



**GHL SYSTEMS BERHAD**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010**  
**THE FIGURES HAVE NOT BEEN AUDITED**

	<u>Note</u>	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/06/2010	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2009	CURRENT YEAR TO DATE 30/06/2010	PRECEDING YEAR CORRESPONDING PERIOD 30/06/2009
		RM	RM	RM	RM
Revenue	A8	13,009,033	13,089,090	26,246,238	23,608,149
Cost of sales		(4,111,005)	(3,902,527)	(6,643,525)	(5,592,811)
<b>Gross profit</b>		<b>8,898,028</b>	<b>9,186,563</b>	<b>19,602,713</b>	<b>18,015,338</b>
Other income		288,792	6,563	749,585	522,958
Administration expenses		(10,412,488)	(10,600,561)	(20,166,534)	(21,960,711)
Distribution costs		(1,219,691)	(890,389)	(2,203,112)	(1,783,033)
Other expenses		(152,101)	(128,583)	(358,195)	(264,161)
Finance cost		(41,075)	(26,978)	(93,061)	(62,789)
<b>Loss before taxation</b>		<b>(2,638,535)</b>	<b>(2,453,385)</b>	<b>(2,468,604)</b>	<b>(5,532,398)</b>
Income tax expense		(3,401)	47,041	(3,401)	(41,195)
<b>Loss for the period</b>		<b>(2,641,936)</b>	<b>(2,406,344)</b>	<b>(2,472,005)</b>	<b>(5,573,593)</b>
<b>Attributable to:</b>					
Equity holders of the parent		(2,641,936)	(2,406,344)	(2,472,005)	(5,573,593)
Minority interest		-	-	-	-
		<b>(2,641,936)</b>	<b>(2,406,344)</b>	<b>(2,472,005)</b>	<b>(5,573,593)</b>
Weighted average number of ordinary shares in issue		147,678,350	144,968,352	146,560,257	145,205,258
Nominal value per share		RM 0.50	RM 0.50	RM 0.50	RM 0.50
Loss Per Ordinary Share					
- Basic (sen)	B13	(1.79)	(1.66)	(1.69)	(3.84)
- Diluted (sen)	B13	(1.79)	(1.66)	(1.69)	(3.84)

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



**GHL SYSTEMS BERHAD**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010**  
**THE FIGURES HAVE NOT BEEN AUDITED**

	Note	AS AT CURRENT YEAR QUARTER 30/06/2010 RM	AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2009 (Audited) RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		47,992,653	52,316,781
Prepaid lease payments		1,551,135	1,559,343
Goodwill on consolidation		1,913,105	1,913,105
		<u>51,456,893</u>	<u>55,789,229</u>
<b>Current assets</b>			
Inventories		7,276,620	6,319,727
Trade receivables		10,143,842	13,990,646
Other receivables		7,443,747	5,467,023
Tax recoverable		345,993	147,062
Fixed deposits placed with licensed banks		3,152,476	1,959,470
Cash and bank balances		9,185,658	12,773,273
		<u>37,548,336</u>	<u>40,657,201</u>
<b>TOTAL ASSETS</b>		<u>89,005,229</u>	<u>96,446,430</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		72,901,050	69,431,108
Reserves		779,676	7,160,485
Treasury Shares		(824)	(824)
<b>Total equity</b>		<u>73,679,902</u>	<u>76,590,769</u>
<b>Non-current liabilities</b>			
Hire purchase payables	B9	311,821	17,931
Bank borrowing	B9	2,663,600	2,880,770
Deferred taxation		503,559	503,559
		<u>3,478,980</u>	<u>3,402,260</u>
<b>Current liabilities</b>			
Trade payables		2,125,601	5,225,757
Other payables		8,945,264	11,033,537
Hire purchase payables	B9	512,917	17,544
Bank borrowings	B9	262,565	176,563
		<u>11,846,347</u>	<u>16,453,401</u>
<b>Total liabilities</b>		<u>15,325,327</u>	<u>19,855,661</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>89,005,229</u>	<u>96,446,430</u>
Number of ordinary shares		145,802,100	138,862,215
NA per share (sen)		50.53	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 CHANGES IN EQUITY**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 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	-	700,699	-	-	-	700,699
Treasury Shares	-	-	-	(207,851)	-	(207,851)
Net loss for the financial period	-	-	-	-	(5,573,593)	(5,573,593)
At 30 June 2009	<u>69,431,108</u>	<u>(556,294)</u>	<u>-</u>	<u>(212,318)</u>	<u>9,509,836</u>	<u>78,172,332</u>
At 1 January 2010	69,431,108	(749,850)	35,364	(824)	7,874,971	76,590,769
Foreign exchange differences, representing net loss not recognised in income statement	-	(438,862)	-	-	-	(438,862)
Bonus Issue	3,469,942				(3,469,942)	-
Net loss for the financial period	-	-	-	-	(2,472,005)	(2,472,005)
At 30 June 2010	<u>72,901,050</u>	<u>(1,188,712)</u>	<u>35,364</u>	<u>(824)</u>	<u>1,933,024</u>	<u>73,679,902</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**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010**  
**THE FIGURES HAVE NOT BEEN AUDITED**

	<b>CUMULATIVE QUARTER CURRENT YEAR QUARTER 30/06/2010 RM</b>	<b>PRECEDING YEAR CORRESPONDING QUARTER 30/06/2009 RM</b>
<b>Cash Flows From Operating Activities</b>		
Loss before taxation	(2,468,604)	(5,532,398)
Adjustment for:		
Bad debt written off	1,538,113	-
Depreciation of property, plant & equipment	4,886,652	6,164,672
(Gain)/Loss on disposal of property, plant & equipment	(206,224)	12,280
Interest income	(72,781)	(67,837)
Interest expenses	93,061	62,789
Unrealised gain on foreign exchange	(240,905)	-
Inventories recovery	(64,795)	-
Gain on disposal of other investment	(17,461)	-
Reversal of allowance for doubtful debts no longer required	(1,177,014)	-
Property, plant & equipments written back	(128)	-
Property, plant & equipments written off	-	22,943
Operating profit before working capital changes	2,269,914	662,449
 (Increase)/Decrease in working capital		
Inventories	(892,098)	(237,834)
Trade and other receivables	2,536,084	(8,051,960)
Trade and other payables	(5,188,429)	7,976,058
	(3,544,443)	(313,736)
 Cash (used in)/generated from operations	(1,274,529)	348,713
 Interest paid	(93,061)	(62,789)
Interest received	72,781	67,837
Tax (paid)/refund	(202,332)	198,443
Exchange fluctuation adjustment	(438,862)	700,699
	(661,474)	904,190
 Net cash (used in)/generated from operating activities	(1,936,003)	1,252,903
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(652,502)	(2,246,438)
Proceeds from disposal of property, plant & equipment	264,038	779,168
Proceeds from disposal of others investment	17,461	-
Purchase of Company's own shares	-	(207,851)
Net cash used in investing activities	(371,003)	(1,675,121)
<b>Cash Flows From Financing activities</b>		
Repayment of hire purchase payables	(210,737)	(40,074)
Repayment of borrowings	(131,168)	(589,970)
Decrease of fixed deposit pledge	3,519	289,751
Net cash used in financing activities	(338,386)	(340,292)
 <b>Net decrease in cash and cash equivalents</b>	(2,645,392)	(762,510)
<b>Cash and cash equivalents at beginning of financial period</b>	13,616,367	11,149,286
<b>Cash and cash equivalents at end of financial period</b>	<b>10,970,975</b>	<b>10,386,776</b>
 <b>Cash and cash equivalents at end of period comprises:</b>		
Cash and bank balances	9,185,658	6,731,473
Fixed deposits placed with licensed banks	3,152,476	4,724,718
	12,338,134	11,456,191
Less: Fixed deposits pledged to licensed banks	(1,367,159)	(1,069,416)
	<b>10,970,975</b>	<b>10,386,775</b>

(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**

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

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

Save as disclosed below, 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:-

On 2 June 2010, the Company had allotted 6,939,885 new ordinary shares of RM0.50 each in GHL to the shareholders of the Company pursuant to the bonus issue.

**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:-

<b>Geographical location</b>	<b>Current quarter 30 June 2010 (RM'000)</b>	<b>Preceding year corresponding quarter 30 June 2009 (RM'000)</b>
Malaysia	8,876,071	9,031,394
China	1,222,916	560,458
Philippines	916,602	1,245,979
Thailand	772,714	1,144,880
Indonesia	518,504	-
Singapore	286,166	26,455
Kenya	260,850	-
Vietnam	64,105	-
Hong Kong	62,525	825,990
Taiwan	22,986	-
Turkey	3,519	3,030
Zagreb	1,358	-
Croatia	717	-
Romania	-	164,861
New Zealand	-	41,921
Macau	-	24,975
Sri Lanka	-	14,707
Australia	-	4,440
<b>Total (RM)</b>	<b>13,009,033</b>	<b>13,089,090</b>

**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 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	<u>220,000</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 Quarter 30.06.2010</b>	<b>Current Year To Date 30.06.2010</b>
*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")	RM1,228,270	RM2,482,307

^ BSN is a substantial shareholder of BSNC Corporation Berhad ("BSNC") and BSNC is 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 second quarter ended 30 June 2010**

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

##### **B1. Review of Performance**

For the current quarter ended 30 June 2010, the Group recorded revenue of RM13.01 million, representing decline of approximately 0.6% in revenue as compared to RM13.09 million achieved in the preceding year's corresponding quarter ended 30 June 2009. The decrease was mainly attributed to lower sales from domestic market during the quarter under review.

Loss before taxation of the Group for the current quarter under review is RM2.64 million as compared to loss before taxation of RM2.45 million in proceeding year's corresponding quarter under review mainly due to higher distribution cost incurred.

For the six (6) months period ended 30 June 2010, the Group registered revenue of RM26.25 million, which is 11.18% higher than RM23.61 million in the previous corresponding period, mainly due to the higher sales in the local and overseas markets during the period. Correspondingly, the Group recorded narrower loss before taxation of RM2.47 million as compared to the loss before taxation of RM5.53 million recorded in the preceding year's corresponding period. Besides the increase in revenue, lower operational costs also led to more favourable result in the current period.

##### **B2. Comparison of Current Quarter Results with the Preceding Quarter**

	<b><u>Current Quarter</u> <u>ended 30 June 2010</u> RM'000</b>	<b><u>Preceding Quarter</u> <u>ended 31 March 2010</u> RM'000</b>
Revenue	13,009	13,237
(Loss)/ Profit Before Tax	(2,639)	170

For the current quarter under review, the Group's revenue decreased by approximately 1.74% to RM13.01 million, as compared to RM13.24 million reported in the preceding quarter ended 31 March 2010 mainly due to slower sales in monthly services rental, maintenance, merchant discount rate transaction and software during the current quarter.

Loss before taxation of the Group for the current quarter under review is RM2.64 million as compared to profit before taxation of RM0.17 million in preceding quarter under review due to higher administrative costs and operating expenses.

### **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**

	<b>Current Quarter <u>30.06.10</u> RM’000</b>	<b>Preceding Year Corresponding Quarter <u>30.06.09</u> RM’000</b>	<b>Current Year To Date <u>30.06.10</u> RM’000</b>	<b>Preceding Year Corresponding Period <u>30.06.09</u> RM’000</b>
Tax expenses for current year provision	(3)	47	(3)	41

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**

There was no purchase or disposal of quoted securities 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.

## **B9. Group Borrowings and Debt Securities**

The Group’s borrowings and debt securities as at the financial period ended 30 June 2010 are as follows:-

### **(a) Bank Borrowings**

	<b>Total Secured Term Loan RM</b>
Repayable within twelve months	262,565
Repayable more than twelve months	2,663,600
	<b>2,926,165</b>

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 30 June 2010.

### **(b) Hire Purchase**

	<b>Total Hire Purchase RM</b>
Repayable within twelve months	512,917
Repayable more than twelve months	311,821
	<b>824,738</b>

The hire purchase payables of the Group as at 30 June 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. 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 earnings/(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.

#### Basic

		<b>Current Quarter <u>30.06.10</u></b>	<b>Preceding Year Corresponding Quarter <u>30.06.10</u></b>	<b>Current Year To Date <u>30.06.10</u></b>	<b>Preceding Year Corresponding Period <u>30.06.10</u></b>
Net loss attributable to equity holders of the parent	(RM)	(2,641,936)	(2,406,344)	(2,472,005)	(5,573,593)
Weighted average number of ordinary shares in issue and issuable	(Unit)	147,678,350	144,968,352	146,560,257	145,205,258
Basic loss per share	(Sen)	(1.79)	(1.66)	(1.69)	(3.84)

#### Diluted

		<b>Current Quarter <u>30.06.10</u></b>	<b>Preceding Year Corresponding Quarter <u>30.06.10</u></b>	<b>Current Year To Date <u>30.06.10</u></b>	<b>Preceding Year Corresponding Period <u>30.06.10</u></b>
Net loss attributable to equity holders of the parent	(RM)	(2,641,936)	(2,406,344)	(2,472,005)	(5,573,593)
*Weighted average number of ordinary shares in issue and issuable	(Unit)	147,678,350	144,968,352	146,560,257	145,205,258
Diluted loss per share	(Sen)	(1.79)	(1.66)	(1.69)	(3.84)

\*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.

**B14. 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.