



## **GH L SYSTEMS BERHAD**

**(Company No: 293040-D)**

### **Quarterly report on consolidated results for the second quarter ended 30 June 2011**

#### **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 GH L Systems Berhad (“GH L” or “Company”) and its subsidiaries (“Group”) for the financial year ended 31 December 2010.

The Group and the Company have adopted the following applicable new Financial Reporting Standards (“FRSs”), revised FRSs, Issues Committee (“IC”) Interpretations, amendments to FRSs and IC Interpretations, issued by the Malaysian Accounting Standards Board that are mandatory for current financial period:

|                       |  |
|-----------------------|--|
| Amendments to FRS 132 | Financial Instruments: Presentation  |
| Amendment to FRS 1    | Limited Exemption from<br>Comparative FRS 7 Disclosure for First-time Adopters |
| Amendment to FRS 2    | Group Cash-settled Share-based Payment Transactions                            |
| Amendment to FRS 7    | Improving Disclosures about Financial Instruments                              |
| IC Interpretation 4   | Determining whether an Arrangement contains a Lease                            |
| IC Interpretation 18  | Transfers of Assets from Customers   |

Amendments to FRSs contained in the documents entitled “Improvements to FRSs (2010)”

|                       |  |
|-----------------------|--|
| FRS 1                 | First-time Adoption of Financial Reporting Standards         |
| FRS 3                 | Business Combinations  |
| FRS 127               | Consolidated & Separate Financial Statements                 |
| Amendments to FRS 2   | Share-based Payment  |
| Amendments to FRS 5   | Non-current Assets Held for Sale and Discontinued Operations |
| Amendments to FRS 138 | Intangible Assets  |
| IC Interpretation 12  | Service Concession Arrangements                              |
| IC Interpretation 16  | Hedges of a Net Investment in a Foreign Operation            |
| IC Interpretation 17  | Distributions of Non-cash Assets to Owners                   |

Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives

The revised FRS 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 Company and did not have significant impact on the Company.

There is no early adoption by the Group and the Company on 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:

|                                       |  | <u>Effective date for<br/>financial periods<br/>beginning on or after</u> |
|---------------------------------------|--|---|
| IC Interpretation 19                  | Extinguishing Financial Liabilities<br>with Equity Instruments | 1 July 2011   |
| Amendments to IC<br>Interpretation 14 | Prepayment of a Minimum Funding<br>Requirement                 | 1 July 2011   |
| IC Interpretation 15                  | Agreements for Construction of<br>Real Estate                  | 1 January 2012  |
| FRS 124                               | Related Party Disclosures                                      | 1 January 2012  |

**A2. Audit Report**

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2010 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 Group has six reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different geographical locations and are managed separately. For each of the strategic business units, the management of GHL reviews internal management reports on at least quarterly basis. The business segmentation is not disclosed as the Group is principally engaged in sale and rental of Electrical Data Capture ("EDC") equipment and its related software and services.

The following summary describes the geographical locations units in each of the Group's reportable segments:

- (a) Malaysia
- (b) Singapore
- (c) Hong Kong
- (d) Philippines
- (e) Thailand
- (f) China

Performance is measured based on segmental profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the management of GHL. Segmental profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

| Individual Quarter  | Malaysia |         | Singapore |        | Hong Kong |        | Philippines |        | Thailand |        | China  |        | Adjustment and elimination |         | Consolidated |         |         |
|---|----------|---------|-----------|--------|-----------|--------|-------------|--------|----------|--------|--------|--------|----------------------------|---------|--------------|---------|---------|
|   | 2011     | 2010    | 2011      | 2010   | 2011      | 2010   | 2011        | 2010   | 2011     | 2010   | 2011   | 2010   | 2011                       | 2010    | 2011         | 2010    |         |
| 30 June   | RM'000   | RM'000  | RM'000    | RM'000 | RM'000    | RM'000 | RM'000      | RM'000 | RM'000   | RM'000 | RM'000 | RM'000 | RM'000                     | RM'000  | RM'000       | RM'000  |         |
| <b>REVENUE</b>  |          |         |           |        |           |        |             |        |          |        |        |        |                            |         |              |         |         |
| External sales  | 11,642   | 9,431   | -         | -      | -         | 919    | 2,105       | 919    | 1,197    | 830    | 2,088  | 1,829  | -                          | -       | 17,032       | 13,009  |         |
| Inter-segment sales   | 4,412    | 3,919   | -         | -      | -         | -      | -           | -      | 509      | -      | -      | 2      | (4,921)                    | (3,921) | -            | -       |         |
| Total revenue   | 16,054   | 13,350  | -         | -      | -         | 919    | 2,105       | 919    | 1,706    | 830    | 2,088  | 1,830  | (4,921)                    | (3,921) | 17,032       | 13,009  |         |
| <b>RESULTS</b>  |          |         |           |        |           |        |             |        |          |        |        |        |                            |         |              |         |         |
| Segment results   | (3,699)  | (5,103) | (4)       | (15)   | (6)       | (3)    | (517)       | (545)  | (310)    | (600)  | (254)  | (226)  | 4,915                      | 3,853   | 125          | (2,639) |         |
| Interest income   |          |         |           |        |           |        |             |        |          |        |        |        |                            |         |              | 48      | 41      |
| Interest expense  |          |         |           |        |           |        |             |        |          |        |        |        |                            |         |              | (43)    | (41)    |
| Profit/(Loss) before taxation                               |          |         |           |        |           |        |             |        |          |        |        |        |                            |         |              | 130     | (2,639) |
| Taxation  |          |         |           |        |           |        |             |        |          |        |        |        |                            |         |              | -       | (3)     |
| Net Profit/(loss) for the financial period                  | 334      | 78      | -         | -      | -         | -      | 68          | 8      | -        | 7      | -      | -      | 1,096                      | 1,913   | 402          | 93      |         |
| <b>Assets:</b>  |          |         |           |        |           |        |             |        |          |        |        |        |                            |         |              |         |         |
| Additions to non-current assets                             | 54,392   | 65,411  | 27        | 31     | -         | 22     | 10,906      | 4,964  | 6,126    | 5,891  | 7,080  | 10,773 | 1,096                      | 1,913   | 79,627       | 89,005  |         |
| Segment assets  | 12,334   | 10,965  | 21        | 5      | -         | -      | 1,194       | 355    | 1,932    | 379    | 2,869  | 3,761  | (934)                      | (140)   | 17,416       | 15,325  |         |
| Segment liabilities   |          |         |           |        |           |        |             |        |          |        |        |        |                            |         |              |         |         |
| <b>OTHER INFORMATION</b>                                    |          |         |           |        |           |        |             |        |          |        |        |        |                            |         |              |         |         |
| Bad debts written off                                       | -        | (278)   | -         | -      | -         | -      | -           | -      | -        | -      | -      | -      | -                          | -       | -            | -       | (278)   |
| Depreciation of property, plant and equipment               | 2,362    | 2,089   | -         | -      | -         | -      | 207         | 166    | 229      | 235    | 265    | 228    | -                          | -       | 3,063        | 2,718   |         |
| (Gain)/Loss on disposal of property, plant and equipment    | 150      | (4)     | -         | -      | -         | -      | -           | -      | -        | -      | 42     | -      | -                          | -       | 192          | (4)     |         |
| Unrealised Loss/(Gain) on foreign exchange                  | (32)     | (77)    | -         | -      | -         | -      | (1)         | 44     | 3        | (103)  | -      | -      | (2)                        | (82)    | (32)         | (218)   |         |
| Inventories recovery  | (51)     | (1)     | -         | -      | -         | -      | -           | -      | -        | -      | -      | -      | -                          | -       | (51)         | (1)     |         |
| Property, plant and equipment written back                  | (2)      | -       | -         | -      | -         | -      | -           | -      | -        | -      | -      | -      | -                          | -       | (2)          | -       |         |
| Property, plant and equipment written off                   | (1)      | -       | -         | -      | -         | -      | -           | -      | -        | -      | -      | -      | -                          | -       | (1)          | -       |         |
| Reversal of allowance for doubtful debts no longer required | (348)    | (238)   | -         | -      | -         | -      | -           | -      | -        | -      | -      | -      | -                          | -       | (348)        | (238)   |         |

| Cumulative Quarter<br>30 June                               | Malaysia       |                | Singapore      |                | Hong Kong      |                | Philippines    |                | Thailand       |                | China          |                | Adjustment and<br>elimination |                | Consolidated   |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------------------|----------------|----------------|----------------|
|   | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000                | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| <b>REVENUE</b>  |                |                |                |                |                |                |                |                |                |                |                |                |                               |                |                |                |
| External sales  | 21,294         | 18,250         | -              | -              | -              | -              | 4,886          | 2,197          | 2,625          | 2,453          | 3,787          | 3,346          | -                             | -              | 32,592         | 26,246         |
| Inter-segment sales   | 8,815          | 7,576          | -              | -              | -              | -              | 4,886          | 2,197          | 509            | 2,453          | -              | 2              | (9,324)                       | (7,578)        | -              | -              |
| Total revenue   | 30,109         | 25,826         | -              | -              | -              | -              | 9,772          | 4,394          | 3,134          | 2,453          | 3,787          | 3,348          | (9,324)                       | (7,578)        | 32,592         | 26,246         |
| <b>RESULTS</b>  |                |                |                |                |                |                |                |                |                |                |                |                |                               |                |                |                |
| Segment results   | (8,088)        | (8,665)        | (4)            | (15)           | (6)            | (3)            | 220            | (479)          | (505)          | (447)          | (267)          | (342)          | 9,305                         | 7,502          | 655            | (2,449)        |
| Interest income   | 69             | 53             | -              | -              | -              | -              | 12             | 17             | 1              | -              | -              | -              | -                             | -              | 89             | 73             |
| Interest expense  | (85)           | (90)           | -              | -              | -              | -              | (3)            | (3)            | -              | -              | -              | -              | -                             | -              | (88)           | (93)           |
| Profit/(Loss) before taxation                               |                |                |                |                |                |                |                |                |                |                |                |                |                               |                |                |                |
| Taxation  |                |                |                |                |                |                |                |                |                |                |                |                |                               |                |                |                |
| Net Profit/(loss) for the financial period                  |                |                |                |                |                |                |                |                |                |                |                |                |                               |                |                |                |
| <b>Assets:</b>  |                |                |                |                |                |                |                |                |                |                |                |                |                               |                |                |                |
| Additions to non-current assets                             | 411            | 585            | -              | -              | -              | -              | 98             | 29             | -              | 39             | -              | -              | -                             | -              | 509            | 653            |
| Segment assets  | 54,392         | 65,411         | 27             | 31             | -              | 22             | 10,906         | 4,964          | 6,126          | 5,891          | 7,080          | 10,773         | 1,096                         | 1,913          | 79,627         | 89,005         |
| Segment liabilities   | 12,334         | 10,965         | 21             | 5              | -              | -              | 1,194          | 355            | 1,932          | 379            | 2,869          | 3,761          | (934)                         | (140)          | 17,416         | 15,325         |
| <b>OTHER INFORMATION</b>                                    |                |                |                |                |                |                |                |                |                |                |                |                |                               |                |                |                |
| Bad debts written off                                       | -              | 1,538          | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -                             | -              | -              | 1,538          |
| Depreciation of property, plant and equipment               | 4,755          | 3,609          | -              | -              | -              | -              | 426            | 336            | 463            | 480            | 585            | 462            | -                             | -              | 6,229          | 4,887          |
| Loss/(Gain) on disposal of property, plant and equipment    | 226            | (193)          | -              | -              | -              | -              | -              | -              | -              | (13)           | (2)            | -              | -                             | -              | 224            | (206)          |
| Gain on disposal of other investments                       | -              | (17)           | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -                             | -              | -              | (17)           |
| Unrealised Loss/(Gain) on foreign exchange                  | (108)          | (157)          | -              | -              | 1              | -              | (31)           | 49             | (32)           | (51)           | (1)            | -              | (16)                          | (82)           | (187)          | (241)          |
| Inventories recovery  | (60)           | (65)           | -              | -              | -              | -              | -              | 36             | -              | -              | -              | -              | -                             | -              | (60)           | (65)           |
| Property, plant and equipment written back                  | (3)            | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -                             | -              | (3)            | -              |
| Property, plant and equipment written off                   | (1)            | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -                             | -              | (1)            | -              |
| Reversal of allowance for doubtful debts no longer required | (353)          | (1,177)        | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -                             | -              | (353)          | (1,177)        |

**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 June 2011**

There are no material events subsequent to the end of the quarter under review that have not been reflected in this report.

**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   | <u>238,000</u> |

**A13. Capital commitment**

There was no capital commitment as at the date of this report.

**A14. Significant related party transactions**

Significant related party transactions for the current quarter under review are as follows:

| <b>Related Party:</b>   | <b>Current Year<br/>Quarter<br/>30.06.2011</b> | <b>Current<br/>Year To Date<br/>30.06.2011</b> |
|---|--|--|
| * Supply of EuroPay-MasterCard-Visa chip-based cards and/or data preparation and personalisation of chip-based cards; supply of computer hardware and software; sales of payment solutions; sales and rental of EDC terminals and other related services by the GHL Group to e-pay (M) Sdn Bhd ("e-pay")^ | RM411,500                                      | RM835,650                                      |

^ *GHL Systems Berhad Executive Chairman and major shareholder Loh Wee Hian has an indirect interest in e-pay (M) Sdn Bhd through his 61.60% shareholding in e-pay Asia Limited, the holding company of e-pay (M) Sdn Bhd. He is currently also the Executive Director and CEO of e-pay (M) Sdn Bhd as well as the Executive Chairman and CEO of e-pay Asia Limited.*

\* *The Board of Directors is of the opinion that all the transaction above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transaction with unrelated parties.*