



ANNUAL REPORT **2004**



Cover Rationale:

OpenSys Efficient Service Machines are proving to be the linchpin of self-service centres. Being multi-functional, they enable much more services to be provided that bring unprecedented convenience to customers. As a pioneer in ESMs, OpenSys have created a new market niche that serves a variety of customers from the banking, insurance and utility companies. More and more customers out there are choosing to transact business on the ESM for obvious reasons.

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NOTICE OF ANNUAL GENERAL MEETING

OPENSYS (M) BERHAD (369818-W)
Incorporated in Malaysia

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of the Company will be held at **The View, Level 18, Melia Kuala Lumpur, 16 Jalan Imbi, 55100 Kuala Lumpur** on **Thursday, 23rd June, 2005** at **3.00 pm** for the following purposes:-

AGENDA AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31st December, 2004 and the Reports of the Directors and the Auditors thereon. **(RESOLUTION 1)**
2. To approve the payment of Directors' fees for the year ended 31st December, 2004. **(RESOLUTION 2)**
3. To re-elect the following Directors retiring in accordance with Article 98 of the Company's Articles of Association:
a) Chee Hong Soon **(RESOLUTION 3)**
b) Tune Hee Hian **(RESOLUTION 4)**
4. To consider and if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:-
"THAT Mr. James Henry Stewart, after having attained the age of seventy years, and retiring in accordance with Section 129 of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting."
(RESOLUTION 5)
5. To re-appoint Messrs Ler Lum & Co as Auditors and to authorise the Board of Directors to fix their remuneration. **(RESOLUTION 6)**

AS SPECIAL BUSINESS

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

6. **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 7)
7. 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

LIM SECK WAH (MAICSA 0799845)
Company Secretary

Dated this: 1st June, 2005
Kuala Lumpur



NOTICE OF ANNUAL GENERAL MEETING

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 15-2, 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 6, 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 next Annual General Meeting of the Company.*





CORPORATE INFORMATION

OPENSYS (M) BERHAD (369818-W)
Incorporated in Malaysia

- **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 Secretary**
Lim Seck Wah (*MAICSA-0799845*)
- **Audit Committee**
James Henry Stewart (*Independent Non-Executive Director*)
Lee Swee Seng (*Independent Non-Executive Director*)
Chee Hong Soon (*Executive Director*)
- **Registered Office**
Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel: 03-2692 4271 Fax: 03-2732 5388
- **Business Office**
Level 7, Menara Axis, 2 Jalan 51A/223, 46100 Petaling Jaya, Selangor
Tel: 03-7968 6868 Fax: 03-7968 1282

Lot 2-2 & 2-3, Innovation House, Technology Park Malaysia
Lebuhraya Puchong – Sungai Besi, Bukit Jalil, 57000 Kuala Lumpur
Tel: 03-8996 9335 Fax: 03-8996 9315

Level 23, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre
50088 Kuala Lumpur
- **Registrar**
Mega Corporate Services Sdn Bhd (*187984-H*)
Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel: 03-2692 4271 Fax: 03-2732 5388
- **Auditors**
Ler Lum & Co (*AF 0276*)
2nd & 3rd 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

Bumiputra-Commerce Bank Berhad (*13491-P*)
Business Centre KL 1 – Wisma Bandar
7th Floor, Wisma Bandar, 18 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
- **Sponsors**
Commerce International Merchant Bankers Berhad (*18417-M*)
7th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights
50490 Kuala Lumpur
Tel: 03-2084 8888 Fax: 03-2093 5689
- **Stock Exchange Listing**
Bursa Malaysia Securities Berhad
MESDAQ Market



AUDIT COMMITTEE

The principal 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 Henry Stewart (<i>Chairman</i>) | – 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 Board shall subject the Chairman elected to endorsement.

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 AND ATTENDANCE

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.

There were three (3) Audit Committee meetings chaired by Mr. James Henry Stewart, which were fully attended by all the members during the year 2004.

Record of attendance for meetings held during the financial year ended 31st December, 2004 is as follow:-

Audit Committee Members	Attendance
James Henry Stewart (<i>Chairman</i>)	3/3
Lee Swee Seng	3/3
Chee Hong Soon	3/3

In carrying out its duties, the Audit Committee reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate, made necessary recommendations to the Board. The Secretary was responsible to record all proceedings and minutes of all meetings of the Audit Committee.



AUDIT COMMITTEE

OPENSYS (M) BERHAD (369818-W)
Incorporated in Malaysia

SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The activities of the Audit Committee during the financial year ended 31st December, 2004 are as follows:-

- review the quarterly results and year end financial statements
- review the adequacy of the audit scope and plan of the external auditors
- review reports of the internal and external auditors

INTERNAL AUDIT FUNCTIONS

The internal audit division of the Company was established in July 2004 by outsourcing the service to IBDC (Malaysia) Sdn Bhd to assist the Audit Committee in discharging their responsibilities and duties. The role of the internal audit functions is to undertake independent regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

The internal audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements.

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.



PROFILE OF DIRECTORS

TAN KEE CHUNG,

was appointed as Executive Director of OpenSys on 7th 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 7th 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 9th 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 24th 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 included 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 1990 where he was responsible for starting and heading the Treasury Marketing Unit and in the merged entity with Bank of Commerce Berhad where he was the Vice President of Priority Banking Division from 1990 to 1994 and in Citibank from 1994 to 1995 where he was the Vice President and Head of the Public Sector Unit. He is currently the Chief Executive Officer of Mycron Steel Berhad and a Director of Malaysia General Investment Berhad, Bandar Raya Developments Berhad and Melewar Industrial Group Berhad.



PROFILE OF DIRECTORS

OPENSYS (M) BERHAD (369818-W)
Incorporated in Malaysia

LEE SWEE SENG,

was appointed as Independent Non-Executive Director of OpenSys on 6th November, 2003. He was called to the Malaysian Bar of Council in 1985 and has been in active law practice since then. He is currently the managing partner of Lee Swee Seng & Co., 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 Notary Public, a Trademark, Industrial Design and Patent Agent. He is 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.

JAMES HENRY STEWART,

was appointed as Independent Non-Executive Director of OpenSys on 6th 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.



CEO'S STATEMENT

It has been a year and a third since we became a public listed company on MESDAQ. Using the proceeds allocated for Research and Development, we have been able to enhance our non-cash dispensing self-service kiosk, called Efficient Service Machines (ESM), to another level in technical capability and sophistication. In addition to the intelligent image-based cheque deposit function, we have added cash deposit capability to our new ESM thus making it easy for customers to pay their bills using different payment instruments such as cash, cheques, credit, debit and prepaid cards in one compact machine.

As a result, we have been able to take a powerful solution that started in the banking industry and introduce it to other companies in the insurance, utility and government industries. For these non-banking organisations that have a need to provide more efficient and convenient service to their customers, the interest generated by our new ESM has been visceral and natural.

To date, we have seven banks, two insurance companies and two telecommunication companies using our ESM solution in Malaysia. A few more organisations in the telecommunication and utility industries have also embarked on customer trials of our machines. We expect them to install these convenient devices for their customers before the end of 2005.

On the regional front, we have made inroads into China, Indonesia, Singapore, Brunei and the United Arab Emirates. Our resellers have been particularly active in promoting the use of our new ESM to service organisations in their respective countries. Just like Malaysia, the interest shown by foreign banks, insurance and utility companies has been very encouraging. We have accepted requests for customer trials in these countries and are in the midst of customising our new ESM to meet their local requirements. We are optimistic that these international activities will further strengthen our market leadership in the non-cash dispensing self-service business.

Another noteworthy development is the increased customer acceptance of Business Process Outsourcing (BPO) as an alternative to outright purchase of equipment. Whenever possible, we are encouraging our customers to opt for the BPO model. BPO allows them to focus on their core business while enjoying off-balance sheet benefits. For OpenSys, it allows us to convert our ESM solution into a recurring service income over many years, thus increasing our sustainability in the long term.

Moving forward, I am confident that OpenSys is on the threshold of a significant growth path. Our product strategy is now firmly in place. Knowing that our solution is proven and a couple of years' ahead of our competitors', we can now push aggressively into vertical and horizontal markets locally as well regionally.

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

Tan Kee Chung
Chief Executive Officer



STATEMENT OF CORPORATE GOVERNANCE

OPENSYS (M) BERHAD (369818-W)
Incorporated in Malaysia

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 Chief Executive Officer, Mr. Tan Kee Chung, leads the Board. The current Board composition complies with the Listing Requirements of the Bursa Malaysia Securities 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 is comprised of professionals from various backgrounds and 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

The Board met four (4) times during the financial year ended 31st December, 2004. The members of the Board and their attendance at the meetings were as follows:-

Board of Directors	No. of meetings attended
Mr Tan Kee Chung	4/4
Mr Chee Hong Soon	4/4
Tune Hee Hian	4/4
Azlan Bin Abdullah	3/4
James Henry Stewart	3/4
Lee Swee Seng	4/4



STATEMENT OF CORPORATE GOVERNANCE

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, Mr. Chee Hong Soon and Mr. Tune Hee Hian who will retire by rotation pursuant to Article 98. Mr. James Henry Stewart who will retire in accordance with Section 129(6) of the Companies Act, 1965. Both of them being eligible, offer themselves for re-election.

Mandatory Accreditation Programme (MAP)

All directors have attended the MAP for the year, which is in line with the listing requirements of the Bursa Malaysia Securities Berhad.

B. DIRECTORS' REMUNERATION

The annual remuneration of the directors in bands of RM50,000 is tabulated below:-

Remuneration Band	Executive Directors	Non-Executive Directors
Below RM50,001	–	3
RM50,001 – RM100,000	–	–
RM100,001 – RM150,000	–	–
RM150,001 – RM200,000	–	–
RM200,001 – RM250,000	2	–
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 Bursa Malaysia Securities Berhad website www.bursamalaysia.com.



STATEMENT OF CORPORATE GOVERNANCE

OPENSYS (M) BERHAD (369818-W)
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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, CEO'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.

The Company did not have an Independent Internal Audit Division in the financial year 2004. However, in July 2005, the Company has outsourced the Independent Internal Audit Division to ensure the internal audit functions are carried out effectively and professionally.

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 which will at any time reflect 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.



DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31st December, 2004.

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

	RM
Net profit for the year	559,239
Unappropriated profits brought forward	1,021,993
	<hr/>
Unappropriated profits carried forward	1,581,232

DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend any dividend for the current financial year ended 31st December, 2004.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year.

SHARE CAPITAL

Issue of shares

On 20th January, 2004, in conjunction with the Listing of the Company on the MESDAQ market of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad), 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.

**DIRECTORS' REPORT**

OPENSYS (M) BERHAD (369818-W)
Incorporated in Malaysia

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
Tune Hee Hian
Azlan Bin Abdullah
Lee Swee Seng
James Henry Stewart

In accordance with the Company's Articles of Association, Messrs. Chee Hong Soon, Tune Hee Hian and 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 31.12.2004
	Balance at 1.1.2004	Acquired	Disposed	
Tan Kee Chung	40,864,430	—	(5,323,200)	35,541,230
Chee Hong Soon	7,084,020	—	(922,800)	6,161,220
Tune Hee Hian	4,579,182	—	(596,500)	3,982,682
Azlan Bin Abdullah	24,218,093	—	—	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.



DIRECTORS' REPORT

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

- (a) 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.

SIGNIFICANT EVENT

On 29th January, 2004 the Company was officially listed on the MESDAQ market of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

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: 12th April, 2005
Kuala Lumpur



STATEMENT BY DIRECTORS

OPENSYS (M) BERHAD (369818-W)
Incorporated in Malaysia

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 31st December, 2004 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: 12th April, 2005
Kuala Lumpur

STATUTORY DECLARATION

OPENSYS (M) BERHAD (369818-W)
Incorporated in Malaysia

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 12th April, 2005.

Before me:

Haron Hashim
Commissioner for Oaths
No. W128



REPORT OF THE AUDITORS TO THE MEMBERS OF OPENSYS (M) BERHAD

We have audited the financial statements set out on pages 17 to 37. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 31st December, 2004 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: 12th April, 2005
Kuala Lumpur

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

**INCOME STATEMENT** FOR THE YEAR ENDED 31st DECEMBER 2004**OPENSYS (M) BERHAD** (369818-W)
Incorporated in Malaysia

	Note	2004 RM	2003 RM
REVENUE	4	20,318,121	22,706,054
COST OF SALES		(15,040,994)	(16,970,313)
GROSS PROFIT		5,277,127	5,735,741
OTHER OPERATING INCOME		296,242	131,089
ADMINISTRATION EXPENSES		(1,909,026)	(2,024,129)
OTHER OPERATING EXPENSES		(2,384,576)	(2,380,126)
PROFIT FROM OPERATIONS	5	1,279,767	1,462,575
FINANCE COSTS	7	(751,607)	(415,787)
PROFIT BEFORE TAXATION		528,160	1,046,788
TAXATION	8	31,079	(34,800)
NET PROFIT FOR THE YEAR		559,239	1,011,988
Earnings per RM0.10 share			
Basic (Sen)	9	0.25	0.60

The notes set out on pages 22 to 37 form an integral part of these financial statements.



BALANCE SHEET AS AT 31st DECEMBER 2004

	Note	2004 RM	2003 RM
PROPERTY, PLANT & EQUIPMENT	10	<u>4,573,088</u>	<u>2,895,352</u>
DEVELOPMENT EXPENDITURE	11	<u>12,902,023</u>	<u>9,888,687</u>
CURRENT ASSETS			
Inventories	12	6,031,536	2,082,943
Trade debtors	13	25,382,745	20,029,202
Other debtors, deposits & prepayments	14	3,902,266	4,341,290
Tax recoverable		32,193	–
Fixed deposits	15	6,508,589	3,613,908
Cash & bank balances	15	467,867	235,083
		<u>42,325,196</u>	<u>30,302,426</u>
LESS : CURRENT LIABILITIES			
Trade creditors	16	15,234,887	13,675,656
Other creditors & accruals	17	403,408	2,078,496
Amount due to director	18	–	100,000
Finance lease liabilities	19	460,256	–
Hire purchase creditors	20	253,985	55,756
Bankers acceptance	21	2,825,484	2,057,000
Short term borrowings	22	7,600,385	4,505,184
Bank overdrafts	15 & 21	669,394	1,983,579
Taxation		–	1,786
		<u>27,447,799</u>	<u>24,457,457</u>
NET CURRENT ASSETS		<u>14,877,397</u>	<u>5,844,969</u>
		<u>32,352,508</u>	<u>18,629,008</u>
FINANCED BY :-			
SHARE CAPITAL	23	22,180,000	16,880,000
SHARE PREMIUM	24	5,878,327	–
UNAPPROPRIATED PROFITS		1,581,232	1,021,993
SHAREHOLDERS' FUNDS		<u>29,639,559</u>	<u>17,901,993</u>
LONG TERM LIABILITIES			
Borrowings	22	–	691,329
Finance lease liabilities	19	2,238,210	–
Hire purchase creditors	20	474,739	35,686
		<u>32,352,508</u>	<u>18,629,008</u>

The notes set out on pages 22 to 37 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY** FOR THE YEAR ENDED 31st DECEMBER 2004

OPENSYS (M) BERHAD (369818-W)
Incorporated in Malaysia

	Share capital RM	Share premium RM	Unappropriated profits RM	Total RM
Balance at 1st January, 2003	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 31st December, 2003	16,880,000	–	1,021,993	17,901,993
Issue of share capital – private placement	5,300,000	7,420,000	–	12,720,000
Listing expenses written off	–	(1,541,673)	–	(1,541,673)
Net profit for the year	–	–	559,239	559,239
Balance at 31st December, 2004	22,180,000	5,878,327	1,581,232	29,639,559

The notes set out on pages 22 to 37 form an integral part of these financial statements.



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2004

	Note	2004 RM	2003 RM
Cash flows from operating activities			
Profit before taxation		528,160	1,046,788
Adjustments for :-			
Depreciation		514,174	313,728
Development expenditure		2,100,425	1,815,566
Interest expenses		751,607	415,787
Property, plant & equipment written off		273,046	—
(Gain)/Loss on disposal of property, plant & equipment		(19,225)	4,907
Interest income		(232,672)	(131,089)
Operating profit before working capital changes		3,915,515	3,465,687
Increase in inventories		(2,498,593)	(1,145,377)
Increase in debtors		(4,914,519)	(3,673,139)
(Decrease)/Increase in creditors		(115,857)	4,502,378
Net changes in director's account		(100,000)	(2,550,000)
Cash (absorbed by)/generated from operations		(3,713,454)	599,549
Interest paid		(751,607)	(415,787)
Interest received		232,672	117,380
Tax paid		(2,900)	(34,800)
Net cash (used by)/from operating activities		(4,235,289)	266,342
Cash flows from investing activities			
Development expenditure paid		(4,784,389)	(4,288,301)
Purchase of property, plant & equipment		(569,197)	(1,731,174)
Proceeds from disposal of property, plant & equipment		44,500	102,059
Net cash used in investing activities		(5,309,086)	(5,917,416)
Cash flows from financing activities			
Listing expenses paid		(1,541,673)	—
Proceeds from issue of share capital		12,720,000	—
Placement of bankers acceptance		10,739,763	2,057,000
Proceeds from borrowings		3,600,385	6,933,800
Release of fixed deposits under lien		346,423	117,171
Repayment of bankers acceptance		(9,971,279)	(1,225,000)
Repayment of borrowings		(1,196,513)	(1,737,287)
Repayment of hire purchase liabilities		(147,718)	(137,745)
Repayment of finance lease liabilities		(216,940)	—
Net cash from financing activities		14,332,448	6,007,939

The notes set out on pages 22 to 37 form an integral part of these financial statements.

**CASH FLOW STATEMENT** FOR THE YEAR ENDED 31st DECEMBER 2004**OPENSYS (M) BERHAD** (369818-W)
Incorporated in Malaysia

	Note	2004 RM	2003 RM
Net changes in cash and cash equivalents		4,788,073	356,865
Cash and cash equivalents brought forward		(1,500,235)	(1,857,100)
Cash and cash equivalents carried forward	15	<u>3,287,838</u>	<u>(1,500,235)</u>

NOTE TO CASH FLOW STATEMENT

Analysis of acquisition of property, plant & equipment :-

Cash	569,197	1,731,174
Finance lease arrangement	2,915,406	–
Hire purchase arrangement	785,000	–
	<u>4,269,603</u>	<u>1,731,174</u>

The notes set out on pages 22 to 37 form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 2004

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 total number of employees of the Company at financial year end was 74 (2003: 100).

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

Level 15-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

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

Level 7, Menara Axis
2, Jalan 51A/223
46100 Petaling Jaya
Selangor Darul Ehsan

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 deposits with the licensed financial institutions. Both financial instruments are managed through the use of floating rate debt and long term tenure without speculative interest respectively.

NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 2004

OPENSYS (M) BERHAD (369818-W)
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(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 considers acceptable and enters 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 is 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.



NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 2004

(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) 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) Finance leases

Where assets are financed by leasing arrangements, which transfer substantially all the risks and rewards of ownership of an asset to the lessee (finance leases), the assets are treated as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the obligation to the lessor and the finance charge being written off to the Income Statement over the period of the lease in reducing amounts in relation to the outstanding obligations. These assets are depreciated over the shorter of their useful lives and the period of the lease.

(j) 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.

(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.



**NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 2004**

OPENSYS (M) BERHAD (369818-W)
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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 statement associated with each item.

(iii) Fair value estimation for disclosure purposes

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 the 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 Statement.

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

	2004 RM	2003 RM
1 Singapore Dollar	2.33	2.20
1 US Dollar	3.79	3.79
1 Euro Dollar	5.05	4.29

(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) Licensing software

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

(iii) Service rendered

Revenue is recognised when services are rendered.

(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 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 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.



NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 2004

(o) Employee benefits

Short term benefits such as wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. As required by law, the Company makes 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

	2004 RM	2003 RM
Efficient service machine	16,920,328	19,187,336
Software licence	390,460	1,331,074
Services rendered	3,007,333	2,187,644
	20,318,121	22,706,054

5. PROFIT FROM OPERATIONS

	2004 RM	2003 RM
Profit from operations is stated after charging/(crediting) :-		
Directors' emoluments	571,246	503,515
Auditors' remuneration		
– statutory	12,000	12,000
– others	11,310	6,300
Depreciation	291,258	313,728
Development expenditure	2,100,425	1,815,566
Lease rentals	87,704	89,383
Property, plant & equipment written off	273,046	–
Realised loss on foreign exchange	5,612	3,780
Rental of premises	248,209	436,894
Staff costs (excluding directors' remuneration)	3,277,913	3,498,287
(Gain)/Loss on disposal of property, plant & equipment	(19,225)	4,907
Fixed deposit interest	(232,672)	(131,089)

Included in the cost of goods sold are as follows :-

Depreciation	222,916	–
Bankers acceptance/Letter of credit interest	234,164	180,299
Cost of inventories	14,156,846	13,522,619

**NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 2004**

OPENSYS (M) BERHAD (369818-W)
Incorporated in Malaysia

6. DIRECTORS' REMUNERATION

The aggregate remuneration of directors of the Company categorised into appropriate components as at 31st December, 2004 is as follows :-

	Fees RM	Salaries RM	Others RM	Total RM
Executive directors	—	607,234	95,480	702,714
Non executive directors	72,000	—	5,500	77,500

The number of directors of the Company whose total remuneration fell within the following bands for the financial year ended 31st December, 2004 is as follows :-

Range of remuneration	No. of Directors	
	Executive	Non executive
Below RM50,001	—	3
RM50,001 – RM150,000	—	—
RM150,001 – RM200,000	—	—
RM200,001 – RM250,000	2	—
RM250,001 – RM300,000	1	—

7. FINANCE COSTS

	2004 RM	2003 RM
Bank overdraft interest	134,130	148,146
Hire purchase interest	41,040	12,860
Lease interest	223,879	—
Term loan interest	349,981	240,377
Other interest	2,577	14,404
	751,607	415,787

8. TAXATION

	2004 RM	2003 RM
Malaysian income tax		
Tax charge for the current year	2,700	34,800
Over-provision in prior years	(33,779)	—
	(31,079)	34,800



NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 2004

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 :-

	2004 RM	2003 RM
Profit before taxation	528,160	1,046,788
Income tax using Malaysian tax rate of 28% (2003: 28%)	147,885	293,101
Pioneer exempt income	(145,185)	(258,301)
Over-provision in prior years	(33,779)	—
	(31,079)	34,800

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 approval from the Multimedia Development Corporation (MDC) as a Multimedia Super Corridor (MSC) company and has been granted Pioneer Status with full income tax exemption under the Promotion of Investment Act, 1986 for a period of five years commencing from 1st December, 2003. The pioneer exempt income as at 31st December, 2004 is estimated at RM14,049,000 (2003: RM14,049,000) which is subject to agreement by the Inland Revenue Board.

The unutilised capital allowances carried forward as at 31st December, 2004 is estimated at RM1,394,000 (2003: RM Nil). These are, however, subject to the confirmation 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 amounting to approximately RM1,343,291 (2003: RM1,021,993) out of its unappropriated profits as at 31st December, 2004. The extent of the unappropriated profits not covered at that date amounted to RM287,566 (2003: RM Nil). This is, however, subject to confirmation by the Inland Revenue Board.

The Company has tax exempt income of RM51,000 (2003: RM51,000) under Section 12 of the Income Tax (Amendment) Act, 1999.

9. EARNINGS PER RM0.10 SHARE (EPS)

	2004 RM	2003 RM
Basic EPS		
Net profit for the year/Net profit attributable to ordinary shareholders	559,239	1,011,988
Weighted average number of shares in issue for basic EPS	219,591,667	168,800,000
Basic EPS (sen)	0.25	0.60

NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 2004

OPENSYS (M) BERHAD (369818-W)
Incorporated in Malaysia

10. PROPERTY, PLANT & EQUIPMENT

	Cost					
	Balance at 1.1.2004 RM	Additions RM	Disposals RM	Transfer RM	Written off RM	Balance at 31.12.2004 RM
Computers	2,111,513	117,749	–	–	(99,510)	2,129,752
Furniture & fittings	548,097	485,200	–	–	–	1,033,297
Motor vehicles	584,588	258,576	(189,555)	–	–	653,609
Renovations	497,962	374,582	–	–	(419,780)	452,764
Signboard	6,440	–	–	–	–	6,440
Telecommunication & office equipment	2,280,849	3,033,496	–	(1,450,000)	–	3,864,345
	6,029,449	4,269,603	(189,555)	(1,450,000)	(519,290)	8,140,207

	Accumulated Depreciation					
	Balance at 1.1.2004 RM	Charge for the year RM	Disposals RM	Transfer RM	Written off RM	Balance at 31.12.2004 RM
Computers	1,813,395	191,807	–	–	(99,134)	1,906,068
Furniture & fittings	365,286	147,262	–	–	–	512,548
Motor vehicles	372,649	98,369	(164,280)	–	–	306,738
Renovations	179,868	43,877	–	–	(147,110)	76,635
Signboard	2,355	643	–	–	–	2,998
Telecommunication & office equipment	400,544	603,255	–	(241,667)	–	762,132
	3,134,097	1,085,213	(164,280)	(241,667)	(246,244)	3,567,119

	Net Book Value		Depreciation for the year ended
	at 31.12.2004 RM	at 31.12.2003 RM	31.12.2003 RM
Computers	223,684	298,118	319,088
Furniture & fittings	520,749	182,811	97,834
Motor vehicles	346,871	211,939	98,207
Renovations	376,129	318,094	50,859
Signboard	3,442	4,085	668
Telecommunication & office equipment	3,102,213	1,880,305	175,292
	4,573,088	2,895,352	741,948



NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 2004

10. PROPERTY, PLANT & EQUIPMENT (Cont'd)

The net book value of the property, plant & equipment of the Company acquired under finance lease and hire purchase arrangement are as follows :-

	2004 RM	2003 RM
Computers	20,913	—
Furniture & fittings	420,644	—
Motor vehicles	346,871	179,082
Renovations	240,490	—
Telecommunication & office equipment	2,666,084	—
	<u>3,695,002</u>	<u>179,082</u>

11. DEVELOPMENT EXPENDITURE

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

	2004 RM	2003 RM
At beginning of the year	9,888,687	6,987,732
Capitalised during the year	5,113,761	4,716,521
Less : Charged to Income Statement	(2,100,425)	(1,815,566)
At end of the year	<u>12,902,023</u>	<u>9,888,687</u>
Cost	20,859,247	15,745,486
Less : Accumulated amortisation	(7,957,224)	(5,856,799)
Net book value	<u>12,902,023</u>	<u>9,888,687</u>
Included in the development expenditure are current charges of :-		
Depreciation	329,372	428,220
Directors' emoluments	208,968	283,391
Staff costs (excluding directors' emoluments)	2,729,521	3,513,746
Rental of premises	368,629	494,035

12. INVENTORIES - at cost

	2004 RM	2003 RM
Assembly components	4,554,668	1,552,245
Finished goods	1,476,868	530,698
	<u>6,031,536</u>	<u>2,082,943</u>

**NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 2004**

OPENSYS (M) BERHAD (369818-W)
Incorporated in Malaysia

13. TRADE DEBTORS

	2004 RM	2003 RM
The currency exposure profile of trade debtors is as follows :-		
– Ringgit Malaysia	23,097,013	17,796,949
– US Dollar	2,285,732	2,232,253
	<u>25,382,745</u>	<u>20,029,202</u>

The credit term of trade debtors ranged from 30 to 90 days (2003: 14 to 90 days).

The Company's historical experience in collection of accounts receivable falls within the recorded allowances.

14. OTHER DEBTORS, DEPOSITS & PREPAYMENTS

	2004 RM	2003 RM
Other debtors	–	337,594
Deposits	262,245	322,480
Prepayments	3,640,021	3,681,216
	<u>3,902,266</u>	<u>4,341,290</u>

The marginal deposits of the Company, included in prepayment, which amounted to RM540,000 have been pledged to a bank for the utilisation of the bank facilities granted to the Company.

15. CASH & CASH EQUIVALENTS

	2004 RM	2003 RM
Fixed deposits		
– licensed banks	3,258,280	3,613,908
– other corporation	3,250,309	–
Cash & bank balances	467,867	235,083
Bank overdrafts (Note 21)	(669,394)	(1,983,579)
	<u>6,307,062</u>	<u>1,865,412</u>
Less : Fixed deposits under lien	(3,019,224)	(3,365,647)
	<u>3,287,838</u>	<u>(1,500,235)</u>

The weighted average interest rate of deposits effective as at balance sheet date was 3% (2003: 3.4%) per annum.

Deposits of the Company have maturity of 365 days (2003: 365 days). Bank balances are deposits held at call with banks.



NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 2004

16. TRADE CREDITORS

	2004 RM	2003 RM
The currency exposure profile of trade creditors is as follows :-		
Ringgit Malaysia	15,140,442	13,568,053
Singapore Dollar	—	13,157
US Dollar	94,445	94,446
	15,234,887	13,675,656

The credit terms of trade creditors granted to the Company vary from 30 to 45 days (2003: 30 to 45 days).

17. OTHER CREDITORS & ACCRUALS

	2004 RM	2003 RM
Other creditors	97,408	243,690
Accruals	306,000	1,834,806
	403,408	2,078,496

18. AMOUNT DUE TO DIRECTOR

The amount due to director pertained to advances received, which was interest free, unsecured and had no fixed term of repayment.

19. FINANCE LEASE LIABILITIES

	2004 RM	2003 RM
Minimum lease payments :-		
Repayable within one year	819,708	—
Repayable after one year and up to two years	821,180	—
Repayable after two years and up to five years	1,972,913	—
Less : Financing charges	(915,335)	—
	2,698,466	—
Present value of minimum lease payments		
Present value of minimum lease payments :-		
Repayable within one year	460,256	—
Repayable after one year and up to two years	539,752	—
Repayable after two years and up to five years	1,698,458	—
	2,698,466	—
Represented by finance lease liabilities :-		
Current	460,256	—
Non-current	2,238,210	—
	2,698,466	—

The finance lease liabilities carry interest at the balance sheet date which ranged from 5.4% to 7% (2003: Nil) per annum.



**NOTES TO THE FINANCIAL STATEMENTS** 31st DECEMBER 2004

OPENSYS (M) BERHAD (369818-W)
Incorporated in Malaysia

20. HIRE PURCHASE CREDITORS

	2004 RM	2003 RM
Minimum lease payments :-		
Repayable within one year	312,711	61,872
Repayable after one year and up to two years	276,624	36,087
Repayable after two years and up to five years	242,739	–
Less : Financing charges	(103,350)	(6,517)
	<hr/>	<hr/>
Present value of hire purchase creditors	728,724	91,442
	<hr/>	<hr/>
Present value of hire purchase creditors :-		
Repayable within one year	253,985	55,756
Repayable after one year and up to two years	373,449	35,686
Repayable after two years and up to five years	101,290	–
	<hr/>	<hr/>
	728,724	91,442
	<hr/>	<hr/>
Represented by hire purchase creditors :-		
Current	253,985	55,756
Non-current	474,739	35,686
	<hr/>	<hr/>
	728,724	91,442
	<hr/>	<hr/>

The effective interest rate of hire purchase creditors at the end of the financial year range from 3.25% to 6.00% (2003: 5.25%) per annum.

21. BANKERS ACCEPTANCE AND BANK OVERDRAFTS

The bankers acceptance and bank overdrafts are secured by :-

- (i) fixed deposits of RM3,019,224 (2003: RM3,365,647); 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 8.4% (2003: 4.5% to 6.8%) per annum.



NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 2004

22. BORROWINGS

	2004 RM	2003 RM
Repayable within one year	7,600,385	4,505,184
Repayable after one year and up to two years	–	691,329
	7,600,385	5,196,513
Term loan No. I	4,000,000	5,196,513
Term loan No. II	3,600,385	–
	7,600,385	5,196,513

The term loan No. I is secured by :-

- (a) a joint and several personal guarantee by certain of the Company's directors;
- (b) an assignment of all contract proceeds arising from the two Distributor Agreements;
- (c) a supplementary Deed of Assignment cum 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.

The term loan No. II is secured by :-

- (a) a joint and several personal guarantee by certain of the Company's directors;
- (b) an assignment of export proceeds to the Bank;
- (c) a guarantee cover by the Export Credit Insurance policies;
- (d) Deed of Assignment of benefits of contract; and
- (e) 15% marginal deposit against utilisation of the Facility pledged to the Bank.

The term loan No. I is repayable in full no later than 24 months from the date of first drawdown of the Facility.

The term loan No. II is repayable up to a maximum period of 10 months, which is subject to yearly review and repayable on demand.

The term loans bear interest at rates ranging from 4.5% to 6.3% (2003: 6.3%) per annum.

**NOTES TO THE FINANCIAL STATEMENTS** 31st DECEMBER 2004**OPENSYS (M) BERHAD** (369818-W)
Incorporated in Malaysia**23. SHARE CAPITAL**

	2004 RM	2003 RM
Authorised :- – 500,000,000 ordinary shares of RM0.10 each	50,000,000	50,000,000
Issued and fully paid :- At beginning of the year – 168,800,000 (2003: 82,266,650) ordinary shares of RM0.10 each	16,880,000	8,226,665
Bonus issue 1.05 : 1 – Nil (2003: 86,533,350) ordinary shares of RM0.10 each	–	8,653,335
Private placement – 53,000,000 (2003: Nil) ordinary shares of RM0.10 each	5,300,000	–
At end of the year – 221,800,000 (2003: 168,800,000) ordinary shares of RM0.10 each	22,180,000	16,880,000

24. SHARE PREMIUM

	2004 RM	2003 RM
As at beginning of the year	–	3,396,821
Premium arising from :- Public Issue by way of Private Placement	7,420,000	–
Capitalised for Bonus Issue	–	(3,396,821)
Listing expenses written off	(1,541,673)	–
As at end of the year	5,878,327	–

25. COMMITMENT

	2004 RM	2003 RM
Lease commitments :- Computer – contracted but not provided for in the financial statements	–	733,010



NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 2004

26. RELATED PARTY TRANSACTIONS

	2004 RM	2003 RM
Transactions with a director is as follows :-		
Rental of apartment	<u>6,000</u>	<u>18,000</u>

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

27. 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	
	2004 RM	2003 RM	2004 RM	2003 RM	2004 RM	2003 RM
Revenue	<u>19,988,969</u>	22,110,149	<u>329,152</u>	595,905	<u>20,318,121</u>	22,706,054
Segment results	<u>963,854</u>	1,296,542	<u>19,671</u>	34,944	<u>983,525</u>	1,331,486
Finance costs					<u>(751,607)</u>	(415,787)
Unallocated income					<u>296,242</u>	131,089
Profit before taxation					<u>528,160</u>	1,046,788
Taxation					<u>31,079</u>	(34,800)
Net profit for the year					<u>559,239</u>	1,011,988
Other information :-						
Segment assets	<u>24,875,090</u>	17,796,949	<u>507,655</u>	2,232,253	<u>25,382,745</u>	20,029,202
Unallocated assets					<u>34,417,562</u>	23,057,263
Total assets					<u>59,800,307</u>	43,086,465
Segment liabilities	<u>14,930,189</u>	13,316,748	<u>304,698</u>	358,908	<u>15,234,887</u>	13,675,656
Unallocated liabilities					<u>14,925,861</u>	11,508,816
Total liabilities					<u>30,160,748</u>	25,184,472
Capital expenditure	<u>8,907,318</u>	6,278,480	<u>146,674</u>	169,215	<u>9,053,992</u>	6,447,695
Depreciation and amortisation	<u>2,896,279</u>	2,490,394	<u>47,692</u>	67,120	<u>2,943,971</u>	2,557,514



NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 2004

OPENSYS (M) BERHAD (369818-W)

Incorporated in Malaysia

28. FINANCIAL INSTRUMENTS

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

29. COMPARATIVE FIGURES

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

30. 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 12th April, 2005.



ANALYSIS OF SHAREHOLDINGS AS AT 29th APRIL 2005

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		Percentage	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100 Shares	1	0	50	0	0.00	0.00
100 to 999 Shares	170	1	86,300	100	0.04	0.00
1,000 to 4,999 Shares	769	1	1,855,592	2,000	0.84	0.00
5,000 to 10,000 Shares	1,479	9	11,114,700	77,000	5.01	0.03
10,001 to 100,000 Shares	1,101	16	35,648,700	555,000	16.07	0.25
100,001 to 1,000,000 Shares	123	3	32,221,267	415,000	14.53	0.19
Above 1,000,000 Shares	19	0	139,824,291	0	63.04	0.00
TOTAL	3,670	30	220,750,900	1,049,100	99.53	0.47

SUBSTANTIAL SHAREHOLDERS

Name	Number of Shares Held			
	Direct	%	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	Number of Shares Held			
	Direct	%	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.

**ANALYSIS OF SHAREHOLDINGS AS AT 29th APRIL 2005****OPENSYS (M) BERHAD** (369818-W)

Incorporated in Malaysia

20 LARGEST SHAREHOLDERS

No.	Shareholder	Number of Shares Held	Percentage
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	Haw Wan Chong	4,041,082	1.82
7	Tune Hee Hian	3,982,682	1.80
8	Tan Gaik Keow	3,982,682	1.80
9	Lim Swee Keah	3,982,682	1.80
10	Leong Yoke Wai	3,982,682	1.80
11	Koh Lea Cheong	3,982,682	1.80
12	Commerce Asset Ventures Sdn Bhd	3,701,903	1.67
13	Low Suet Cheng	3,627,682	1.64
14	Universal Trustee (Malaysia) Berhad <i>KL City Sapphire Fund</i>	2,183,100	0.98
15	Employees Provident Fund Board	2,038,500	0.92
16	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Cher Hua</i>	1,319,900	0.60
17	Manulife Insurance (Malaysia) Berhad	1,200,000	0.54
18	Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lee Chiah Cheang (DLR 01B-Margin)</i>	1,125,500	0.51
19	Chuah Tai Eu	975,000	0.44
20	Tham Kok Cheng	959,574	0.43
		141,763,207	63.94

PROXY FORM

OPENSYS (M) BERHAD (369818-W)
Incorporated in Malaysia

No. of ordinary shares held

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

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 Ninth Annual General Meeting of the Company to be held at **The View, Level 18, Melia Kuala Lumpur, 16 Jalan Imbi, 55100 Kuala Lumpur** on **Thursday, 23rd June, 2005** 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		
Ordinary Resolution 7		

(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 2005

.....
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. A member may appoint two (2) proxies to attend at the same meeting. Where a member appoints more than one (1) proxy, 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 15-2, 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 15-2, Faber Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50250 Kuala Lumpur

First Fold

