

# 2003 annual report





**Cover Rationale:**

Conceptualized and built by highly experienced professionals and consultants, OpenSys' world-class IT solutions empower our customers with an *unfair advantage* over their competition.

- 1 Notice of Annual General Meeting
- 3 Corporate Information
- 4 Audit Committee
- 6 Profile of Directors
- 8 CEO's Statement
- 9 Statement of Corporate Governance

***Financial Statements***

- 12 Directors' Report
- 15 Statement by Directors
- 15 Statutory Declaration
- 16 Report of the Auditors
- 17 Income Statement
- 18 Balance Sheet
- 19 Statement of Changes in Equity
- 20 Cash Flow Statement
- 21 Notes to the Financial Statements
- 35 Analysis of Shareholdings
- Form of Proxy



## NOTICE OF ANNUAL GENERAL MEETING

OPENSYS (M) BERHAD (369818-W)

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of the Company will be held at **Melati Room, Level 2, The Coronade Hotel Kuala Lumpur, Jalan Walter Grenier, 55100 Kuala Lumpur** on **Friday, 14<sup>th</sup> May 2004** at **3:00pm**, for the following purpose:-

### **AGENDA AS ORDINARY BUSINESS**

1. To receive and adopt the Audited Financial Statements for the financial year ended 31<sup>st</sup> December 2003 and the Reports of the Directors and the Auditors thereon. **(RESOLUTION 1)**
2. To re-elect the following Director retiring in accordance with Article 98 of the Company's Articles of Association:  
  
i) Azlan Bin Abdullah **(RESOLUTION 2)**
3. To re-elect the following Directors retiring in accordance with Article 105 of the Company's Articles of Association:  
  
i) James Henry Stewart **(RESOLUTION 3)**  
ii) Lee Swee Seng **(RESOLUTION 4)**
4. To re-appoint Messrs Ler Lum & Co as Auditors and to authorise the Board of Directors to fix their remuneration. **(RESOLUTION 5)**

### **AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolution:-

5. **ORDINARY RESOLUTION  
AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**  
  
"That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being excluding the number of ordinary shares arising from the exercise of Employees' Share Option Scheme (ESOS), and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."  
  
**(RESOLUTION 6)**
6. To transact any other business which may properly be transacted at an Annual General Meeting for which due notice shall have been given.

By Order of the Board

**HARCHARAN SINGH A/L SARJA SINGH (MIA 8874)**  
**LIM SECK WAH (MAICSA 0799845)**  
Company Secretaries

Dated this: 21<sup>st</sup> April 2004  
Kuala Lumpur

**Notes:-**

1. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.*
2. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.*
3. *Where a member appoints more than one (1) proxy to attend at the same meeting, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*
4. *If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorized.*
5. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 11-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
6. *Explanatory notes on Special Business*
  - 6.1 *The Ordinary Resolution proposed in Agenda 5, if passed will give the Directors of the Company the flexibility to issue and allot new shares in the Company up to an amount not exceeding in total 10% of the issued share capital not limiting to new shares arising from the exercise of ESOS of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.*

- **Board of Directors** Tan Kee Chung (*Executive Director and Chief Executive Officer*)  
Chee Hong Soon (*Executive Director*)  
Tune Hee Hian (*Executive Director*)  
Azlan Bin Abdullah (*Non-Independent Non-Executive Director*)  
James Henry Stewart (*Independent Non-Executive Director*)  
Lee Swee Seng (*Independent Non-Executive Director*)
- **Company Secretaries** Lim Seck Wah (*MA/CSA-0799845*)  
Harcharan Singh AVL Sarja Singh (*MIA 8874*)
- **Audit Committee** James Henry Stewart (*Independent Non-Executive Director*)  
Lee Swee Seng (*Independent Non-Executive Director*)  
Chee Hong Soon (*Executive Director*)
- **Registered Office** Level 11-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur  
Tel: 03-2692 4271 Fax: 03-2732 5388
- **Business Office** Level 23, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre  
50088 Kuala Lumpur  
Tel: 03-7490 1288 Fax: 03-7490 1282
- **Registrar** Mega Corporate Services Sdn Bhd (*187984-H*)  
Level 11-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur  
Tel: 03-2692 4271 Fax: 03-2732 5388
- **Auditors** Ler Lum & Co (*AF 0276*)  
2<sup>nd</sup> & 3<sup>rd</sup> Floor, Bangunan Yeoh, 35 & 37 Jalan Kamunting  
50300 Kuala Lumpur  
Tel: 03-2691 5737 Fax: 03-2691 3227
- **Principal Bankers** Malayan Banking Berhad (*3813-K*)  
Jalan P. Ramlee Business Centre  
Ground Floor, MUI Plaza, Jalan P. Ramlee, 50250 Kuala Lumpur  
Tel: 03-2142 6985 Fax: 03-2144 4197  
  
Bumiputra Commerce Bank Berhad (*13491-P*)  
Business Centre KL 1 – Wisma Bandar  
7<sup>th</sup> Floor, Wisma Bandar, 18 Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur  
Tel: 03-2697 9700 Fax: 03-2697 5088
- **Sponsors** Commerce International Merchant Bankers Berhad (*18417-M*)  
7<sup>th</sup> Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights  
50490 Kuala Lumpur  
Tel: 03-2084 8888 Fax: 03-2093 5689
- **Stock Exchange Listing** Malaysia Securities Exchange Berhad  
MESDAQ Market

The principle objective of the Audit Committee is to assist the Board in discharging certain of its statutory duties and responsibilities in relation to financial, accounting and reporting practices and to ensure proper disclosure to the shareholders of the Company.

## **COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE**

The Audit Committee comprises of the following members:-

1. James Stewart Henry (*Chairman*) – Independent Non-Executive Director
2. Lee Swee Seng – Independent Non-Executive Director
3. Chee Hong Soon – Executive Director

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

### ***MEMBERSHIP***

The Audit Committee shall be appointed by the Board of Directors from among their number and shall be composed of not fewer than 3 members of whom majority shall be Independent Non-Executive Director.

The members of the Audit Committee shall elect a chairman from among their member who is not an executive director or employees of the Company or any related corporation. The Chairman elected shall be subjected to endorsement by the Board.

If a member of the Audit Committee resigns, dies or for any reason ceases to be a member with the results that the number is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

### ***MEETINGS***

Meetings shall be held at least 3 times a year or a frequency to be decided by the Committee. The Committee may require the external auditors and any official of the Company to attend any of its meetings as it determined. The external auditors may request a meeting if they consider one is necessary. The quorum for each meeting shall be at least 2 members. At least once a year, the Committee shall meet with the external auditors. The Company Secretary may be the Secretary of the Committee.

The Committee was formed pursuant to a resolution passed by the Board of Directors on 27<sup>th</sup> November 2003 and there was no Audit Committee meeting held in year 2003 for the Company was listed with Malaysia Securities Exchange Bhd MESDAQ Market on 29<sup>th</sup> January 2004.



### ***AUTHORITY***

The Audit Committee is authorized to investigate any activity of the Company within its terms of reference and all employees shall be directed to co-operate with any request made by the committee. The Committee shall be empowered to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibilities.

### ***DUTIES AND RESPONSIBILITIES***

The duties and responsibilities of the Audit Committee shall be:-

- to consider the appointment of the external auditors, the audit fees and any question of resignation or dismissal;
- to oversee all matters pertaining to audit including the review of the audit plan and report;
- to discuss problems and reservations arising from the interim and final results, and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- to keep under review the effectiveness of internal control systems, and in particular review the external auditors management letter and management's response; and
- to consider other matters, act upon the Board of Directors' request to investigate and report on any issues or concerns in regard to management of the Company, as defined.

**TAN KEE CHUNG,**

was appointed as Executive Director of OpenSys on 7<sup>th</sup> December 1995. He is a co-founder and the Chief Executive Officer of OpenSys. He is responsible for the management of the business operations of the Company, business development and strategic planning. He obtained his Bachelor of Science degree in Computer Science from the University of Brighton, United Kingdom in 1982 and he was also a Johor State Government Scholar. He has about 21 years experience, mainly in management, sales and marketing, in the IT industry. Prior to co-founding OpenSys, he was the Marketing Director of AT&T GIS from January 1993 to December 1995, General Systems Division Manager in NCR from January 1991 to December 1992, Financial Systems District Manager in NCR from January 1990 to December 1990, Major Accounts Manager in Digital Equipment Corporation from 1986 to 1989 and Major Accounts Sales Specialist in Rank Xerox Ltd, United Kingdom from 1982 to 1985. He was also a member of the AT&T GIS Leadership Advisory Council from 1993 to 1995.

**CHEE HONG SOON,**

was appointed as Executive Director of OpenSys on 7<sup>th</sup> December 1995. He is a co-founder and the Chief Technology Officer of OpenSys. He primarily oversees the product development operations of the Company. He obtained his Bachelor of Science degree in Physics from Universiti Malaya in 1983. He has 20 years experience in transaction switching systems implementation, software application, database design, system migration and disaster recovery. Prior to co-founding OpenSys, he worked as a regional Enterprise Systems Consultant in AT&T GIS from 1990 to 1995 and Senior Systems Engineer in NCR from 1983 to 1989.

**TUNE HEE HIAN,**

was appointed as Executive Director of OpenSys on 9<sup>th</sup> January 1996. As a Technical Director of OpenSys, he is primarily responsible for providing advice on software development of Web-enabled multi-channel delivery systems and project management. He holds a Bachelor of Science degree in Education and a Postgraduate Diploma in Computer Science from Universiti Malaya in 1984. He also holds a Master's Certificate in Project Management from George Washington University, Washington DC, USA which he obtained in 1995. He is also a Certified Project Management Professional of the PMI and has 18 years of experience in software development, project management and implementation of online client server financial systems. Prior to co-founding OpenSys, he worked as a Group Manager for Financial Systems in AT&T GIS from 1995 to 1996, as a Technical Consultant in NCR from 1992 to 1995, Systems Engineer in NCR from 1988 to 1991 and Instructor in Customer Education in NCR from 1984 to 1987.

**AZLAN BIN ABDULLAH,**

was appointed as Non-Independent Non-Executive Director of OpenSys on 24<sup>th</sup> July 2000. He obtained a Bachelor of Science degree in Business Administration from Trinity University, Texas, USA in 1980. He also holds a Master's in Business Administration degree from Morehead State University, Kentucky, USA in 1983. His work experience include working in Citibank N.A from 1983 to 1987, where he worked in the World Corporate Group, a division within the Corporate Banking Group, in United Asian Bank from 1987 to 1994 where he was responsible for starting and heading the Treasury Marketing Unit and in Citibank from 1994 to 1995 where he was the Vice President and Head of the Public Sector Unit. He is currently the Executive Director of Melewar Industrial Group Berhad (formerly known as Maruichi Malaysia Steel Tube Berhad) and a Director of Malaysia General Investment Berhad and Bandar Raya Developments Bhd.

**LEE SWEE SENG,**

was appointed as Independent Non-Executive Director of OpenSys on 6<sup>th</sup> November 2003. He was called to the Malaysian Bar of Council in 1985 and has been in active law practice since then. He is the co-founder and is currently the managing partner of Messrs Lee Swee Seng, Advocates & Solicitors in Kuala Lumpur. He obtained his Bachelor of Law (LLB Hons) and Masters in Law (LL.M) from the University of Malaya. He also holds a Certificate in E-Commerce and Law, Corporate Governance and Directors' Duties from Bond University in Australia and a Masters of Business Administration (MBA) from Southern Cross University in Australia. He is also a Certified National Trainer of Junior Chamber International, a past National President of Junior Chamber Malaysia in 1999 and a Committee Member of the Malaysian Institute of Arbitrators and an associate member of the Malaysian Institute of Management. In addition, he is a Certified Mediator of the Malaysian Mediation Centre, a Trademark and Industrial Design Agent, a member of the Malaysian Institute of Corporate Governance and a certified trainer for the Corporate Director Training Programme conducted by the Companies Commission of Malaysia and speaks for RIIAM under the CEP Programme for directors of public listed companies.

**JAMES HENRY STEWART,**

was appointed as Independent Non-Executive Director of OpenSys on 6<sup>th</sup> November 2003. He has more than thirty years of experience in the IT industry. His management expertise includes sales and marketing, human resource planning, financial management and customer relations. He was the Managing Director of NCR Corporation for South East Asia and responsible for the overall objectives of NCR Corporation's subsidiaries in Thailand, Malaysia, Singapore, Philippines, Indonesia and Sri Lanka from 1995 to 1997. He was the Country Manager for NCR Malaysia from 1989 to 1996, Vice President Computer Systems Division for NCR Canada Ltd from 1986 to 1988 and Vice President, Product Development and Marketing for NCR Canada Ltd from 1984 to 1985. Prior to that, he occupied various management positions with NCR Canada Ltd from 1968 to 1984.

Despite the challenges faced by the Company for the greater part of the first half of Year 2003 due to travel restrictions arising from the Severe Acute Respiratory Syndrome ("SARS") outbreak and the Middle-East conflict, we made a strong recovery in the fourth quarter by posting a profit-after-tax of RM2.052 million on the back of RM8.733 million in revenue. The improvement was mainly due to the robust sale of our non-cash efficient service machines (ESMs) to several major banks and a major telecommunication company in Malaysia.

For the financial year ending 31<sup>st</sup> December 2003, the Company registered a total revenue of RM22.706 million with net profit-after-tax of RM1.012 million.

Recognizing the importance of owning its own proprietary products, the Company continues to invest heavily into research and development (R&D) of solutions for large service organizations. Our R&D effort, which was started about four years' ago, has paid handsome dividends. Today, our customer base in Malaysia comprised five local banks, two foreign banks, four insurance companies and one telecommunication company. On the regional front, one of the foreign banks has deployed our solutions in Singapore, Hong Kong and Brunei.

We are focused on developing solutions that will provide *unfair advantage* to our valued customers. Gone are the days when companies spent money on Information Technology (IT) merely for the sake of information technology. IT expenditure these days has to be accountable i.e. it has to improve the companies' top line, middle line and bottom line. At the same time, it has to provide a delightful customer experience so that the customers will come back for more.

Moving forward, we see many opportunities to repeat our successful Malaysian business model to other countries in ASEAN, Greater China Area, India/Sri Lanka, Middle East and Australasia. We have either appointed, or about to appoint, strategic business partners in these countries to assist us to sell and support our products. We expect some banks and telecommunication companies in some countries to start customer trials of our products soon.

Besides pursuing growth, we are also looking at ways to reduce operational cost to maximize shareholders value. For instance, commencing 1<sup>st</sup> May 2004, we are moving our office from Kuala Lumpur City Centre to Menara Axis in Petaling Jaya resulting in rental savings of approximately RM450,000 per year.

On behalf of the Board of Directors, I wish to take this opportunity to thank our investors, customers, suppliers, management and staff for your continued support of OpenSys.

**Tan Kee Chung**  
*Chief Executive Officer*

The Board of Directors appreciates the importance of adopting high standards of corporate governance as means for sustaining the Company's long term growth and increasing shareholders' value. The Company is currently moving towards compliance with the Principles and adoption of most of the Best Practices as recommended by the Malaysian Code of Corporate Governance ("The Code").

## **PRINCIPLES STATEMENT**

The following statement sets out how the Company has applied the Principles in Part 1 of the Code:-

### **A. BOARD OF DIRECTORS**

#### ***Composition***

As the date of this statement, the Board consists of six (6) members comprising of the following:-

- One (1) Chief Executive Officer
- Two (2) Executive Directors
- One (1) Non-Executive Director
- Two (2) Independent Non-Executive Directors

The Board is led by the Chief Executive Officer, Mr. Tan Kee Chung. The current Board composition complies with the Listing Requirements of the Malaysia Securities Exchange Berhad for MESDAQ market.

#### ***Duties and Responsibilities***

The Company acknowledges the importance of having an effective Board to lead and control the Company. The Board is ultimately responsible for the stewardship of the Company's strategic direction and development. The Board's responsibilities include reviewing and adopting the Company's goals, objectives and strategic plans set by the management, monitoring the achievement of the goals and objectives, reviewing the performance and identifying the Company's principal risks. The Board comprises of professionals from various background is capable of bringing in-depth and diverse experience, expertise and perspectives to the Company's business operations. The Board's profiles are set out in this Annual Report on pages 6 and 7.

#### ***Meetings***

There was no Board Meeting held during the financial year ended 31<sup>st</sup> December 2003 for the Company was listed with the Malaysia Securities Exchange Bhd MESDAQ Market on 29<sup>th</sup> January 2004.

#### ***Re-election***

Pursuant to the Company's Articles of Association, one-third (1/3) of the Directors, except the Managing Director/Chief Executive Officer, shall retire from office, at least once in three (3) years. Retiring directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by shareholders at the next Annual General Meeting held following their appointment. Directors over seventy (70) years of age are subject for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

For the forthcoming Annual General Meeting, En. Azlan Bin Abdullah who will retire by rotation pursuant to Article 98. Mr. James Stewart Henry and Mr. Lee Swee Seng who will retire in accordance to Article 105. All of them being eligible, offer themselves for re-election.

## **B. DIRECTORS' REMUNERATION**

The annual remuneration of the directors, as at 31<sup>st</sup> December 2003, in bands of RM50,000 is tabulated below:-

Remuneration Band	Executive Directors	Non-Executive Directors
RM150,001 – RM200,000	1	–
RM200,001 – RM250,000	1	–
RM250,001 – RM300,000	1	–

## **C. SHAREHOLDERS**

The Company acknowledges the importance of communicating with its shareholders and does this through the Annual Reports and the Annual General Meetings. Other relevant information is disseminated via circulars to shareholders, quarterly financial results and various announcements made from time to time. All shareholders, including private investors, have an opportunity to participate in discussions with the Board on matters relating to the Company's operations and performance at the Company's Annual General Meeting (AGM). The Board will try to respond to the shareholders questions during the AGM and in the event an immediate answer is not possible, the Chair of the Board will arrange for a written answer to be given to the shareholder at a later date. Alternatively, shareholders may obtain the Company's latest announcements and information via the Malaysia Securities Exchange Berhad website [www.klse.com.my](http://www.klse.com.my).

## **D. ACCOUNTABILITY AND AUDIT**

### ***Financial Reporting***

The Board aims to provide a balanced and understandable assessment of the Company's financial performance, financial position and prospects through the annual financial statements, Chairman's statements and announcement of quarterly results. In the preparation of the financial statements, the directors have:

- Adopted suitable accounting policies and applied them consistently;
- Made judgments and estimates that are prudent and reasonable;
- Ensured applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements; and
- Prepared the financial statements on an ongoing basis.

### ***Internal Control***

The Board has overall responsibility for maintaining a system of internal controls, which provides reasonable assessments of effective and efficient operations, internal controls and compliance with laws and regulations.

### ***External Audit***

The Company's independent external auditors hold an essential role for the shareholders by enhancing the reliability of the Company's financial statements and providing assurance of that reliability to users of these financial statements. The external auditors have an obligation to bring any significant defects in the Company's system of control and compliance to the attention of the Management; and if necessary, to the Audit Committee and the Board.

## **E. DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS**

The Directors are required to prepare the financial statements for each financial year, which gives a true and fair view of the state of affairs, the results and cash flow of the Company for the financial year ended.

The Directors are responsible for ensuring that the Company keeps accounting records with reasonable accuracy at any time the financial position of the Company. It is also the duty and responsibility of the Directors to ensure that the financial statements are complied with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

The directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31<sup>st</sup> December 2003.

#### PRINCIPAL ACTIVITIES

The principal activities of the Company are:-

- (a) to provide solutions to the financial services industry in the areas of self-service machines and universal delivery systems and IT services such as systems integration, project management, software development, support services and training;
- (b) investment holdings; and
- (c) to develop, assemble, manufacture, sell, import, export, let out, hire, lease, finance, install, alter, maintain, service, repair or otherwise deal in all kinds of computers, self-service machines, software application solutions and provision of related services.

There have been no significant changes in the nature of these activities during the financial year.

#### FINANCIAL RESULTS

	<b>RM</b>
Net profit for the year	1,011,988
Unappropriated profits brought forward	
– as previously reported	5,266,519
– bonus issue during the year	(5,256,514)
	10,005
Unappropriated profits carried forward	1,021,993

#### DIVIDENDS

No dividends have been paid or declared by the Company in respect of the current financial year.

#### RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

#### SHARE CAPITAL

##### Issue of shares

During the financial year, a bonus issue of 86,533,350 new ordinary shares of RM0.10 each were issued by the Company on the basis of approximately 1.05 shares for every one share held.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the company.



## DIRECTORS

The directors who served on the Board of the Company since the date of the last report are:-

Tan Kee Chung	
Chee Hong Soon	
Haw Wan Chong	(Resigned on 1.7.2003)
Tune Hee Hian	
Azlan Bin Abdullah	
See Chin Lam	(Resigned on 22.4.2003)
Lee Swee Seng	(Appointed on 6.11.2003)
James Henry Stewart	(Appointed on 6.11.2003)

In accordance with the Company's Articles of Association, Encik Azlan Bin Abdullah, Mr. Lee Swee Seng and Mr. James Henry Stewart retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' INTERESTS

The directors holding office at the end of the financial year and their interests in the share capital of the Company during the financial year were as follows :-

	Ordinary Shares Of RM0.10 Each			Balance at 31.12.2003
	Balance at 1.1.2003	Acquired	Disposed	
Tan Kee Chung	26,796,410	20,948,673	(6,880,653)	40,864,430
Chee Hong Soon	4,645,270	3,631,540	(1,192,790)	7,084,020
Tune Hee Hian	3,002,750	2,347,464	(771,032)	4,579,182
Azlan Bin Abdullah	11,802,970	12,415,123	–	24,218,093

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors as shown in the financial statements of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the notes to the financial statements.

## INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Company were made out, the directors took reasonable steps:-

- to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts have been written off and that adequate allowance has been made for doubtful debts; and
- to ensure that any current assets which were unlikely to realise their values as shown in the accounting records of the Company in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:-

- which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company to meet its obligations as and when they fall due.

#### **OTHER STATUTORY INFORMATION**

The directors state that:-

At the date of this report, they are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In their opinion,

- (a) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

#### **AUDITORS**

The auditors, Messrs. Ler Lum & Co., Chartered Accountants, have expressed their willingness to continue in office.

On behalf of the Board,

**Tan Kee Chung**

**Chee Hong Soon**

Dated: 5<sup>th</sup> April 2004  
Kuala Lumpur

## **STATEMENT BY DIRECTORS**

OPENSYS (M) BERHAD (369818-W)

We, TAN KEE CHUNG and CHEE HONG SOON, being two of the directors of OPENSYS (M) BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> December, 2003 and of the results of the operations and cash flows for the year ended on that date.

On behalf of the Board,

**Tan Kee Chung**

**Chee Hong Soon**

Dated: 5<sup>th</sup> April 2004  
Kuala Lumpur

## **STATUTORY DECLARATION**

OPENSYS (M) BERHAD (369818-W)

I, TAN KEE CHUNG, being the director primarily responsible for the financial management of OPENSYS (M) BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**Tan Kee Chung**

Subscribed and solemnly declared  
at Kuala Lumpur on 5<sup>th</sup> April 2004.

Before me:

**Ralph Kinny Fernandez**

Commissioner for Oaths  
No. W164

**REPORT OF THE AUDITORS**  
TO THE MEMBERS OF OPENSYS (M) BERHAD (INCORPORATED IN MALAYSIA)

We have audited the financial statements set out on pages 17 to 34. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of:-
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Company as at 31<sup>st</sup> December, 2003 and of the results of the operations and cash flows for the year ended on that date;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

**LER LUM & CO.**  
(Firm Number: AF 0276)  
Chartered Accountants

Dated: 5<sup>th</sup> April 2004  
Kuala Lumpur

**LUM TUCK CHEONG**  
1005/3/05(J/PH)  
Partner of the Firm

**INCOME STATEMENT** for the year ended 31<sup>st</sup> December 2003  
OPENSYS (M) BERHAD (369818-W)

	<b>Note</b>	<b>2003 RM</b>	<b>2002 RM</b>
REVENUE	4	<b>22,706,054</b>	21,988,578
COST OF SALES		<b>(16,970,313)</b>	(15,793,318)
GROSS PROFIT		<b>5,735,741</b>	6,195,260
OTHER OPERATING INCOME		<b>131,089</b>	111,329
ADMINISTRATION EXPENSES		<b>(2,024,129)</b>	(2,293,131)
OTHER OPERATING EXPENSES		<b>(2,380,126)</b>	(2,331,517)
<b>PROFIT FROM OPERATIONS</b>	5	<b>1,462,575</b>	1,681,941
FINANCE COSTS	7	<b>(415,787)</b>	(335,040)
<b>PROFIT BEFORE TAXATION</b>		<b>1,046,788</b>	1,346,901
TAXATION	8	<b>(34,800)</b>	(76,205)
<b>NET PROFIT FOR THE YEAR</b>		<b>1,011,988</b>	1,270,696
<b>Earnings per RM0.10 share</b>			
Basic (Sen)	9	<b>0.60</b>	0.75

*The notes set out on pages 21 to 34 form an integral part of these financial statements.*

	Note	2003 RM	2002 RM
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>	10	<b>2,895,352</b>	2,013,092
<b>DEVELOPMENT EXPENDITURE</b>	11	<b>9,888,687</b>	6,987,732
<b>CURRENT ASSETS</b>			
Inventories	12	<b>2,082,943</b>	937,566
Trade debtors	13	<b>20,029,202</b>	19,914,723
Other debtors, deposits & prepayments	14	<b>4,341,290</b>	768,920
Fixed deposits	23	<b>3,613,908</b>	3,482,818
Cash & bank balances	23	<b>235,083</b>	150,788
		<b>30,302,426</b>	25,254,815
LESS:			
<b>CURRENT LIABILITIES</b>			
Trade creditors	15	<b>13,675,656</b>	8,206,868
Other creditors & accruals	16	<b>2,078,496</b>	3,044,905
Hire purchase creditor	17	<b>55,756</b>	73,031
Amount due to director	18	<b>100,000</b>	2,650,000
Bankers acceptance	19	<b>2,057,000</b>	1,225,000
Bank overdrafts	19	<b>1,983,579</b>	2,007,888
Term loan	20	<b>4,505,184</b>	–
Provision for taxation		<b>1,786</b>	1,786
		<b>24,457,457</b>	17,209,478
<b>NET CURRENT ASSETS</b>		<b>5,844,969</b>	8,045,337
		<b>18,629,008</b>	17,046,161
<b>FINANCED BY:-</b>			
SHARE CAPITAL	21	<b>16,880,000</b>	8,226,665
SHARE PREMIUM	22	–	3,396,821
UNAPPROPRIATED PROFITS		<b>1,021,993</b>	5,266,519
<b>SHAREHOLDERS' FUNDS</b>		<b>17,901,993</b>	16,890,005
<b>LONG TERM LIABILITIES</b>			
Hire purchase creditor	17	<b>35,686</b>	156,156
Term loan	20	<b>691,329</b>	–
		<b>18,629,008</b>	17,046,161

The notes set out on pages 21 to 34 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY** for the year ended 31<sup>st</sup> December 2003  
OPENSYS (M) BERHAD (369818-W)

	<b>Share capital RM</b>	<b>Share premium RM</b>	<b>Unappropriated profits RM</b>	<b>Total RM</b>
Balance at 1 <sup>st</sup> January, 2002	8,226,665	3,396,821	3,995,823	15,619,309
Net profit for the year	—	—	1,270,696	1,270,696
Balance at 31 <sup>st</sup> December, 2002	8,226,665	3,396,821	5,266,519	16,890,005
Issue of share capital — bonus issue	8,653,335	(3,396,821)	(5,256,514)	—
Net profit for the year	—	—	1,011,988	1,011,988
Balance at 31 <sup>st</sup> December, 2003	<u>16,880,000</u>	<u>—</u>	<u>1,021,993</u>	<u>17,901,993</u>

*The notes set out on pages 21 to 34 form an integral part of these financial statements.*

	Note	2003 RM	2002 RM
<b>Cash flows from operating activities</b>			
Profit before taxation		<b>1,046,788</b>	1,346,901
Adjustments for:-			
Depreciation		<b>313,728</b>	401,353
Development expenditure		<b>1,815,566</b>	1,407,109
Interest expenses		<b>415,787</b>	335,040
Loss/(Gain) on disposal of property, plant & equipment		<b>4,907</b>	(3,335)
Property, plant & equipment written off		<b>—</b>	1
Interest income		<b>(131,089)</b>	(107,994)
Operating profit before working capital changes		<b>3,465,687</b>	3,379,075
Increase in inventories		<b>(1,145,377)</b>	(309,534)
Increase in debtors		<b>(3,673,139)</b>	(8,438,368)
Increase in creditors		<b>4,502,378</b>	3,662,330
Net changes in director's account		<b>(2,550,000)</b>	2,150,000
Cash generated from operations		<b>599,549</b>	443,503
Interest paid		<b>(415,787)</b>	(313,813)
Interest received		<b>117,380</b>	128,120
Tax paid		<b>(34,800)</b>	(82,189)
Net cash from operating activities		<b>266,342</b>	175,621
<b>Cash flows from investing activities</b>			
Development expenditure paid		<b>(4,288,301)</b>	(4,002,259)
Purchase of property, plant & equipment		<b>(1,731,174)</b>	(280,328)
Proceeds from disposal of property, plant & equipment		<b>102,059</b>	7,058
Net cash used in investing activities		<b>(5,917,416)</b>	(4,275,529)
<b>Cash flows from financing activities</b>			
Loan from a creditor		<b>—</b>	1,000,000
Placement of bankers acceptance		<b>2,057,000</b>	1,632,370
Proceeds from term loan		<b>6,933,800</b>	—
Release/(Placement) of fixed deposits under lien		<b>117,171</b>	(107,994)
Repayment of bankers acceptance		<b>(1,225,000)</b>	(407,370)
Repayment of term loan		<b>(1,737,287)</b>	—
Repayment of hire purchase creditors		<b>(137,745)</b>	(70,263)
Net cash from financing activities		<b>6,007,939</b>	2,046,743
Net changes in cash and cash equivalents		<b>356,865</b>	(2,053,165)
Cash and cash equivalents brought forward		<b>(1,857,100)</b>	196,065
Cash and cash equivalents carried forward	23	<b>(1,500,235)</b>	(1,857,100)

The notes set out on pages 21 to 34 form an integral part of these financial statements.



## **1. GENERAL INFORMATION**

The principal activities of the Company are:-

- (a) to provide solutions to the financial services industry in the areas of self-service machines and universal delivery systems and IT services such as systems integration, project management, software development, support services and training;
- (b) investment holdings; and
- (c) to develop, assemble, manufacture, sell, import, export, let out, hire, lease, finance, install, alter, maintain, service, repair or otherwise deal in all kinds of computers, self-service machines, software application solutions and provision of related services.

The Company is a limited liability company, incorporated and domiciled in Malaysia. On 29<sup>th</sup> January 2004, the Company was listed on the Malaysian Exchange of Securities Dealing & Automated Quotation Berhad ("MESDAQ") of Malaysia Securities Exchange Berhad ("MSEB").

The total number of employees of the company at financial year end was 100 (2002: 100).

The address of the registered office of the Company is as follows:-

Level 11-2, Faber Imperial Court  
 Jalan Sultan Ismail  
 50250 Kuala Lumpur

The address of the principal place of business of the Company is as follows:-

Level 23, Tower 2  
 Petronas Twin Tower  
 Kuala Lumpur City Centre  
 50088 Kuala Lumpur

## **2. FINANCIAL RISK MANAGEMENT AND OBJECTIVES**

The Company's operations are subject to a variety of financial risks, including credit risk, foreign currency risk, interest rate risk, market risk, liquidity and cash flow risk.

The Company's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. It is not the Company's policy to engage in speculative transactions.

### **(a) Credit risk**

The Company is exposed to credit risk mainly from receivables. The Company extends credit to its customers based upon established credit evaluation and monitoring guidelines.

The maximum credit risks associated with recognised financial assets is the carrying amount shown in the balance sheet.

### **(b) Foreign currency risk**

The Company is exposed to currency risk as a result of foreign currency transactions other than Ringgit Malaysia. However, the effect of the foreign currency risk is not significant as the majority of the Company's transactions, assets and liabilities are denominated in Ringgit Malaysia.

### **(c) Interest rate risk**

The Company's income and operating cash flows are substantially independent of changes in market rates. Interest rate exposure arises from the Company's borrowings and is managed through the use of floating rate debt.

**(d) Market risk**

The Company manages its exposure to fluctuation in prices of key products purchased used in its operations through floating price levels that the Company consider acceptable and enter into agreements with suppliers in order to establish determinable prices of key products used.

**(e) Liquidity and cash flow risk**

The Company practices prudent liquidity risk management policies and maintains sufficient levels of cash and credit facilities for working capital and contingent funding requirements.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of accounting**

The financial statements of the Company have been prepared under the historical cost convention (unless stated otherwise in the significant accounting policies below) and comply with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia.

The preparation of financial statements in conformity with the applicable approved Accounting Standards in Malaysia and the provisions of the Companies Act requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

**(b) Property, plant & equipment**

Property, plant & equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on the straight line basis at rates required to write off the cost of the property, plant & equipment over their estimated useful lives.

The principal annual rates used are as follows:-

Computers	33.33%
Furniture & fittings	20%
Motor vehicles	16%
Renovations	10 – 20%
Signboard	10%
Telecommunication & office equipment	20%

**(c) Impairment of assets**

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the Income Statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the Income Statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the Income Statement, a reversal of that impairment loss is recognised as income in the Income Statement.

**(d) Research and development expenditure**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed to the Income Statement as and when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete the development. The expenditure capitalised includes the cost of direct labour and an appropriate proportion of overheads. Other development expenditure is expensed to the Income Statement as and when incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses. The capitalised development expenditure is amortised over a period of 5 years on a straight line basis.

**(e) Inventories**

Inventories are stated at the lower of cost and net realisable value. Inventories cost is determined on the first-in, first-out method.

Cost of inventories comprises the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

**(f) Trade and other creditors**

Creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

**(g) Bad and doubtful debts**

Known bad debts are written off and doubtful debts are provided for based on estimates of possible losses which may arise from non-collection of certain debtor accounts.

**(h) Borrowings**

Interest-bearing borrowings are recognised based on the proceeds received, net of transactions costs incurred.

**(i) Hire purchase creditors**

Assets acquired through hire purchase which in substance transfers the risks and benefits of ownership are capitalised at the value equivalent to the principal sum of the total hire purchase payables. The interest element of hire purchase is charged to the Income Statement over the period of the respective agreements.

**(j) Operating leases**

Operating lease payments are recognised as an expense in the Income Statement by applying a straight line basis to reflect a more representative of the time pattern of the Company's benefit over the lease period.

**(k) Financial instruments**

**(i) Description**

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

**(ii) Financial instruments recognised on the balance sheet**

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy statements associated with each item.

**(iii) Fair value estimation for disclosure purposes**

In assessing the fair value of derivatives and financial instruments, the Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long term debt. Other techniques, such as estimated discounted value of future cash flows is used to determine fair value for the remaining financial instruments. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

**(l) Foreign currency transactions**

Foreign currency transactions in Company is accounted for at exchange rates prevailing at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the Income Statements.

The exchange rates (Ringgit Malaysia per unit of foreign currency used) ruling at balance sheet date are as follows:-

	<b>2003 RM</b>	<b>2002 RM</b>
1 Singapore Dollar	<b>2.20</b>	—
1 US Dollar	<b>3.79</b>	3.80
1 Euro Dollar	<b>4.29</b>	4.11

**(m) Revenue recognition**

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. The specific recognition criteria for revenue are as follows:-

**(i) Sale of goods**

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyers.

**(ii) Services rendered**

Revenue is recognised when services are rendered.

**(iii) Licensing software**

Revenue is recognised when the use of software is granted to the buyers.

**(iv) Interest income**

Revenue is recognised as the interest income accrues, taking into account the effective yield on the asset.

**(n) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

**(o) Retirement benefits**

The Company has no pension plans other than the mandatory contributions to the Employees Provident Fund.

**(p) Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, balances and deposits with financial institutions and highly liquid investments which have an insignificant risk of changes in value.

**4. REVENUE**

	<b>2003 RM</b>	<b>2002 RM</b>
Efficient service machine	<b>19,187,336</b>	13,864,365
Software licence	<b>1,331,074</b>	2,443,300
Services rendered	<b>2,187,644</b>	5,680,913
	<b><u>22,706,054</u></b>	<b><u>21,988,578</u></b>

**5. PROFIT FROM OPERATIONS**

	<b>2003 RM</b>	<b>2002 RM</b>
Profit from operations is stated after charging/(crediting):-		
Directors' remuneration		
– emoluments	<b>786,906</b>	764,197
– benefits-in-kind	–	26,950
Auditors' remuneration		
– statutory	<b>12,000</b>	12,000
– others	<b>6,300</b>	–
Depreciation	<b>313,728</b>	401,353
Development expenditure	<b>1,815,566</b>	1,407,109
Lease rentals	<b>89,383</b>	61,650
Loss/(Gain) on disposal of property, plant & equipment	<b>4,907</b>	(3,335)
Property, plant & equipment written off	–	1
Realised loss on foreign exchange	<b>3,780</b>	1,660
Rental of premises	<b>436,894</b>	492,549
Staff costs (excluding directors' remuneration)	<b>3,214,896</b>	4,633,679
Fixed deposit interest	<b>(131,089)</b>	(107,994)

Included in the cost of sales are as follows:-

Bankers acceptance/Letter of credit interest	<b>180,299</b>	120,060
Cost of inventories	<b><u>13,468,439</u></b>	<b><u>9,565,740</u></b>

## 6. DIRECTORS' REMUNERATION

The aggregate remuneration of directors of the Company categorised into appropriate components as at 31<sup>st</sup> December, 2003 is as follows:-

	<b>Fees RM</b>	<b>Salaries RM</b>	<b>Bonus RM</b>	<b>Others RM</b>	<b>Total RM</b>
Executive directors	–	623,754	–	163,152	786,906

The number of directors of the Company whose total remuneration fell within the following bands for the financial year ended 31<sup>st</sup> December, 2003 is as follows:-

<b>Range of remuneration</b>	<b>No. of Directors Executive</b>
Below RM100,000	–
RM100,001 – RM150,000	1
RM150,001 – RM200,000	1
RM200,001 – RM250,000	1
RM250,001 – RM300,000	1

## 7. FINANCE COSTS

	<b>2003 RM</b>	<b>2002 RM</b>
Bank overdraft interest	148,146	148,107
Hire purchase interest	12,860	25,954
Loan interest	240,377	133,810
Others	14,404	27,169
	<b>415,787</b>	<b>335,040</b>

## 8. TAXATION

	<b>2003 RM</b>	<b>2002 RM</b>
<b>Malaysian income tax</b>		
Tax charged for the current year	34,800	31,900
Under-provision in prior years	–	44,305
	<b>34,800</b>	<b>76,205</b>

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:-

	<b>2003 RM</b>	<b>2002 RM</b>
Profit before taxation	<b>1,046,788</b>	1,346,901
Income tax using Malaysian tax rate	<b>293,101</b>	377,132
Pioneer exempt income	<b>(258,301)</b>	(345,232)
Under-provision in prior years	—	44,305
	<b>34,800</b>	76,205

The provision for taxation is in respect of interest income. The business income of the Company is non-taxable as it is a company with MSC status.

The Company has obtained a provisional pioneer status under the Promotion of Investment Act, 1986 on income arising from the pioneer business activities. The pioneer exempt income as at 31<sup>st</sup> December, 2003 is estimated at RM14,153,000 (2002: RM10,463,000) which is subject to agreement by the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of all (2002: RM1,355,000) its distributable reserves as at 31<sup>st</sup> December, 2003. This is, however, subject to confirmation by the Inland Revenue Board.

The Company has tax exempt income of RM51,000 (2002: RM50,000) under Section 12 of the Income Tax (Amendment) Act, 1999.

## 9. EARNINGS PER RM0.10 SHARE (EPS)

	<b>2003 RM</b>	<b>2002 RM</b>
Basic EPS		
Net profit for the year/Net profit attributable to ordinary shareholders	<b>1,011,988</b>	1,270,696
Weighted average number of shares in issue for basic EPS	<b>168,800,000</b>	168,800,000
Basic EPS (sen)	<b>0.60</b>	0.75

## 10. PROPERTY, PLANT & EQUIPMENT

	Balance at 1.1.2003 RM	Cost Additions RM	Disposals RM	Balance at 31.12.2003 RM
Computers	1,917,313	201,937	(7,737)	2,111,513
Furniture & fittings	548,097	–	–	548,097
Motor vehicles	745,552	–	(160,964)	584,588
Renovations	497,962	–	–	497,962
Signboard	6,440	–	–	6,440
Telecommunication & office equipment	751,612	1,529,237	–	2,280,849
	<b>4,466,976</b>	<b>1,731,174</b>	<b>(168,701)</b>	<b>6,029,449</b>

	Balance at 1.1.2003 RM	Accumulated Depreciation Charge for the year RM	Disposals RM	Balance at 31.12.2003 RM
Computers	1,498,096	319,088	(3,789)	1,813,395
Furniture & fittings	267,452	97,834	–	365,286
Motor vehicles	332,388	98,207	(57,946)	372,649
Renovations	129,009	50,859	–	179,868
Signboard	1,687	668	–	2,355
Telecommunication & office equipment	225,252	175,292	–	400,544
	<b>2,453,884</b>	<b>741,948</b>	<b>(61,735)</b>	<b>3,134,097</b>

	Net Book Value		Depreciation for the year ended
	at 31.12.2003 RM	at 31.12.2002 RM	31.12.2002 RM
Computers	298,118	419,217	447,296
Furniture & fittings	182,811	280,645	96,556
Motor vehicles	211,939	413,164	119,288
Renovations	318,094	368,953	50,815
Signboard	4,085	4,753	643
Telecommunication & office equipment	1,880,305	526,360	107,450
	<b>2,895,352</b>	<b>2,013,092</b>	<b>822,048</b>

Motor vehicle with net book value of RM179,082 (2002: RM347,451) has been acquired under hire purchase instalment plan.



## 11. DEVELOPMENT EXPENDITURE

This is mainly in respect of expenditure incurred for the development and design of Touch ESMs and software development.

	2003 RM	2002 RM
At beginning of the year	6,987,732	3,971,887
Capitalised during the year	4,716,521	4,422,954
Less: Charged to Income Statement	(1,815,566)	(1,407,109)
At end of the year	<b>9,888,687</b>	<b>6,987,732</b>
Cost	15,745,486	11,028,965
Less: Accumulated amortisation	(5,856,799)	(4,041,233)
Net book value	<b>9,888,687</b>	<b>6,987,732</b>
Included in the development expenditure are current charge of :-		
Depreciation	428,220	420,695
Directors' emoluments	283,391	306,999
Staff costs (excluding directors' emoluments)	3,513,746	3,193,638
Rental of premises	494,035	501,622

## 12. INVENTORIES – at cost

	2003 RM	2002 RM
Assembly components	1,552,245	805,654
Finished goods	530,698	131,912
	<b>2,082,943</b>	<b>937,566</b>

## 13. TRADE DEBTORS

	2003 RM	2002 RM
The currency exposure profile of trade debtors is as follows:-		
– Ringgit Malaysia	17,796,949	12,916,606
– US Dollar	2,232,253	6,998,117
	<b>20,029,202</b>	<b>19,914,723</b>

Credit term of trade debtors ranged from 14 to 90 days.

The Company's historical experience in collection of account receivables falls within the recorded allowances.

## 14. OTHER DEBTORS, DEPOSITS & PREPAYMENTS

	2003 RM	2002 RM
Other debtors	337,594	321,799
Deposits	322,480	321,712
Prepayments	3,681,216	125,409
	<b>4,341,290</b>	<b>768,920</b>

## 15. TRADE CREDITORS

	2003 RM	2002 RM
The currency exposure profile of trade creditors is as follows:-		
– Ringgit Malaysia	13,568,053	8,206,868
– Singapore Dollar	13,157	–
– US Dollar	94,446	–
	<b>13,675,656</b>	<b>8,206,868</b>

Credit terms of trade creditors granted to the Company vary from 30 to 45 days.

## 16. OTHER CREDITORS & ACCRUALS

	2003 RM	2002 RM
Other creditors	243,690	1,041,951
Accruals	1,834,806	2,002,954
	<b>2,078,496</b>	<b>3,044,905</b>

In financial year 2002, included in other creditors was a loan amounting to RM1,000,000 from a creditor which bears interest of 10% per annum and has been settled in the year 2003.

## 17. HIRE PURCHASE CREDITOR

	2003 RM	2002 RM
Minimum lease payments:-		
Repayable within one year	61,872	61,872
Repayable after one year and up to two years	36,087	61,872
Repayable after two year and up to five years	–	136,236
Less: Interest in suspense	(6,517)	(30,793)
	<b>91,442</b>	<b>229,187</b>
Present value of hire purchase creditor		
Present value of hire purchase creditor:-		
Repayable within one year	55,756	73,031
Repayable after one year and up to two years	35,686	50,694
Repayable after two years and up to five years	–	105,462
	<b>91,442</b>	<b>229,187</b>

The weighted average effective interest rate of hire purchase creditor at the end of the financial year is 5.25%.

## 18. AMOUNT DUE TO DIRECTOR

The amount due to director pertains to advances received (2002: RM2,300,000) which is interest free, unsecured and has no fixed term of repayment.

## 19. BANKERS ACCEPTANCE AND BANK OVERDRAFTS

The bankers acceptance and bank overdrafts are secured by:-

- (i) fixed deposits of RM3,365,647 (2002: RM3,482,818); and
- (ii) joint and several guarantees by certain directors of the Company.

The interest charges on the bankers acceptance and bank overdrafts during the year ranged between 4.5% to 6.8% (2002: 4.6% to 7.25%) per annum.

## 20. TERM LOAN

	2003 RM	2002 RM
Minimum lease payments:-		
Repayable within one year	4,800,000	—
Repayable after one year and up to two years	700,000	—
Less: Interest in suspense	(303,487)	—
	<b>5,196,513</b>	<b>—</b>
Present value of term loan		
Present value of term loan:-		
Repayable within one year	4,505,184	—
Repayable after one year and up to two years	691,329	—
	<b>5,196,513</b>	<b>—</b>

The average effective interest rate of term loan at the end of the financial year is 6.3%.

The term loan is secured by:-

- (a) assignment of all contract proceeds arising from the two Distributor Agreements;
- (b) a joint and several guarantee by certain of the Company's directors;
- (c) assignment of all intellectual property rights of the Company under the Project; and
- (d) a fixed and floating debenture charge over all the present and future assets and undertakings of the Company.

## 21. SHARE CAPITAL

	2003 RM	2002 RM
Authorised:-		
– 500,000,000 (2002: 250,000,000) ordinary shares of RM0.10 each	<b>50,000,000</b>	25,000,000
Issued and fully paid:-		
At beginning of the year		
– 82,266,650 (2002: 82,266,650) ordinary shares of RM0.10 each	<b>8,226,665</b>	8,226,665
Bonus issue 1.05 : 1		
– 86,533,350 (2002: Nil) ordinary shares of RM0.10 each	<b>8,653,335</b>	—
At end of the year		
– 168,800,000 (2002: 82,266,650) ordinary shares of RM0.10 each	<b>16,880,000</b>	8,226,665

## 22. SHARE PREMIUM

	2003 RM	2002 RM
As at beginning of the year	3,396,821	3,396,821
Premium arising from:- Capitalised for Bonus Issue	(3,396,821)	–
As at end of the year	<u>–</u>	<u>3,396,821</u>

## 23. CASH & CASH EQUIVALENTS

	2003 RM	2002 RM
Fixed deposits	3,613,908	3,482,818
Cash & bank balances	235,083	150,788
Bank overdrafts (Note 19)	(1,983,579)	(2,007,888)
	<u>1,865,412</u>	<u>1,625,718</u>
Less: Fixed deposits under lien	(3,365,647)	(3,482,818)
	<u>(1,500,235)</u>	<u>(1,857,100)</u>

The weighted average interest rate of deposits effective as at balance sheet date was 3.4% (2002: 3.2%) per annum.

Deposits of the Company have maturity of 365 days (2002: 365 days). Bank balances are deposits held at call with banks.

## 24. COMMITMENT

	2003 RM	2002 RM
Lease commitments:- Computer – contracted but not provided for in the financial statements	<u>733,010</u>	<u>774,000</u>

## 25. RELATED PARTY TRANSACTIONS

(a) Transactions with a company in which certain directors have financial interests are as follows:-

	2003 RM	2002 RM
Fees receivable for secondment of employees	<u>–</u>	<u>3,959</u>

(b) Transactions with a director are as follows:-

	2003 RM	2002 RM
Interest payable	–	15,748
Rental of apartment	<u>18,000</u>	<u>18,000</u>

The directors are of the opinion that the above transactions have been carried out on arm's length basis.

## 26. CHANGE OF NAME

The Company changed its name from OpenSys (M) Sdn Bhd to OpenSys (M) Berhad with effect from 9<sup>th</sup> May, 2003.

## 27. SIGNIFICANT EVENT DURING THE YEAR

On 21<sup>st</sup> November 2003, the Securities Commission and Malaysian Exchange of Securities Dealing and Automated Quotation Berhad (MESDAQ) respectively have approved the listing exercise of the Company on the MESDAQ.

## 28. SEGMENT INFORMATION

No segmental information by activities is prepared as the Company's activities are predominantly in one industry segment. The segmental information by geographical segments are set out as follows:-

	Malaysia		Other countries		Consolidated	
	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM
Revenue	<b>22,110,149</b>	10,741,849	<b>595,905</b>	11,246,729	<b>22,706,054</b>	21,988,578
Segment results	<b>1,296,542</b>	195,771	<b>34,944</b>	1,378,176	<b>1,331,486</b>	1,573,947
Finance costs					<b>(415,787)</b>	(335,040)
Interest income					<b>131,089</b>	107,994
Profit before taxation					<b>1,046,788</b>	1,346,901
Taxation					<b>(34,800)</b>	(76,205)
Net profit for the year					<b>1,011,988</b>	1,270,696
Other information:-						
Segment assets	<b>17,796,949</b>	12,916,606	<b>2,232,253</b>	6,998,117	<b>20,029,202</b>	19,914,723
Unallocated assets					<b>23,057,263</b>	14,340,916
Total assets					<b>43,086,465</b>	34,255,639
Segment liabilities	<b>13,316,748</b>	4,009,215	<b>358,908</b>	4,197,653	<b>13,675,656</b>	8,206,868
Unallocated liabilities					<b>11,508,816</b>	9,158,766
Total liabilities					<b>25,184,472</b>	17,365,634
Capital expenditure	<b>6,278,480</b>	4,559,900	<b>169,215</b>	143,382	<b>6,447,695</b>	4,703,282
Depreciation and amortisation	<b>2,490,394</b>	1,808,695	<b>67,120</b>	420,462	<b>2,557,514</b>	2,229,157

**29. EVENTS AFTER BALANCE SHEET DATE**

- (a) On 20<sup>th</sup> January 2004, in conjunction with the Listing of the Company on the MESDAQ market of Malaysia Securities Exchange Berhad ("MSEB"), the Company issued 53,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.24 per new ordinary share by way of private placement issue to the Malaysian public and identified investors.

In relation to the Public Issue of 53,000,000 ordinary shares of RM0.10 each at an issue price of RM0.24 per ordinary share, the Company has increased its issued and paid-up share capital from RM16,880,000 to RM22,180,000.

- (b) On 29<sup>th</sup> January 2004, the Company was officially listed on the MESDAQ market of MSEB.

**30. FINANCIAL INSTRUMENTS**

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date approximate their fair value.

**31. COMPARATIVE FIGURE**

Certain comparative figures have been reclassified to conform with the current year's presentation.

**32. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

The financial statements have been authorised for issue by the Board of Directors in accordance with the Directors' Resolution dated 5<sup>th</sup> April 2004.

Authorised Capital	RM50,000,000
Issue and Fully Paid-up Capital	RM22,180,000
Class of Shares	Ordinary shares of RM0.10 each fully paid
Voting Rights	One Vote per RM0.10 share

#### ANALYSIS BY SIZE OF SHAREHOLDING

Category	No. of Shareholders		Number of Shares		%	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100 Shares	1	0	50	0	0.00	0.00
100 to 999 Shares	187	0	96,700	0	0.04	0.00
1,000 to 4,999 Shares	944	1	2,289,350	2,000	1.03	0.00
5,000 to 10,000 Shares	1,687	11	12,529,200	92,000	5.65	0.04
10,001 to 100,000 Shares	1,021	14	32,916,600	614,000	14.84	0.28
100,001 to 1,000,000 Shares	103	2	28,291,022	676,300	12.76	0.30
Above 1,000,000 Shares	21	0	144,292,778	0	65.06	0.00
<b>TOTAL</b>	<b>3,964</b>	<b>28</b>	<b>220,415,700</b>	<b>1,384,300</b>	<b>99.38</b>	<b>0.62</b>

#### SUBSTANTIAL SHAREHOLDERS

Name	Direct	Number of Shares Held		Indirect	%
			%		
Tan Kee Chung	35,541,230	16.02	13,613,003 *	6.14	
Azlan Bin Abdullah	24,218,093	10.92	—	—	
Commerce Technology Ventures Sdn Bhd	21,544,010	9.71	—	—	
Omtiara Sdn Bhd	13,213,003	5.96	—	—	

\* Deemed interested by virtue of his shareholding in Omtiara Sdn Bhd and Sislogik (M) Sdn Bhd in accordance with Section 6A of the Companies Act, 1965.

#### DIRECTORS' SHAREHOLDINGS

Name	Direct	Number of Shares Held		Indirect	%
			%		
Tan Kee Chung	35,541,230	16.02	13,613,003 *	6.14	
Azlan Bin Abdullah	24,218,093	10.92	—	—	
Chee Hong Soon	6,161,220	2.78	400,000 **	0.18	
Tune Hee Hian	3,982,682	1.80	—	—	

\* Deemed interested by virtue of his shareholding in Omtiara Sdn Bhd and Sislogik (M) Sdn Bhd in accordance with Section 6A of the Companies Act, 1965.

\*\* Deemed interested by virtue of his shareholding in Sislogik (M) Sdn Bhd in accordance with Section 6A of the Companies Act, 1965.

## 20 LARGEST SHAREHOLDERS

No.	Shareholder	Number of Shares Held	%
1	Tan Kee Chung	35,541,230	16.02
2	Azlan Bin Abdullah	24,218,093	10.92
3	Commerce Technology Ventures Sdn Bhd	21,544,010	9.71
4	Omtiara Sdn Bhd	13,213,003	5.96
5	Chee Hong Soon	6,161,220	2.78
6	Commerce Asset Ventures Sdn Bhd	4,654,203	2.10
7	Haw Wan Chong	4,141,082	1.87
8	Tune Hee Hian	3,982,682	1.80
9	Tan Gaik Keow	3,982,682	1.80
10	Low Suet Cheng	3,982,682	1.80
11	Lim Swee Keah	3,982,682	1.80
12	Leong Yoke Wai	3,982,682	1.80
13	Koh Lea Cheong	3,982,682	1.80
14	Mayban Securities Nominees (Tempatan) Sdn Bhd. Pledged Securities Account for Lee Chiah Cheang (Dealer 01B)	2,468,500	1.11
15	Employees Provident Fund Board	1,950,000	0.88
16	Universal Trustee (Malaysia) Berhad KL City Sapphire Fund	1,800,000	0.81
17	Harcharan Singh A/L Sarja Singh	1,295,345	0.58
18	John Hancock Life Insurance (Malaysia) Berhad	1,200,000	0.54
19	Hong Leong Finance Berhad Pledged Securities Account for Teng Yew Huat	1,200,000	0.54
20	Amir Hassan Bin Shaari	1,010,000	0.45
		<b>144,292,778</b>	<b>65.07</b>



**FORM OF PROXY**  
OPENSYS (M) BERHAD (369818-W)

(Before completing this form please refer to the notes below)

No. of ordinary shares held

I/We .....  
(Full name in block letters)

of .....  
(Full address)

being a member/members of **OPENSYS (M) BERHAD** hereby appoint the following person(s):-

**Name of proxy, NRIC No. & Address**

**No. of shares to be  
represented by proxy**

1. ....
2. ....

or failing \*him/her, the Chairman of the Meeting as \*my/our proxy/proxies to attend and vote for \*me/us and on \*my/our behalf at the Eighth Annual General Meeting of the Company to be held at **Melati Room, Level 2, The Coronade Hotel Kuala Lumpur, Jalan Walter Grenier, 55100 Kuala Lumpur** on **Friday, 14<sup>th</sup> May 2004 at 3:00pm** and at every adjournment thereof to vote as indicated below:-

	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		

(Please indicate with an "x" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at \*his/her discretion).

In case of a vote taken by a show of hands, the First-named Proxy shall vote on \*my/our behalf.

As witness my hand this ..... day of ..... 2004

.....  
Signature/Common Seal

\* *Strike out whichever is not desired.*

**Notes:-**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.
3. Where a member appoints more than one (1) proxy to attend at the same meeting, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
4. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorized.
5. The Form of Proxy must be deposited at the Registered Office of the Company at Level 11-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Second Fold

STAMP

Company Secretary  
**Mega Corporate Services Sdn Bhd**  
Level 11-2, Faber Imperial Court  
Jalan Sultan Ismail  
P.O. Box 12337  
50250 Kuala Lumpur

First Fold



