



GH SYSTEMS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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
		31/12/2010	31/12/2009	31/12/2010	31/12/2009
		RM	RM	RM	RM
Revenue	A8	21,846,782	15,436,970	63,675,753	57,150,217
Cost of sales		<u>(11,674,978)</u>	<u>(8,359,043)</u>	<u>(23,504,177)</u>	<u>(18,556,859)</u>
Gross profit		10,171,804	7,077,927	40,171,576	38,593,358
Other income		2,231,020	446,288	3,213,383	1,089,284
Administration expenses		(19,269,862)	(5,744,965)	(49,045,001)	(40,366,938)
Distribution costs		(4,001,709)	(2,919,249)	(7,390,412)	(5,491,607)
Other expenses		(876,309)	255,708	(1,416,177)	(111,408)
Finance cost		(56,286)	(78,867)	(198,766)	(187,531)
		<u>(11,801,342)</u>	<u>(963,158)</u>	<u>(14,665,397)</u>	<u>(6,474,842)</u>
Loss before taxation		(11,801,342)	(963,158)	(14,665,397)	(6,474,842)
Income tax expense		492,451	(521,568)	489,050	(522,982)
Loss for the period		<u>(11,308,891)</u>	<u>(1,484,726)</u>	<u>(14,176,347)</u>	<u>(6,997,824)</u>
Attributable to:					
Equity holders of the parent		(11,308,891)	(1,484,726)	(14,176,347)	(6,977,824)
non-controlling interest		-	-	-	(20,000)
		<u>(11,308,891)</u>	<u>(1,484,726)</u>	<u>(14,176,347)</u>	<u>(6,997,824)</u>
Weighted average number of ordinary shares in issue		151,994,089	145,442,164	187,501,663	145,247,027
Nominal value per share		RM 0.50	RM 0.50	RM 0.50	RM 0.50
Loss Per Ordinary Share					
- Basic (sen)	B13	(7.44)	(1.02)	(7.56)	(4.80)
- Diluted (sen)	B13	(7.44)	(1.02)	(7.56)	(4.80)
Loss for the period		(11,308,891)	(1,484,726)	(14,176,347)	(6,997,824)
Other comprehensive income, net of tax					
Foreign currency translation differences		<u>(277,617)</u>	<u>(72,705)</u>	<u>(505,175)</u>	<u>507,143</u>
Total comprehensive income for the period		<u>(11,586,507)</u>	<u>(1,557,431)</u>	<u>(14,681,522)</u>	<u>(6,490,681)</u>
Total comprehensive income attributable to:					
Equity holders of the parent		(11,586,507)	(1,557,431)	(14,681,522)	(6,470,681)
Non-controlling interest		-	-	-	(20,000)
		<u>(11,586,507)</u>	<u>(1,557,431)</u>	<u>(14,681,522)</u>	<u>(6,490,681)</u>

(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 FOURTH QUARTER ENDED 31 DECEMBER 2010
THE FIGURES HAVE NOT BEEN AUDITED

	Note	AS AT CURRENT YEAR QUARTER 31/12/2010	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2009 (Restated)
		RM	RM
ASSETS			
Non-current assets			
Property, plant and equipment		45,153,939	53,876,124
Goodwill on consolidation		1,096,239	1,913,105
		<u>46,250,178</u>	<u>55,789,229</u>
Current assets			
Inventories		6,538,138	6,319,727
Trade receivables		13,173,391	13,990,646
Other receivables		5,773,193	5,467,023
Tax recoverable		129,077	147,062
Fixed deposits placed with licensed banks		2,121,037	1,959,470
Cash and bank balances		10,571,575	12,773,273
		<u>38,306,411</u>	<u>40,657,201</u>
TOTAL ASSETS		<u>84,556,589</u>	<u>96,446,430</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		72,901,050	69,431,108
Treasury Shares		(638,221)	(824)
(Accumulated losses)/retained profits		(9,771,318)	7,874,971
ESOS Reserves		257,915	35,364
Exchange Equalisation Reserves		(1,255,025)	(749,850)
Total equity		<u>61,494,401</u>	<u>76,590,769</u>
Non-current liabilities			
Hire purchase payables	B9	43,721	17,931
Bank borrowing	B9	2,618,551	2,880,770
Deferred taxation		-	503,559
		<u>2,662,272</u>	<u>3,402,260</u>
Current liabilities			
Trade payables		5,246,193	5,225,757
Other payables		14,443,316	11,033,537
Hire purchase payables	B9	527,889	17,544
Bank borrowings	B9	182,518	176,563
		<u>20,399,916</u>	<u>16,453,401</u>
Total liabilities		<u>23,062,188</u>	<u>19,855,661</u>
TOTAL EQUITY AND LIABILITIES		<u>84,556,589</u>	<u>96,446,430</u>
Number of ordinary shares		145,802,100	138,862,215
NA per share (sen)		42.18	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)



GHL SYSTEMS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010
THE FIGURES HAVE NOT BEEN AUDITED

	CUMULATIVE QUARTER CURRENT YEAR QUARTER 31/12/2010 RM	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2009 RM
Cash Flows From Operating Activities		
Loss before taxation	(14,665,397)	(6,474,842)
<i>Adjustment for :-</i>		
Allowance for doubtful debts	1,035,775	402,693
Impairment loss on goodwill	816,866	-
Bad debts written off	2,380,997	70,362
Depreciation of property, plant and equipment - current year	8,030,719	10,761,035
Amortisation of prepaid land lease payments	16,415	16,414
(Gain)/Loss on disposal of property, plant and equipment	(169,851)	176,363
Share options granted under ESOS	222,551	35,364
Interest expenses	198,766	187,531
Interest income	(174,243)	(208,178)
Inventories written off/(reversal)	95,793	336,544
Impairment loss on other investment	-	88,250
Impairment loss on property, plant and equipment	5,760,325	-
Gain on disposal of other investments	(17,461)	-
Loss/(Gain) on foreign exchange - unrealised	529,266	(529,498)
Property, plant and equipment written off	420,339	71,980
Reversal of allowance for doubtful debts no longer required	(1,963,484)	(231,559)
Operating profit before working capital changes	2,517,376	4,702,459
<i>Decrease/(Increase) in working capital</i>		
Inventories	94,559	2,242,815
Trade receivables	1,215,698	(1,582,126)
Other receivables	(2,687,167)	(3,606,348)
Trade payables	20,436	4,180,453
Other payables	3,409,779	3,582,929
	2,053,305	4,817,723
Cash generated from operations	4,570,681	9,520,182
Interest paid	(198,766)	(187,531)
Interest received	174,243	208,178
Tax refund	96,754	53,686
Tax paid	(93,278)	(118,204)
Exchange fluctuation adjustment	(154,216)	397,046
	(175,263)	353,175
Net cash from operating activities	4,395,418	9,873,357
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,462,201)	(8,026,254)
Proceeds from disposal of property, plant and equipment	366,717	1,135,209
Proceeds from disposal of other investments	17,461	-
Net cash used in investing activities	(5,078,023)	(6,871,045)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of share	(637,397)	(226,991)
Repayment of borrowings	(256,264)	(189,148)
Repayment of hire purchase liabilities	(463,865)	(50,555)
Increase in fixed deposit pledged	(846,917)	(68,537)
Net cash used in financing activities	(2,204,443)	(535,231)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,887,048)	2,467,081
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	13,616,367	11,149,286
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	10,729,319	13,616,367
Closing balance of cash and cash equivalents comprises:-		
Cash and bank balances	10,571,575	12,773,273
Fixed deposits with licensed banks	2,121,037	1,959,470
	12,692,612	14,732,743
Less: Fixed deposits pledged to licensed banks	(1,963,293)	(1,116,376)
	10,729,319	13,616,367

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



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

	Share Capital RM	Foreign Exchange Reserves RM	ESOS Reserve RM	Treasury Shares RM	Retained Profits / (Accumulated Losses) RM	Total Shareholders' Equity RM	Non-controlling interest RM	Total Equity RM
At 1 January 2009	69,431,108	(1,256,993)	-	(4,467)	15,083,429	83,253,077	-	83,253,077
Arising from acquisition of shares in subsidiary company	-	-	-	-	-	-	20,000	20,000
Shares purchased during the financial year held as treasury shares	-	-	-	(226,991)	-	(226,991)	-	(226,991)
Dividend	-	-	-	230,634	(230,634)	-	-	-
Total comprehensive income for the year	-	507,143	-	-	(6,977,824)	(6,470,681)	(20,000)	(6,490,681)
Share based payment	-	-	35,364	-	-	35,364	-	35,364
At 31 December 2009	<u>69,431,108</u>	<u>(749,850)</u>	<u>35,364</u>	<u>(824)</u>	<u>7,874,971</u>	<u>76,590,769</u>	<u>-</u>	<u>76,590,769</u>
At 1 January 2010	69,431,108	(749,850)	35,364	(824)	7,874,971	76,590,769	-	76,590,769
Transfer of reserve arising from lapsed of ESOS	-	-	222,551	-	-	222,551	-	222,551
Arising from capital injection to a subsidiary company	-	-	-	-	-	-	-	-
Bonus Issue	3,469,942	-	-	-	(3,469,942)	-	-	-
Share purchased during the financial year held as treasury shares	-	-	-	(637,397)	-	(637,397)	-	(637,397)
Total comprehensive income for the year	-	(505,175)	-	-	(14,176,347)	(14,681,522)	-	(14,681,522)
At 31 December 2010	<u>72,901,050</u>	<u>(1,255,025)</u>	<u>257,915</u>	<u>(638,221)</u>	<u>(9,771,318)</u>	<u>61,494,401</u>	<u>-</u>	<u>61,494,401</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 fourth quarter ended 31 December 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.

During the financial year, 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 year:

FRS 8	Operating Segments
FRS 4	Insurance Contracts
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 13	Customer Loyalty Programmes
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 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.

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:

		<u>Effective date for financial periods beginning on or after</u>
Amendments to FRS 132	Financial Instruments: Presentation	1 March 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 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
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters	1 January 2011
Amendment to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
Amendments to FRSs contained in the documents entitled “Improvements to FRSs (2010)”		1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011
IC Interpretation 15	Agreements for Construction of Real Estate	1 January 2012
FRS 124	Related Party Disclosures	1 January 2012

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 Company, except as discussed below:

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 8: Operating Segments (FRS 8)

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes. As a result, the Group's segmental reporting had been presented based on the internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. This standard does not have any impact on the financial position and results of the Group.

iv. FRS 101: Presentation of Financial Statement (FRS 101)

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income.

v. Amendments to FRS 117: Leases (FRS 117)

Amendments to FRS 117 sets out the new requirement where leasehold land which is in substance a finance lease will be reclassified to property, plant and equipment. The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and accordingly, has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

The following comparative figures have been restated following the adoption of the amendments to FRS 117 :

Cost	As at 31 December 2009	
	As restated RM	As previously stated RM
Property, plant and equipment	53,876,124	52,316,781
Prepaid land lease payments	-	1,559,343
	53,876,124	53,876,124

vi. FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 January 2010.

Financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables are included in trade and other receivables in the balance sheet.

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held to maturity financial asset, the whole category would be tainted and reclassified as available for sale. Held to maturity financial assets are

included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Financial liabilities

Financial liabilities are classified as financial at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial guarantee contracts

The Company has provided various financial guarantees to banks for the guarantee of credit facilities granted to its various subsidiaries. The Company monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations. In view that there is minimal risk of default, the Company has not carried the value of the financial guarantee in its books.

Impact on opening balance

FRS 139 did not have any significant impact on the financial position and results of the Group.

vii. FRS 140: Investment Property (FRS 140)

Before 1 January 2010, an investment property under construction was classified as property, plant and equipment and measured at cost. Such property is stated at cost until construction or development was completed, at which time it would be remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement was recognised in profit or loss.

With the amendments made to FRS 140 with effect from 1 January 2010, investment property under construction is classified as investment property. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

The change in accounting policy has been made prospectively in accordance with the transitional provisions of FRS 140.

Hence, the adoption of FRS 140 does not affect the basic and diluted earnings per ordinary share for prior periods and has no material impact to current period's basic and diluted earnings per ordinary share.

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

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 October 2010	4,901	824
Repurchased during the quarter	1,411,000	637,397
Balance as at 31 December 2010	1,415,901	638,221

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. As at 31 December 2010, the treasury shares held were 1,415,901 ordinary shares with total purchase consideration of approximately RM638,221. None of the treasury shares held were resold or cancelled during the financial period ended 31 December 2010.

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 2010 (RM)	Preceding year corresponding quarter 31 December 2009 (RM)
Malaysia	10,137,449	7,950,912
China	6,187,244	1,043,170
Philippines	2,868,363	3,794,951

Geographical location	Current quarter 31 December 2010 (RM)	Preceding year corresponding quarter 31 December 2009 (RM)
Thailand	1,441,419	2,314,476
Singapore	423,574	41,467
Indonesia	301,248	43,921
Taiwan	187,942	-
New Zealand	148,955	-
Brazil	102,465	7,274
Australia	25,410	888
Hong Kong	11,678	151,337
France	4,785	-
Brunei	3,046	5,779
Turkey	2,812	-
Macedonia	392	-
Dubai	-	51,800
Hungary	-	10,464
Pakistan	-	8,476
Mozambique	-	6,660
Kenya	-	3,404
United Kingdom	-	1,029
United Arab Emirates	-	962
Total (RM)	21,846,782	15,436,970

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 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

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	275,500
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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:	Current Year Quarter 31.12.2010	Current Year To Date 31.12.2010
*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”)	RM1,479,094	RM4,480,263

^ *BSN is a substantial shareholder of BSNC Corporation Berhad (“BSNC”) and BSNC was a substantial shareholder of the Company up to 26 October 2010 where BSNC had ceased to be a substantial shareholder of the Company.*

* *The Board of Directors of GHL 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 fourth quarter ended 31 December 2010

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

B1. Review of Performance

For the current quarter ended 31 December 2010, the Group recorded revenue of RM21.85 million, representing an increase of approximately 41.52% compared to RM15.44 million achieved in the preceding year's corresponding quarter ended 31 December 2009. The increase was mainly attributable to the higher sales in the local and overseas markets during the current quarter under review. The Group however incurred a loss before taxation of RM11.80 million as compared to loss before taxation of RM0.96 million in preceding year's corresponding quarter mainly due to higher operational cost incurred, bad debts written off, impairment loss on property, plant and equipment, impairment loss on goodwill, property, plant and equipment written off and higher costs incurred for the sales and promotion activities in international markets.

For the financial year ended 31 December 2010 ("FYE2010"), the Group registered a revenue of RM63.68 million, which is 11.42% higher compared to the RM57.15 million achieved in financial year ended 31 December 2009 ("FYE2009"). The increase was mainly attributable to the higher sales in monthly services rental, sales of hardware and cards in local markets and the higher income in Merchant discount rate, sales of software and hardware in overseas markets. The Group however incurred a loss before taxation of RM14.67 million in FYE2010 as compared to loss before taxation of RM6.47 million in FYE2009 mainly due to significant increase in operational costs during the quarter under review as mentioned above.

B2. Comparison of Current Quarter Results with the Preceding Quarter

	<u>Current Quarter</u> <u>ended 31 December</u> <u>2010</u> <u>RM</u>	<u>Preceding Quarter</u> <u>ended 30 September</u> <u>2010</u> <u>RM</u>
Revenue	21,846,782	15,582,733
Loss Before Tax	(11,801,342)	(395,452)

For the current quarter under review, the Group's revenue increased by approximately 40.24% to RM21.85 million, as compared to RM15.58 million reported in the preceding quarter ended 30 September 2010 mainly due to higher sales in monthly services rental, sales of hardware and cards during the current quarter.

Loss before taxation of the Group for the current quarter under review is RM11.80 million as compared to loss before taxation of RM0.40 million in preceding quarter under review due to increased in operational costs as mentioned in Note B1 above.

B3. Next Year's Prospects

The Board of Directors of GHIL ("Board") takes cognizant of the current challenging market environment locally and overseas. Notwithstanding, the Board is of the view that barring any unforeseen circumstances, the Group is optimistic of achieving better performance for the coming year in view of the business expansion strategies in place.

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>31.12.10</u> RM	Preceding Year Corresponding Quarter <u>31.12.09</u> RM	Current Year To Date <u>31.12.10</u> RM	Preceding Year Corresponding Period <u>31.12.09</u> RM
Tax expenses	492,451	(521,568)	489,050	(522,982)

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) There was no purchase or disposal of quoted securities during the financial quarter under review
- b) The disposal of quoted securities during the financial year as follows:-

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

B8. Status of Corporate Proposals

There were no corporate proposals announced and not completed as at the date of this report.

B9. Group Borrowings and Debt Securities

The Group's borrowings and debt securities as at 31 December 2010 are as follows:-

(a) Bank Borrowings

	Total Secured Term Loan RM
Repayable within twelve months	182,518
Repayable more than twelve months	2,618,551
	2,801,069

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 30 June 2010 is 5.80% pa and revised to 6.30% pa as at July 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.

The Group does not have any foreign currency denominated bank borrowings as at 31 December 2010.

(b) Hire Purchase

	Total Hire Purchase RM
Repayable within twelve months	527,889
Repayable more than twelve months	43,721
	571,610

The hire purchase payables of the Group as at 31 December 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. Realised and Unrealised Profits/Losses

	Current Quarter As at 31.12.10 RM	Immediate Preceding Quarter As at 30.09.10 RM
Total retained earnings/(accumulated losses) of the Company and subsidiaries:-		
- Realised	(26,738,285)	1,874,026
- Unrealised	(671,063)	188,271
	(27,409,348)	2,062,297
Less: Consolidation adjustment	17,638,030	(524,725)
Total group retained	(9,771,318)	1,537,572

B11. 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.

B12. 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 is 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.

B13. Dividend Proposed

There was no dividend declared during the quarter under review.

B14. 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.

<u>Basic</u>		<u>Current Quarter 31.12.10</u>	<u>Preceding Year Correspondin g Quarter 31.12.09</u>	<u>Current Year To Date 31.12.10</u>	<u>Preceding Year Corresponding Period 31.12.09</u>
Net loss attributable to equity holders of the parent	(RM)	(11,308,891)	(1,484,726)	(14,176,347)	(6,977,824)
Weighted average number of ordinary shares in issue and issuable	(Unit)	151,994,089	145,442,164	187,501,663	145,247,027
Basic loss per share	(Sen)	(7.44)	(1.02)	(7.56)	(4.80)
<u>Diluted</u>		<u>Current Quarter 31.12.10</u>	<u>Preceding Year Corresponding Quarter 31.12.09</u>	<u>Current Year To Date 31.12.10</u>	<u>Preceding Year Corresponding Period 31.12.09</u>
Net loss attributable to equity holders of the parent	(RM)	(11,308,891)	(1,484,726)	(14,176,347)	(6,977,824)
*Weighted average number of ordinary shares in issue and issuable	(Unit)	151,994,089	145,442,164	187,501,663	145,247,027
Diluted loss per share	(Sen)	(7.44)	(1.02)	(7.56)	(4.80)

*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 loss per share is antidilutive.

B15. The Memorandum of Understanding pursuant to Paragraph 9.29 of Main Market Listing Requirements of Bursa Securities

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.