GHL SYSTEMS BERHAD
(Company No: 293040-D)

Quarterly report on consolidated results for the fourth quarter ended 31 December 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.

The Group and the Company have not early adopted the following new FRSs, revised FRSs, Issues Committee ('IC") Interpretations, amendments to FRSs and IC Interpretations, which have been issued as at the date of authorisation of these financial statements and will be effective for the financial periods as stated below:

		Effective date for financial periods beginning on or after
FRS 8	Operating Segments	1 July 2009
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 2	Share-based Payment-Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010

		Effective date for financial periods beginning on or after
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 - The Limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
Amendments to FRS1, First-time Adoption Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements - Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate		1 January 2010
Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives		1 January 2010
Amendments to FRSs contained in the document entitled "Improvements to FRSs 2009)"		1 January 2010
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 127	Consolidated & Separate Financial Statements	1 July 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 15	Agreements for Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives		1 July 2010

The initial applications of the above applicable new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations is not expected to have any material impact on the financial statements of the Group and the Company, except as discussed below:

The Group and the Company have assessed those standards and interpretations issued which are applicable to the Group and the Company as follows:

(i) FRS 8 Operating Segments

This new standard replaces FRS 114_{2004} Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group.

(ii) 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.

(iii) 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.

(iv) 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.

The Group and the Company has applied the transitional provisions in FRS 7 and FRS 139 which exempt entities from disclosing the possible impact arising from initial application of the respective standards 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

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current quarter under review.

A7. Dividend Paid

There were no dividends paid during the quarter under review.

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 31 December 2009 (RM)	Preceding year corresponding quarter 31 December 2008 (RM)
Malaysia	7,950,912	5,055,380
Philippines	3,794,951	593,712
Thailand	2,314,476	3,830,174
Hong Kong	151,337	1,099,980
Taiwan	-	12,060
Singapore	41,467	2,270,252
China	1,043,170	1,177,595
Romania	-	902,589
Slovakia	-	4,732
New Zealand	-	103,391
Sri Lanka	-	(118,800)
Indonesia	43,921	-
United Kingdom	1,029	-
Australia	888	-
Hungary	10,464	-
Brazil	7,274	-

Dubai	51,800	-
United Arab Emirates	962	-
Kenya	3,404	-
Mozambique	6,660	-
Pakistan	8,476	-
Brunei	5,779	-
Total (RM)	**15,436,970**	**14,931,065**

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 31 December 2009

Save as disclosed below, there were no other material events between 31 December 2009 and the date of this report that have not been reflected in the interim financial statement for the quarter under review:-

(a) On 11 January 2010, GHL Transact Sdn Bhd ("GHL Transact"), a wholly owned subsidiary of GHL had entered into a Sale and Purchase Agreement with PT Citra Multi Services ("CMS") to sell Electronic Draft Capture ("EDC") terminals to CMS. The detailed information can be referred to Note B14 (b).

(b) On 10 February 2010, GHL, GHL Transact, Tay Beng Lock ("TBL") and Chin Fook Kheong ("CFK") (Collectively referred to as "Party A") and Mobilityone Sdn Bhd ("M1") and Wong Ah Kau @ Wong Mun Sang ("WAK") had executed a Settlement Agreement ("the Agreement").

Party A, M1 and WAK have agreed to resolve whatever disputes/misunderstanding arose between them upon the terms and conditions set out in the Agreement. The detailed information can be referred to Note A12 (b).

(c) On 12 February 2010, the Company purposed to undertake a private placement of up to 13,800,000 ordinary shares of RM0.50 each in GHL, reprensenting up to 10% of the issued and paid-up share capital of GHL ("Proposed Private Placement").

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial 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	224,000

(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, 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, TBL, a director of GHL, CFK, a director of GHL and 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 Company had on 10 February 2010 executed the Agreement between GHL, GHL Transact, TBL, CFK, M1 and WAK. All parties have agreed to resolve whatever disputes/misunderstanding arose between them upon the terms and conditions set out in the Agreement, amongst others as follows:-

(a) GHL and GHL Transact shall withdraw and/or discontinue Suit D-22-410-09 against M1 with no liberty to file afresh;
(b) M1 shall withdraw and/or discontinue Suit D-22NCC-142-09 against Party A and WAK with no liberty to file afresh; and

(c) each party shall bear its own costs for such suits.
(d) Party A and its related companies and WAK shall not institute nor commence any other or further claims, demand, legal actions whatsoever nature against M1, its related companies, directors, shareholders, officials, servants, advisors, consultants or otherwise arising from or in respect of any transactions, dealings, corporate exercise where the cause of action occurred prior to the Agreement;
(e) M1 and its related companies likewise shall not institute nor commence any other or further claims, demand, legal actions whatsoever nature arising from or in respect of any transactions, dealings, corporate exercise where the cause of action occurred prior to the Agreement against Party A, its related companies, directors, shareholders, officials, servants, advisors, consultants or otherwise.
(f) M1 and its related companies likewise shall not institute nor commence any other or further claims, demand, legal actions whatsoever nature arising from or in respect of any transactions, dealings, corporate exercise where the cause of action occurred prior to the Agreement against WAK.

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.