



GH SYSTEMS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010
THE FIGURES HAVE NOT BEEN AUDITED

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		31/03/2010	31/03/2009	31/03/2010	31/03/2009
		RM	RM	RM	RM
Revenue	A8	13,237,205	10,519,060	13,237,205	10,519,060
Cost of sales		<u>(2,532,520)</u>	<u>(1,690,284)</u>	<u>(2,532,520)</u>	<u>(1,690,284)</u>
Gross profit		10,704,685	8,828,776	10,704,685	8,828,776
Other income		460,793	516,395	460,793	516,395
Administration expenses		(9,754,046)	(11,360,150)	(9,754,046)	(11,360,150)
Distribution costs		(983,421)	(892,645)	(983,421)	(892,645)
Other expenses		(206,094)	(135,577)	(206,094)	(135,577)
Finance cost		(51,986)	(35,811)	(51,986)	(35,811)
Profit/(Loss) before taxation		169,931	(3,079,012)	169,931	(3,079,012)
Income tax expense		-	(88,237)	-	(88,237)
Profit/(Loss) for the period		169,931	(3,167,249)	169,931	(3,167,249)
Attributable to:					
Equity holders of the parent		<u>169,931</u>	<u>(3,167,249)</u>	<u>169,931</u>	<u>(3,167,249)</u>
		169,931	(3,167,249)	169,931	(3,167,249)
Earnings/(Loss) Per Ordinary Share					
- Basic (sen)	B13	0.12	(2.29)	0.12	(2.29)
- Diluted (sen)	B13	0.12	(2.29)	0.12	(2.29)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2009)



GH SYSTEMS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010
THE FIGURES HAVE NOT BEEN AUDITED

	AS AT CURRENT YEAR QUARTER 31/03/2010	AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2009 (Audited)
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	50,725,833	52,316,781
Prepaid lease payments	1,563,447	1,559,343
Goodwill on consolidation	1,913,105	1,913,105
	<u>54,202,385</u>	<u>55,789,229</u>
Current assets		
Inventories	8,149,798	6,319,727
Trade receivables	11,844,216	13,990,646
Other receivables	5,749,705	5,467,023
Tax recoverable	395,182	147,062
Fixed deposits placed with licensed banks	3,197,787	1,959,470
Cash and bank balances	10,479,744	12,773,273
	<u>39,816,432</u>	<u>40,657,201</u>
TOTAL ASSETS	<u>94,018,817</u>	<u>96,446,430</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	69,431,108	69,431,108
Reserves	7,209,318	7,160,485
Treasury Shares	(824)	(824)
Total equity	<u>76,639,602</u>	<u>76,590,769</u>
Non-current liabilities		
Hire purchase payables	540,671	17,931
Bank borrowing	2,766,459	2,880,770
Deferred taxation	503,559	503,559
	<u>3,810,689</u>	<u>3,402,260</u>
Current liabilities		
Trade payables	4,737,017	5,225,757
Other payables	8,144,164	11,033,537
Hire purchase payables	455,243	17,544
Bank borrowings	232,102	176,563
	<u>13,568,526</u>	<u>16,453,401</u>
Total liabilities	<u>17,379,215</u>	<u>19,855,661</u>
TOTAL EQUITY AND LIABILITIES	<u>94,018,817</u>	<u>96,446,430</u>
Number of ordinary shares	138,862,215	138,862,215
NA per share (sen)	55.19	55.16

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2009)



GH SYSTEMS BERHAD
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010
THE FIGURES HAVE NOT BEEN AUDITED

	CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/03/2010 RM	PRECEDING YEAR CORRESPONDING QUARTER 31/03/2009 RM
Cash Flows From Operating Activities		
Profit/(Loss) before taxation	169,931	(3,079,012)
Adjustment for:		
Bad debt written off	1,816,491	-
Depreciation of property, plant & equipment	2,168,308	3,784,420
(Gain)/Loss on disposal of property, plant & equipment	(201,917)	10,896
Interest income	(32,361)	(40,920)
Interest expenses	51,986	35,811
Unrealised gain on foreign exchange	(23,058)	-
Inventories recovery	(64,393)	-
Gain on disposal of other investment	(17,461)	-
Reversal of allowance for doubtful debts no longer required	(1,415,229)	-
Property, plant & equipments written off	-	23,144
Operating profit before working capital changes	<u>2,452,297</u>	<u>734,339</u>
 (Increase)/Decrease in working capital		
Inventories	(1,765,678)	(917,829)
Trade and other receivables	1,485,544	(352,570)
Trade and other payables	(3,378,113)	5,625,786
	<u>(3,658,247)</u>	<u>4,355,387</u>
 Cash (used in)/generated from operations	(1,205,950)	5,089,726
 Interest paid	(51,986)	(35,811)
Interest received	32,361	40,920
Tax (paid)/refund	(248,120)	39,145
Exchange fluctuation adjustment	(121,098)	148,132
	<u>(388,843)</u>	<u>192,386</u>
 Net cash (used in)/generated from operating activities	(1,594,793)	5,282,112
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(560,547)	(1,914,163)
Proceeds from disposal of property, plant & equipment	181,000	92,422
Proceeds from disposal of others investment	17,461	-
Net cash used in investing activities	<u>(362,086)</u>	<u>(1,821,741)</u>
Cash Flows From Financing activities		
Drawdown of hire purchase	1,000,000	-
Repayment of hire purchase payables	(39,561)	(29,032)
Repayment of borrowings	(58,772)	(534,429)
Decrease of fixed deposit pledge	43,441	418,133
Net cash generated from/(used in) financing activities	<u>945,108</u>	<u>(145,328)</u>
 Net (decrease)/increase in cash and cash equivalents	(1,011,771)	3,315,043
Cash and cash equivalents at beginning of financial period	<u>13,616,367</u>	<u>11,149,286</u>
Cash and cash equivalents at end of financial period	<u>12,604,596</u>	<u>14,464,329</u>
 Cash and cash equivalents at end of period comprises:		
Cash and bank balances	10,479,744	9,164,346
Fixed deposits placed with licensed banks	<u>3,197,787</u>	<u>6,356,547</u>
	13,677,531	15,520,893
Less: Fixed deposits pledged to licensed banks	<u>(1,072,935)</u>	<u>(1,056,564)</u>
	<u>12,604,596</u>	<u>14,464,329</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with Audited Financial Statements for the year ended 31 December 2009)



GHL SYSTEMS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010
THE FIGURES HAVE NOT BEEN AUDITED

	Share Capital RM	Foreign Exchange Reserves RM	ESOS Reserve RM	Treasury Shares RM	Retained Profits RM	Total Shareholders' Equity RM
At 1 January 2009	69,431,108	(1,256,993)	-	(4,467)	15,083,429	83,253,077
Foreign exchange differences, representing net income not recognised in income statement	-	148,132	-	-	-	148,132
Net loss for the financial period	-	-	-	-	(3,167,249)	(3,167,249)
At 31 March 2009	<u>69,431,108</u>	<u>(1,108,861)</u>	<u>-</u>	<u>(4,467)</u>	<u>11,916,180</u>	<u>80,233,960</u>
At 1 January 2010	69,431,108	(749,850)	35,364	(824)	7,874,971	76,590,769
Foreign exchange differences, representing net income not recognised in income statement	-	(121,098)	-	-	-	(121,098)
Net profit for the financial period	-	-	-	-	169,931	169,931
At 31 March 2010	<u>69,431,108</u>	<u>(870,948)</u>	<u>35,364</u>	<u>(824)</u>	<u>8,044,902</u>	<u>76,639,602</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2009)



GHL SYSTEMS BERHAD

(Company No: 293040-D)

Quarterly report on consolidated results for the first quarter ended 31 March 2010

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 subsidiaries (“Group”) for the financial year ended 31 December 2009.

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 the current financial period:

FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 2	Share-based Payment-Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments: Presentation
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 14	FRS 119 - The Limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives

Amendments to FRSs contained in the document entitled “Improvements to FRSs (2009)”

The revised FRSs and admendment to 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 the Company and did not have significant impact on the Group and the Company.

The Group and the Company have not early adopted the following amendments to FRSs 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 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

A2. Audit Report

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2009 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 March 2010 (RM'000)	Preceding year corresponding quarter 31 March 2009 (RM'000)
Malaysia	8,480	6,611
Thailand	1,621	1,247
China	1,429	764
Philippines	1,277	976
New Zealand	197	228
Brazil	112	-
Hong Kong	56	501
Bangladesh	21	-
Singapore	18	-
Indonesia	12	98
Lebanon	6	-
United Arab Emirat	4	-
Kenya	3	-
Brunei	1	-
Sri Lanka	-	35
United States	-	14
Vietnam	-	13
Australia	-	10
Hungary	-	9
United Kingdom	-	7
Netherlands	-	6
Turkey	-	2
Romania	-	(2)
Total (RM)	13,237	10,519

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 March 2010

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

Save as disclosed below, there were no other material changes in the composition of the Group for the current quarter under review:-

On 3 March 2010, GHL had executed the call option under Subscription And Shareholders Agreement dated 29 July 2009 to purchase Twenty Thousand (20,000) ordinary shares of Ringgit Malaysia One (RM1.00) each in Ideal Sales Concept Sdn Bhd ("ISCSB") from Chen Wooi Kok and Foo Lih Ching@Foo Wen Ching, being the two founders of ISCSB at total cash consideration of Ringgit Malaysia Two (RM2.00) ("Call Option").

ISCSB became a wholly-owned subsidiary of GHL upon completion of the Call Option.

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>100,000</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:

Related Party:

*Supply of EuroPay-Mastercard-Visa chip-based cards and/or data preparation and personalisation of chip-based cards and installation of EDC equipment to Bank Simpanan Nasional^ ("BSN") RM1,254,037

^ *BSN is a substantial shareholder of BSNC Corporation Berhad ("BSNC") and BSNC is a substantial shareholder of the Company.*

* *The Board of Directors are 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.*



GHL SYSTEMS BERHAD
(Company No. 293040-D)

Quarterly report on consolidated results for the first quarter ended 31 March 2010

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of Performance

For the current quarter ended 31 March 2010, the Group recorded revenue of RM13.24 million, representing an increase of approximately 26% as compared to RM10.52 million achieved in the preceding year's corresponding quarter ended 31 March 2009. The increase was mainly attributed to higher sales from domestic and overseas markets during the quarter under review. The profit before taxation of RM0.17 million of the Group for the current quarter under review is an improvement from the loss before taxation of RM3.08 million in the preceding year's corresponding quarter ended 31 March 2009. The profit before taxation was in line with the increase in revenue and reduced administration expenses during the quarter under review.

B2. Comparison of Current Quarter Results with the Preceding Quarter

	<u>Current Quarter</u> <u>ended 31 March 2010</u>	<u>Preceding Quarter</u> <u>ended 31 December 2009</u>
	RM'000	RM'000
Revenue	13,237	15,437
Profit/(Loss) Before Tax	170	(958)

For the current quarter under review, the Group's revenue decreased by approximately 14% to RM13.24 million, as compared to RM15.44 million registered in the preceding quarter ended 31 December 2009 mainly due to slower sales of hardware during the current quarter under review. However, the Group recorded a profit before taxation of RM0.17 million as compared to loss before taxation of RM0.96 million in the preceding quarter due to higher sales of value-added solutions which yielded higher margin for the current quarter.

B3. Current Year's Prospects

In light of the gradually-recovering economy across the region, the Board of Directors of GHL ("Board") believes that the level of competition will continue to be intense in the domestic and overseas markets as industry players secure market share. Therefore, the Group will continue to enhance its competitive edge by constantly innovating new solutions, and appointing resellers/distributors to penetrate into overseas markets.

B4. Profit forecast and Profit Guarantee

The Company has not issued any profit forecast or profit guarantee for the current year.

B5. Taxation

	Current Quarter <u>31.03.10</u> RM'000	Preceding Year Corresponding Quarter <u>31.03.09</u> RM'000	Current Year To Date <u>31.03.10</u> RM'000	Preceding Year Corresponding Period <u>31.03.09</u> RM'000
Tax expenses for current year provision	-	(88)	-	(88)

The Group's tax rate is disproportionate to the statutory tax rate due to unabsorbed tax loss and unutilised tax allowances and deferred tax benefits of certain companies within the Group.

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

- a) The disposal of quoted securities during the financial quarter as follows:-

	RM
Proceeds from the disposal of quoted securities	<u>17,461</u>
Disposal of quoted securities, at carrying value	<u>-</u>
Gain from the disposal of quoted securities	<u>17,461</u>

- b) There were no other quoted securities purchased or disposed off 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:-

- a) The proposed subscription of shares in GHL AP 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.
- b) On 12 February 2010, on behalf of the Board of Directors of GHL ("Board"), Public Investment Bank Berhad ("PIVB") had announced that the Company proposed to undertake a private placement of up to 13,800,000 ordinary shares of RM0.50 each in GHL, representing up to 10% of the issued and paid-up share capital of GHL ("Proposed Private Placement").

PIVB had also on 17 February 2010, on behalf of GHL, submitted the listing application in relation to the Proposed Private Placement to Bursa Malaysia Securities Berhad (“Bursa Securities”) which was duly approved by Bursa Securities vide its letter dated 2 March 2010. The Proposed Private Placement is currently pending implementation.

- c) On 31 March 2010, PIVB had, on behalf of the Board, announced that GHL proposed to undertake a bonus issue of up to 8,603,065 new ordinary shares of RM0.50 each in GHL ("Bonus Shares") to be credited as fully paid-up, on the basis of one (1) Bonus Share for every twenty (20) existing ordinary shares of RM0.50 each in GHL held by the entitled shareholders of GHL, whose names appear in the record of depositors at 5 p.m. on 1 June 2010, being the entitlement date (“Bonus Issue”). The shareholders of GHL had approved the Bonus Issue at the Extraordinary General Meeting convened on 5 May 2010.

B9. Group Borrowings and Debt Securities

The Group’s borrowings and debt securities as at the financial period ended 31 March 2010 are as follows:-

(a) Bank Borrowings

	Total Secured Term Loan
	RM
Repayable within twelve months	232,102
Repayable more than twelve months	2,766,459
	<u>2,998,561</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 (“pa”) on monthly rest for the first three (3) years and thereafter Base Lending Rate (“BLR”) + 0.60% pa and is repayable over fifteen (15) years. The loan is expected to be fully repaid by year 2019. The term loan interest rate was revised at BLR + 0.00% pa based on letter dated 21 December 2007. Subsequently, the term loan interest rate was revised at BLR – 1.00% pa based on letter dated 23 February 2010 and 26 April 2010. The BLR as at 31 March 2010 is 5.80% pa and revised to 6.05% as at 18 May 2010.

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	455,243
Repayable more than twelve months	540,671
	<u>995,914</u>

The hire purchase payables of the Group as at 31 March 2010 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 Group 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 or threatened 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 ("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, 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.

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.

On 19 May 2009, the management through its solicitor, Messrs. Sreenevasanyoung, denied each and every allegation as set out in the letter and denied being liable as alleged or at all.

The Board 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.

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 and excluding the treasury shares held by the Company.

b) Diluted earnings/(loss) per share

For the purpose of calculating diluted 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 and excluding treasury shares held by the Company.

Basic

		Current Quarter <u>31.03.10</u>	Preceding Year Corresponding Quarter <u>31.03.09</u>	Current Year To Date <u>31.03.10</u>	Preceding Year Corresponding Period <u>31.03.09</u>
Net profit/(loss) attributable to equity holders of the parent (RM)		169,931	(3,167,249)	169,931	(3,167,249)
Weighted average number of ordinary shares in issue and issuable (Unit)		138,331,036	138,516,347	138,331,036	138,516,347
Basic earnings/(loss) per share (Sen)		0.12	(2.29)	0.12	(2.29)

Diluted

		Current Quarter <u>31.03.10</u>	Preceding Year Corresponding Quarter <u>31.03.09</u>	Current Year To Date <u>31.03.10</u>	Preceding Year Corresponding Period <u>31.03.09</u>
Net profit/(loss) attributable to equity holders of the parent (RM)		169,931	(3,167,249)	169,931	(3,167,249)
*Weighted average number of ordinary shares in issue and issuable (Unit)		138,331,036	138,516,347	138,331,036	138,516,347
Diluted earnings/(loss) per share (Sen)		0.12	(2.29)	0.12	(2.29)

*The number of shares exercised under ESOS was not taken into account in the computation of diluted earnings per shares because the effect on the basic earnings per share is antidilutive.

B14. The Memorandum of Understanding pursuant to Paragraph 9.29 of Main Market Listing Requirements of Bursa Securities

- a) 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.

- b) On 10 September 2009, GHL had entered into a MOU with PT Citra Multi Services (“CMS”) wherein CMS is interested to purchase 100,000 units of EDC terminal from GHL within a period of 36 months. GHL and CMS (collectively referred to as the “Parties”) also agree to explore other related services to the business such as maintenance of the EDC terminals, supply of paper roll, terminal software programming and other related solutions in Indonesia.

The Parties or its related companies have intention to enter into a definite and binding agreement. The arrangement between the Parties via the MOU is expected to provide synergistic benefit to GHL’s business development plan in relation to the expansion of its regional payment solution services.

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 EDC terminals to CMS.