



GHL SYSTEMS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011
THE FIGURES HAVE NOT BEEN AUDITED

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/06/2011	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2010	CURRENT YEAR TO DATE 30/06/2011	PRECEDING YEAR CORRESPONDING PERIOD 30/06/2010
	Note	RM	RM	RM	RM
Revenue	A8	17,032,246	13,009,033	32,592,213	26,246,238
Cost of sales		<u>(5,749,348)</u>	<u>(4,111,005)</u>	<u>(9,719,126)</u>	<u>(6,643,525)</u>
Gross profit		11,282,898	8,898,028	22,873,087	19,602,713
Other income		242,805	288,792	428,121	749,585
Administration expenses		(10,243,617)	(10,412,488)	(20,381,210)	(20,166,534)
Distribution costs		(953,512)	(1,219,691)	(1,825,278)	(2,203,112)
Other expenses		(155,137)	(152,101)	(350,368)	(358,195)
Finance cost		<u>(43,283)</u>	<u>(41,075)</u>	<u>(88,401)</u>	<u>(93,061)</u>
Profit/(Loss) before taxation		130,154	(2,638,535)	655,951	(2,468,605)
Income tax expense		-	(3,401)	-	(3,401)
Profit/(Loss) for the period		<u>130,154</u>	<u>(2,641,936)</u>	<u>655,951</u>	<u>(2,472,005)</u>
Attributable to:					
Equity holders of the parent		<u>130,154</u>	<u>(2,641,936)</u>	<u>655,951</u>	<u>(2,472,005)</u>
		<u>130,154</u>	<u>(2,641,936)</u>	<u>655,951</u>	<u>(2,472,005)</u>
Weighted average number of ordinary shares in issue		142,280,297	147,678,350	142,280,297	146,560,257
Nominal value per share		RM 0.50	RM 0.50	RM 0.50	RM 0.50
Earnings/(Loss) Per Ordinary Share					
- Basic (sen)	B14	0.09	(1.79)	0.46	(1.69)
- Diluted (sen)	B14	0.09	(1.79)	0.46	(1.69)
Profit/(Loss) for the period		130,154	(2,641,936)	655,951	(2,472,005)
Other comprehensive income, net of tax					
Foreign currency translation differences		59,885	(438,862)	59,885	(438,862)
Total comprehensive income for the period		<u>190,039</u>	<u>(3,080,798)</u>	<u>715,836</u>	<u>(2,910,867)</u>
Total comprehensive income attributable to:					
Equity holders of the parent		<u>190,039</u>	<u>(3,080,798)</u>	<u>715,836</u>	<u>(2,910,867)</u>
		<u>190,039</u>	<u>(3,080,798)</u>	<u>715,836</u>	<u>(2,910,867)</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2010)



GHL SYSTEMS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011
THE FIGURES HAVE NOT BEEN AUDITED

	Note	AS AT CURRENT YEAR QUARTER 30/06/2011 RM	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2010 (Audited) RM
ASSETS			
Non-current assets			
Property, plant and equipment		38,969,192	45,153,939
Intangible Assets		168,082	-
Goodwill on consolidation		1,096,239	1,096,239
		<u>40,233,513</u>	<u>46,250,178</u>
Inventories		8,198,521	6,538,138
Trade receivables		14,934,452	13,173,391
Other receivables		2,916,229	5,773,194
Tax recoverable		64,295	129,077
Fixed deposits placed with licensed banks		3,391,465	2,121,037
Cash and bank balances		9,888,723	10,571,573
		<u>39,393,685</u>	<u>38,306,410</u>
TOTAL ASSETS		<u>79,627,198</u>	<u>84,556,588</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		72,901,050	72,901,050
Reserves		(10,052,082)	(10,767,918)
Treasury Shares		(638,221)	(638,221)
Total equity		<u>62,210,747</u>	<u>61,494,911</u>
Non-current liabilities			
Hire purchase payables	B9	92,436	43,721
Bank borrowings	B9	2,464,838	2,618,551
		<u>2,557,274</u>	<u>2,662,272</u>
Current liabilities			
Trade payables		3,091,241	5,246,194
Other payables		11,159,955	14,442,804
Hire purchase payables	B9	399,324	527,889
Bank borrowings	B9	208,657	182,518
		<u>14,859,177</u>	<u>20,399,405</u>
Total liabilities		<u>17,416,451</u>	<u>23,061,677</u>
TOTAL EQUITY AND LIABILITIES		<u>79,627,198</u>	<u>84,556,588</u>
Number of ordinary shares		145,802,100	145,802,100
NA per share (sen)		42.67	42.18

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with Audited Financial Statements for the financial year ended 31 December 2010)



GHL SYSTEMS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011
THE FIGURES HAVE NOT BEEN AUDITED

	CUMULATIVE QUARTER	
	CURRENT	PRECEDING YEAR
	YEAR	CORRESPONDING
	QUARTER	QUARTER
	30/06/2011	30/06/2010
	RM	RM
Cash Flows From Operating Activities		
Profit/(Loss) before taxation	655,951	(2,468,604)
<i>Adjustment for :-</i>		
Bad debts written off	-	1,538,113
Depreciation of property, plant and equipment	6,229,205	4,886,652
Loss/(Gain) on disposal of property, plant and equipment	223,636	(206,224)
Interest expenses	88,401	93,061
Interest income	(89,356)	(72,781)
Gain on disposal of other investments	-	(17,461)
Unrealised Gain on foreign exchange	(186,830)	(240,905)
Inventories recovery	(59,515)	(64,795)
Property, plant and equipment written off	(1,475)	(128)
Property, plant and equipment written back	(2,570)	-
Reversal of allowance for doubtful debts no longer required	(352,628)	(1,177,014)
Operating profit before working capital changes	6,504,819	2,269,914
<i>Decrease/(Increase) in working capital</i>		
Inventories	(1,600,868)	(892,098)
Trade and other receivables	1,635,362	2,536,084
Trade and other payables	(5,437,801)	(5,188,429)
	(5,403,307)	(3,544,443)
Cash generated from/(used in) operations	1,101,512	(1,274,529)
Interest paid	(88,401)	(93,061)
Interest received	89,356	72,781
Tax refund/(paid)	64,782	(202,332)
Exchange fluctuation adjustment	59,885	(438,862)
	125,622	(661,474)
Net cash generated from/(used in) operating activities	1,227,134	(1,936,003)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(508,587)	(652,502)
Proceeds from disposal of property, plant and equipment	76,455	264,038
Proceeds from disposal of other investments	-	17,461
Net cash used in investing activities	(432,132)	(371,003)
Cash Flows from Financing Activities		
Repayment of borrowings	(127,574)	(131,168)
Repayment of hire purchase liabilities	(79,850)	(210,737)
Decrease in fixed deposit pledged	547,783	3,519
Net cash generated from/(used in) financing activities	340,359	(338,386)
Net increase/(decrease) in cash and cash equivalents	1,135,361	(2,645,392)
Cash and cash equivalents at beginning of financial period	10,729,317	13,616,367
Cash and cash equivalents at end of financial period	11,864,678	10,970,975
Cash and cash equivalents at end of period comprises:		
Cash and bank balances	9,888,723	9,185,658
Fixed deposits with licensed banks	3,391,465	3,152,476
	13,280,188	12,338,134
Less: Fixed deposits pledged to licensed banks	(1,415,510)	(1,367,159)
	11,864,678	10,970,975

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with Audited Financial Statements for the year ended 31 December 2010)



GH SYSTEMS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011
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
At 1 January 2010	69,431,108	(749,850)	35,364	(824)	7,874,971	76,590,769
Bonus Issue	3,469,942	-	-	-	(3,469,942)	-
Total loss for the financial period	-	(438,862)	-	-	(2,472,005)	(2,910,867)
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>
At 1 January 2011	72,901,050	(1,255,024)	257,915	(638,221)	(9,770,809)	61,494,911
Total comprehensive income for the financial period	-	59,885	-	-	655,951	715,836
At 30 June 2011	<u>72,901,050</u>	<u>(1,195,139)</u>	<u>257,915</u>	<u>(638,221)</u>	<u>(9,114,858)</u>	<u>62,210,747</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 2010)



GHL SYSTEMS BERHAD

(Company No: 293040-D)

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

A. EXPLANATORY NOTES AS PER FRS 134

A1. Basis of Preparation

The quarterly financial report has been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards (“FRS”) 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The quarterly financial statements should be read in conjunction with the latest audited financial statements of GHL Systems Berhad (“GHL” or “Company”) and its subsidiaries (“Group”) for the financial year ended 31 December 2010.

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

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

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

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

Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives

The revised FRS are either not applicable to the Group and to the Company or the adoptions did not result in significant changes in accounting policies of the Company and did not have significant impact on the Company.

There is no early adoption by the Group and the Company on the following new FRSs, revised FRSs, Issues Committee (“IC”) Interpretations, amendments to FRSs and IC Interpretations, which have been issued as at the date of authorisation of these financial statements and will be effective for the financial periods as stated below:

		<u>Effective date for financial periods beginning on or after</u>
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

A2. Audit Report

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2010 was not subject to any audit qualification.

A3. Seasonal or Cyclical Factors

The business of the Group is not affected by any significant seasonal or cyclical factors.

A4. Unusual Items

During the current quarter under review, there were no items or events that arose and affected the assets, liabilities, equity, net income or cash flows of the Group, to the effect that is of unusual nature, size or incidence.

A5. Change in estimates

There were no changes in the estimates of amounts reported in the previous quarter that have a material effect on the results of the Group for the current quarter under review.

A6. Changes in Debts and Equity Securities

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

A7. Dividend Paid

There were no dividends paid during the quarter under review.

A8. Segmental Reporting

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

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

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

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

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

Cumulative Quarter 30 June	Malaysia		Singapore		Hong Kong		Philippines		Thailand		China		Adjustment and elimination		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE																
External sales	21,294	18,250	-	-	-	-	4,886	2,197	2,625	2,453	3,787	3,346	-	-	32,592	26,246
Inter-segment sales	8,815	7,576	-	-	-	-	-	-	509	-	-	2	(9,324)	(7,578)	-	-
Total revenue	30,109	25,826	-	-	-	-	4,886	2,197	3,134	2,453	3,787	3,348	(9,324)	(7,578)	32,592	26,246
RESULTS																
Segment results	(8,088)	(8,665)	(4)	(15)	(6)	(3)	220	(479)	(505)	(447)	(267)	(342)	9,305	7,502	655	(2,449)
Interest income	69	53	-	-	-	-	12	17	1	-	-	-	-	-	89	73
Interest expense	(85)	(90)	-	-	-	-	(3)	(3)	-	-	-	-	-	-	(88)	(93)
Profit/(Loss) before taxation															656	(2,469)
Taxation															-	(3)
Net Profit/(loss) for the financial period															656	(2,472)
Assets:																
Additions to non-current assets	411	585	-	-	-	-	98	29	-	39	-	-	-	-	509	653
Segment assets	54,392	65,411	27	31	-	22	10,906	4,964	6,126	5,891	7,080	10,773	1,096	1,913	79,627	89,005
Segment liabilities	12,334	10,965	21	5	-	-	1,194	355	1,932	379	2,869	3,761	(934)	(140)	17,416	15,325
OTHER INFORMATION																
Bad debts written off	-	1,538	-	-	-	-	-	-	-	-	-	-	-	-	-	1,538
Depreciation of property, plant and equipment	4,755	3,609	-	-	-	-	426	336	463	480	585	462	-	-	6,229	4,887
Loss/(Gain) on disposal of property, plant and equipment	226	(193)	-	-	-	-	-	-	-	(13)	(2)	-	-	-	224	(206)
Gain on disposal of other investments	-	(17)	-	-	-	-	-	-	-	-	-	-	-	-	-	(17)
Unrealised Loss/(Gain) on foreign exchange	(108)	(157)	-	-	1	-	(31)	49	(32)	(51)	(1)	-	(16)	(82)	(187)	(241)
Inventories recovery	(60)	(65)	-	-	-	-	-	36	-	-	-	-	-	-	(60)	(65)
Property, plant and equipment written back	(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3)	-
Property, plant and equipment written off	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	-
Reversal of allowance for doubtful debts no longer required	(353)	(1,177)	-	-	-	-	-	-	-	-	-	-	-	-	(353)	(1,177)

A9. Valuation of Property, Plant and Equipment

The Company did not have any major adjustments on revaluation of its property, plant and equipment during the current quarter under review.

A10. Material Events Subsequent to 30 June 2011

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

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial quarter under review.

A12. Contingent Liabilities

Save as disclosed below, the Group does not have any contingent liabilities as at the date of this report:-

(a) Banker's guarantee in favour of third parties	RM
- Secured	<u>238,000</u>

A13. Capital commitment

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

A14. Significant related party transactions

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

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

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

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



GHL SYSTEMS BERHAD

(Company No. 293040-D)

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

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

B1. Review of Performance

For the current quarter ended 30 June 2011, the Group recorded revenue of RM17.03 million, representing an increase of approximately 30.90% as compared to RM13.01 million achieved in the preceding year's corresponding quarter ended 30 June 2010. The increase was mainly attributable to the higher sales in the local and overseas markets during the current quarter under review. The profit before taxation of RM0.13 million of the Group for the current quarter under review is an improvement from the loss before taxation of RM2.64 million in the preceding year's corresponding quarter ended 30 June 2010. The increase in revenue and profit before taxation are mainly attributed to higher sales in monthly service rental, maintenance, sales of hardware, software and cards in local and overseas markets during the quarter under review as compared to preceding year corresponding quarter.

For the six (6) months period ended 30 June 2011, the Group registered revenue of RM32.59 million, which is 24.15% higher than RM26.25 million achieved in the previous corresponding period, mainly due to the higher sales in the local and overseas markets during the period. Correspondingly, the Group recorded profit before taxation of RM0.66 million as compared to the loss before taxation of RM2.47 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

	<u>Current Quarter</u> <u>ended 30 June 2011</u> RM'000	<u>Preceding Quarter</u> <u>ended 31 March 2011</u> RM'000
Revenue	17,032	15,560
Profit Before Tax	130	526

For the current quarter under review, the Group's revenue increased by approximately 9.46% to RM17.03 million, as compared to RM15.56 million reported in the preceding quarter ended 31 March 2011 mainly due to higher sales in monthly service rental, hardware and software during the current quarter. However, the Group reported profit before taxation of RM0.13 million as compared to profit before taxation of RM0.53 million in the preceding quarter. The lower profit before taxation was due to sales mix composition with lower margin in the current quarter as compared to preceding quarter.

B3. Current Year's Prospects

The Board of Directors of GHL (“Board”) is cognizant of the current challenging environment locally and overseas. Therefore, the Board is undertaking a comprehensive review of its overall business operations with a view to enhance its business model and bring the Group towards better performance in the future.

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>30.06.11</u> RM	Preceding Year Corresponding Quarter <u>30.06.10</u> RM	Current Year To Date <u>30.06.11</u> RM	Preceding Year Corresponding Period <u>30.06.10</u> RM
Tax expenses	-	3,401	-	3,401

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

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 30 June 2011 are as follows:-

(a) Bank Borrowings

	Total Secured Term Loan RM
Repayable within twelve months	208,657
Repayable more than twelve months	2,464,838
	2,673,495

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 13 May 2011 is 6.60% pa.

The Group’s banking facilities are secured by the pledging of fixed deposits to the financial institution and pledging of the aforementioned three (3) units of the 4½ storey shop offices.

The portion of the bank borrowings due within one (1) year is classified as current liabilities.

The Group does not have any foreign currency denominated bank borrowings as at 30 June 2011.

(b) **Hire Purchase**

	Total Hire Purchase RM
Repayable within twelve months	399,324
Repayable more than twelve months	92,436
	491,760

The hire purchase payables of the Group as at 30 June 2011 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 30.06.11 RM	Immediate Preceding Quarter As at 31.03.11 RM
Total accumulated losses of the Company and subsidiaries:-		
- Realised	(27,544,914)	(27,574,931)
- Unrealised	(429,780)	(529,917)
	(27,974,694)	(28,104,848)
Less: Consolidation adjustment	18,859,836	18,859,836
Total group retained	(9,114,858)	(9,245,012)

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.

- (b) Payment Processing Corporation ("PPC") had entered into a Memorandum of Agreement ("MOA") with GHLSYS Philippines, Inc. ("GHLP") wherein the former sold and transferred to the latter its merchant acquiring business and the management of its merchant portfolio, the purchase price of which is to be paid in 48 equal monthly installments every 15th of the month through a revenue-sharing scheme. PPC claims that payments are delayed, there were unauthorized deductions such as withholding tax and value added tax and there was unreported revenue which caused it to lose substantial income.

A Writ of Summons (“Summons”) dated 25 April 2011 filed by PPC was served to the GHLP’s office address at the 16th Floor, BA Lepanto Condominium, 8747 Paseo de Roxas Avenue, Makati City on 10 May 2011.

PPC prays for the compliance with the MOA as indicated in (i) to (vii) below and the payment of the amount as indicated in (viii) to (x) below:

- (i) pay PPC the correct amount of share in the revenues (within 15 days of the following month of the transaction) based on the formula under the MOA;
- (ii) refund to PPC the withholding tax of Peso 602,860.81 (equivalent to approximately RM42,045 based on the exchange rate dated 12 May 2011 of Peso 100 : RM6.9742);
- (iii) include manual transactions of merchants belonging to the Merchant Portfolio in computing for PPC’s share in the Revenues;
- (iv) provide PPC with the correct accounting of revenues derived from the Merchant Portfolio;
- (v) stop making unauthorised deductions from PPC share in revenues such as withholding taxes, value added taxes and other tax penalties;
- (vi) pay PPC the stipulated late payment of PPC share in revenue as of 3 March 2011 of Peso 86,577.85 (equivalent to approximately RM6,038);
- (vii) pay PPC the stipulated overdue interest from unreported share in revenues at the rate of 12% from due date of payment;
- (viii) to pay PPC additional exemplary damages of Peso 500,000.00 (equivalent to approximately RM34,871);
- (ix) to pay PPC’s attorney’s fees of Peso 250,000.00 (equivalent to approximately RM17,436); and
- (x) to pay PPC’s litigation expenses of Peso 100,000.00 (equivalent to approximately RM6,974).

GHLP is given fifteen (15) days within which to file its Answer to the Complaint wherein defenses will be raised. In the Answer, counter claims may also be filed if it is proven that PPC filed this case merely to harass.

On 2 June 2011, GHLP, through its Philippines Counsel, Fortun Narvasa and Salazar Law Offices, filed an Omnibus Motion, asking the Court to issue an Order:

- a. Requiring PPC to file with the Court and to furnish GHLP copies of page 7 of Annex C-1 and page 3 of Annex E-1 of the Complaint; and
- b. Ordering PPC to file or submit a bill of particulars or a more definite statement of its claim.

On 8 June 2011, the Omnibus Motion was heard and PPC was given fifteen (15) days within which to answer said pleading. While PPC addressed the first item requested in its Comment, it opposed the motion for bill of particulars.

To date, the Court has yet to rule on GHLP' Omnibus Motion. Should the Court grant the motion, PPC has ten (10) days from notice to prepare a more definitive complaint. After the service of the bill of particulars or a more definitive pleading, or after notice of denial of the motion, GHLP has six (6) days within which to file its Answer, the period to which it is entitled to file such at the time of filing of the motion. The Answer is being finalized sans the details requested from PPC.

The Board is of the view that the GHLP have a good defence against such claims made by PPC and GHLP will vigorously defend its position.

(c) GHL (Thailand) Co. Ltd. ("GHLT or "Plaintiff") had served on Global Icare Corporation Co. Ltd. ("Global or "Defendant"), a Statement of Claim and Writ of Summons on 22 May 2011 to claim the following:-

- (i) The Defendant shall pay the amount of 16,824,394.41 Baht (equivalent to approximately RM1,670,780 based on the exchange rate dated 1 June 2011 of Baht 100 : RM9.9307) and the interest calculated from the date of filling onward at 15% from principal amount of 16,367,469.24 Baht (equivalent to approximately RM1,625,404) per year, until the Defendant complete the payment requested by the Plaintiff; and
- (ii) The Defendant shall be responsible for all the court fees and attorney fees.

There is no representative at court on behalf of Global on the Assize of the Southern Bangkok Civil Court on 4 July 2011. Therefore, the judge decided to postpone court hearing date to 19 August 2011 at 9.00 am. Meanwhile representatives of both GHLT and Global will continue to meet to attempt to resolve the matters amicably until the forth coming hearing.

B13. Dividend Proposed

There was no dividend declared during the quarter under review.

B14. Earnings Per Share

a) Basic earnings per share

The basic earnings per share is calculated by dividing the net profit 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 per share

For the purpose of calculating diluted earnings per share, the net profit 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>30.06.11</u>	Preceding Year Corresponding Quarter <u>30.06.10</u>	Current Year To Date <u>30.06.11</u>	Preceding Year Corresponding Period <u>30.06.10</u>
Net profit attributable to equity holders of the parent (RM)		130,154	(2,641,936)	655,951	(2,472,005)
Weighted average number of ordinary shares in issue and issuable (Unit)		142,280,297	147,678,350	142,280,297	146,560,257
Basic earnings per share (Sen)		0.09	(1.79)	0.46	(1.69)

Diluted

		Current Quarter <u>30.06.11</u>	Preceding Year Corresponding Quarter <u>30.06.10</u>	Current Year To Date <u>30.06.11</u>	Preceding Year Corresponding Period <u>30.06.10</u>
Net profit attributable to equity holders of the parent (RM)		130,154	(2,641,936)	655,951	(2,472,005)
*Weighted average number of ordinary shares in issue and issuable (Unit)		142,280,297	147,678,350	142,280,297	146,560,257
Diluted earnings per share (Sen)		0.09	(1.79)	0.46	(1.69)

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