsidiary of GHL.

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>258,500</u>

- (b) (i) On 7 August 2007, two letters of demand were issued against M1. The first claim made by the Company demanding M1 to pay RM591,426 which comprises fees for servers hosting, rental of EDC terminals and other miscellaneous matters. The second claim was made by GHL Transact Sdn Bhd 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.

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

- 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 the records of 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.

- 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 and GHL's records showed the services were rendered.
 - a claim for refund of interest paid to GHL from 2005 to 2007 amounting to RM269,330 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.
- (iii) On 3 September 2009, GHL and GHL Transact Sdn Bhd ("GHL transact"), a subsidiary of GHL had via its Solicitors served the writ of summons and statements of claims against M1. GHL Transact is claiming for RM1,209,349.50 together with interest at the rate of 2% per month and cost for outstanding rental and maintenance of EDC terminals and supply of thermal paper. GHL is claiming for RM363,686.13 together with interest rate of between 1% to 2% per month and cost for outstanding rental of EDC terminals, service charges for hosting facilities, and supporting services in respect of 'Mr Kiosk' software.
- (iv) M1 has commenced legal proceedings against GHL, Tay Beng Lock ("TBL"), a director of GHL, Chin Fook Kheong ("CFK"), a director of GHL and Wong Ah Kau @ Wong Mun Sang ("WAK") via Kuala Lumpur High Court Suit No. D22(NCC)-142-2009. The writ was issued on 25 September 2009 and served on the solicitors for the defendants (Messrs Goh Wong Pereira) on 30 September 2009. Appearance has been entered by Messrs Goh Wong Pereira on 1 October 2009.

M1's claim against GHL can be summarised as follows:

- The sum of RM1,737,897.84 being purported overpayment by M1 to GHL for inventory not delivered pursuant to Sale and Purchase of Assets Agreement dated 30 June 2004 together with interest at the rate of 8% per annum from 1 August 2005 until full settlement;
- The sum of RM104,600.00 paid by M1 to GHL for hardware purportedly not delivered in breach of the Sale and Purchase of Assets Agreement dated 30 June 2004 together with interest at the rate of 8% per annum from 1 May 2005 until full settlement;
- The sum of RM96,000.00 paid by M1 to GHL for EDC terminals purportedly not delivered in breach of the Sale and Purchase of Assets Agreement dated 30 June 2004 together with interest at the rate of 8% per annum from 1 August 2005 until full settlement;

- The sum of RM520,000.00 paid by M1 to GHL for services purportedly not provided by GHL together with interest at the rate of 8% per annum from 19 November 2005 until full settlement;
- The sum of RM269,330.00 paid by M1 to GHL as interest charges for cash advances by GHL to M1 together with interest at the rate of 8% per annum from 29 August 2005 until full settlement;

M1's claim against TBL and CFK is for breach of their duty of care and for breach of their fiduciary duties to M1. M1 seeks damages against TBL and CFK, to be assessed by the Court.

M1's claim against WAK is for the sum of RM120,000.00 paid by M1 to WAK as interest charges together with interest at the rate of 8% per annum from 28 April 2007 until full settlement.

Additionally, M1 claims costs against all the defendants.

GHL, TBL and CFK have appointed Messrs Goh Wong Pereira as solicitors to advise them and to resist the claim. The said solicitors had entered appearance on 1 October 2009. The defence was filed on 5 November 2009 and an amended defence was filed on 13 November 2009. Upon advice from Messrs Goh Wong Pereira, WAK has obtained his own legal representation. Messrs Goh Wong Pereira was of the opinion that it would be more appropriate for WAK to obtain his own legal representation as he was not involved in the internal management of either GHL or M1 but rather a recipient of the RM120,000.00. In the premise, the defence raised by GHL, TBL and CFK may not be relevant to WAK.

The Directors of GHL are of the view that the Company has a good defence because M1 had earlier recognised the payment of interest and had never disputed the payment. There is also evidence that M1 had agreed to payment of interest through one of its directors.

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 during the quarter under review.