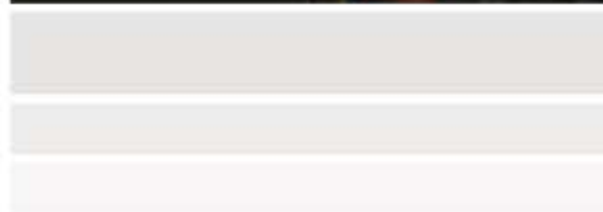




**OpenSys (M) Berhad** (369818-W) *(Incorporated in Malaysia)*



annual report  
**2006**





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# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Eleventh Annual General Meeting of the Company will be held at The View, Level 18, Melia Kuala Lumpur, 16 Jalan Imbi, 55100 Kuala Lumpur on Wednesday, 20th June 2007 at 3.00 pm for the following purposes :-

## AGENDA

### AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31st December 2006 and the Reports of the Directors and the Auditors thereon. *(Please refer to Note 1)*
2. To approve the payment of Directors' fees for the year ended 31st December 2006 **(RESOLUTION 1)**
3. To re-elect the following Directors retiring in accordance with the Company's Articles of Association :-
 

a) Mr. Lee Swee Seng	Article 98	<b>(RESOLUTION 2)</b>
b) Mr. Tai Keat Chai	Article 105	<b>(RESOLUTION 3)</b>
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, 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 4)**
5. To re-appoint Messrs HLB Ler Lum 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 resolutions :-

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 6)**
7. **SPECIAL RESOLUTION**  
**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**  
 "THAT the proposed deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as contained in Appendix A attached to the Annual Report 2006 in compliance with the revamped Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market be and are hereby approved." **(RESOLUTION 7)**
8. 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)**  
**KONG MEI KEE (MAICSA 7039391)**  
 Company Secretaries

Dated this : 29th day of May 2007  
 Kuala Lumpur

# notice of annual general meeting<sub>(cont'd)</sub>

## Notes:

1. *The Agenda No. 1 is meant for discussion only as the provision of S169(1) of the Companies Act, 1965 does not require a formal approval of shareholders and hence, is not put forward for voting.*
2. *A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.*
3. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, he/she 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.*
4. *Where a member appoints two (2) proxies 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.*
5. *If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorized.*
6. *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.*
7. *Explanatory notes on Special Business*
  - 7.1 *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.*
  - 7.2 *The Special Resolution proposed in Agenda 7 on the Proposed Amendments to the Company's Articles of Association is made to comply with the revamped Listing Requirements of Bursa Malaysia Securities Bhd for the MESDAQ Market. Please refer to the document marked Appendix A attached to the Annual Report 2006 for details of the proposed amendments.*

## Statement Accompanying Notice of Annual General Meeting

### 1. DIRECTORS STANDING FOR RE-ELECTION

- |                            |  |
|----------------------------|--|
| a) Mr. Lee Swee Seng       | – Article 98                             |
| b) Mr. Tai Keat Chai       | – Article 105                            |
| c) Mr. James Henry Stewart | – Section 129 of the Companies Act, 1965 |

The particulars of all the above directors have been disclosed in the Directors' Profile in this Annual Report.

### 2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

The Board met four (4) times during the financial year ended 31 December 2006. The members of the Board and their attendance at the meetings, were as follows :-

Board of Directors	No. of meetings attended
Tan Kee Chung	4/4
Chee Hong Soon	4/4
Tune Hee Hian	4/4
James Henry Stewart	3/4
Lee Swee Seng	4/4
Tai Keat Chai (Appointed on 29.12.2006)	N/A
Azlan Bin Abdullah (Resigned on 13.04.2007)	4/4

### 3. PLACE, DATE AND TIME OF THE GENERAL MEETING

The Eleventh Annual General Meeting of the Company will be held as follows :-

Place	: The View, Level 18, Melia Kuala Lumpur, 16 Jalan Imbi, 55100 Kuala Lumpur
Date	: 20 June 2007
Time	: 3.00 pm



# Profile of Directors

## **TAN KEE CHUNG**

(Malaysian, Aged 48)

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 24 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**

(Malaysian, Aged 47)

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**

(Malaysian, Aged 48)

was appointed as Executive Director of OpenSys on 9th January, 1996. As a Technical Director of OpenSys, he is primarily responsible for the management of product development. He is also involved in providing business development support for the overseas market. He holds a Bachelor of Science degree in Education and a Postgraduate Diploma in Computer Science from University Of 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 was also a Certified Project Management Professional of the PMI and has more than 22 years of experience in software development, project management and implementation of online 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.

## profile of directors (cont'd)

### JAMES HENRY STEWART

(Canadian, Aged 73)

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.

### LEE SWEE SENG

(Malaysian, Aged 47)

was appointed as Independent Non-Executive Director of OpenSys on 6th November, 2003. He was called to the Malaysian Bar 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 holds 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 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. He also lectures in the University of Malaya LLM programme.

### TAI KEAT CHAI

(Malaysian, Aged 53)

was appointed as Independent Non-Executive Director of OpenSys on 29th December, 2006. He also serves as the Chairman of the Remuneration Committee and a member of both the Nomination Committee and the Audit Committee. Presently, he is a Board member of Chuan Huat Resources Berhad, Amanah Millenia Fund Berhad, Disccomp Berhad, Toyochem Corporation Berhad, MESB Berhad, Datascan Berhad, PECD Berhad and several other private limited companies.

He is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants.

He began his career with KPMG London as an Audit Senior in 1977 and a year later joined PricewaterhouseCoopers in Kuala Lumpur, as a Qualified Assistant. In 1981, he joined Alliance Merchant Bank Berhad as an Assistant Manager and rose to the position of Senior Manager (Corporate Finance). Subsequently, in 1988, he returned to PricewaterhouseCoopers Consulting Sdn Bhd as Manager for about a year before joining Berjaya Group Berhad as a General Manager (Investment). In 1990, he ventured into the stockbroking industry and has worked in SJ Securities Sdn Bhd, A.A. Anthony Securities Sdn Bhd and ECM Libra Securities Berhad as General Manager, Director and a dealer's representative respectively.

#### Note:

All of the above named directors of the Company have no family relationship with the other directors or substantial shareholders of the Company; and have not been convicted of any criminal offences (other than ordinary traffic offences, if any) and do not have any conflict of interest with the Company.

# Management Discussion

In year 2006, OpenSys continues to tap into the growing market trend of non-cash-dispensing self-service kiosks worldwide. Non-cash-dispensing kiosks, as the words imply, are machines that do not dispense cash but perform other functions such as allowing customers to make deposits of cheques and cash; pay bills using cash, cheques, credit and debit cards; buy insurance premiums, bank drafts and tickets; reload prepaid cards and electronic purses; facilitate funds transfers, time deposits, statement printing and registration of accounts. According to an independent study, the market for non-cash-dispensing kiosks worldwide is expected to grow 793 per cent from 2004 to 2014. In Asia, non-cash-dispensing kiosks will grow 11 folds from 85,000 units to 950,000 units over the next decade. For the past five years, OpenSys has developed a comprehensive set of solutions for this niche market giving us a tremendous first-mover-advantage.

Another area of growth is in image-based cheque clearing system, typically called Cheque Truncation System (CTS). CTS is a system that eliminates the movement of physical paper cheques in the cheque clearing cycle. Cheque images and data captured at the bank branches and self-service kiosks are cleared electronically resulting in significant cost savings for the banking industry. Most central banks in the region are contemplating on, or in the process of implementing CTS. In Malaysia, Bank Negara Malaysia will commence implementation of CTS by mid-2008. The increased

efficiency of handling 180 million cheques annually will result in cost savings of approximately RM500 million per year. Two major banks that are using OpenSys solution today are expected to pioneer the implementation of CTS in Malaysia.

For the financial year ended 31 December 2006, our revenue climbed to RM26.69 million, which represent a growth of 32% from 2005 revenue. Our profit before tax surged 173% to RM1.10 million from the year before. After taking a one-time charge of RM0.34 million for share options granted under our employee share option scheme in line with applicable accounting standards, our final profit before tax for 2006 was RM0.76 million. Our earnings before interest, tax, depreciation and amortization (EBITDA) jumped 51% to RM7.54 million from the corresponding period last year.

On the home front, our installed base of non-cash-dispensing self-service kiosks reached a critical mass of more than 1,000 machines in 2006. With critical mass, we can lower the operational cost of assembly and servicing of our machines. Towards the end of the year, we invested RM1.50 million to set up a fully-equipped service and support infrastructure nationwide to serve our banking, insurance and telecommunication customers better. With our own service centres in 20 locations nationwide, we can better control the service levels with our customers and streamline logistics and inventory cost. We can also service third-party

## management discussion (cont'd)



equipment if we choose to – potentially increasing our services revenue. Our Business Process Outsourcing (BPO) business to the telecommunication and insurance industries has also grown significantly resulting in steady income and recurring cash flow from these outsourcing operations.

On the regional front, we have made further inroads into countries such as United Arab Emirates, Indonesia and Singapore. Our business model is focused on increasing our marketing and sales channels in the regional markets for our products and services by forming strategic alliances with a network of distributors and resellers. We will concentrate on the development, assembly and customization of our products and services while our distributors and resellers will focus on sales, service and relationships as they are in a better position to handle the business opportunities in their own countries.

We believe that our continued commitment to product development will allow us to be more responsive to changes in technology, industry standards and customer demands for our products, and mitigate any effects of product failure or obsolescence. We will continue to enhance our existing products and services to maintain our market leadership position and introduce new products that allow our customers to enhance their service offerings at a lower operational cost. On average, we invest 15% of our revenue in

research and development each year. The carrying book value of development expenditure for the year ended 31 December 2006 is RM15.29 million. Our ability to retain the best brains in this market space is one of our sharpest competitive edge. Some of our product development team members have been in the self-service machine and related software industry for more than 25 years. With experienced people, we can offer a one-stop solution centre whereby hardware, software and related peripherals are packaged into one comprehensive solution for our customers to achieve the highest level of service and competitive advantage.

Moving forward, the potential for our products and outsourcing services in the domestic and regional market looks brilliant. More and more blue-chip institutions in Malaysia are warming up to the idea of using self-service kiosks to improve their customer service, lower operational cost and generate fee-based income. We see a similar trend spreading to the neighbouring countries in the region. With our proven track record, OpenSys is well positioned to make the most of the opportunities wherever and whenever it happens.

We would like to take this opportunity to thank our investors, customers, suppliers, management and staff for their continuous support of OpenSys.



# Corporate Information

## BOARD OF DIRECTORS

### Tan Kee Chung

*(Executive Director and Chief Executive Officer)*

### Chee Hong Soon

*(Executive Director)*

### Tune Hee Hian

*(Executive Director)*

### James Henry Stewart

*(Independent Non-Executive Director)*

### Lee Swee Seng

*(Independent Non-Executive Director)*

### Tai Keat Chai

**(Appointed on 29.12.06)**

*(Independent Non-Executive Director)*

### Azlan Bin Abdullah

**(Resigned on 13.04.07)**

*(Non-Independent Non-Executive Director)*

## COMPANY SECRETARIES

### Lim Seck Wah

*(MAICSA-0799845)*

### Kong Mei Kee

*(MAICSA-7039391)*

## AUDIT COMMITTEE

### James Henry Stewart

*(Independent Non-Executive Director)*

### Lee Swee Seng

*(Independent Non-Executive Director)*

### Chee Hong Soon

*(Executive Director)*

### Tai Keat Chai

*(Independent Non-Executive Director)*

## NOMINATION COMMITTEE

### James Henry Stewart

*(Independent Non-Executive Director)*

### Lee Swee Seng

*(Independent Non-Executive Director)*

### Tai Keat Chai

*(Independent Non-Executive Director)*

## REMUNERATION COMMITTEE

### James Henry Stewart

*(Independent Non-Executive Director)*

### Lee Swee Seng

*(Independent Non-Executive Director)*

### Tan Kee Chung

*(Executive Director and Chief Executive Officer)*

## 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

Suite 4.08, Level 4,  
Amoda Building,  
22 Jalan Imbi,  
55100 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

HLB Ler Lum (AF 0276)  
2nd & 3rd Floor, Bangunan Yeoh,  
35 & 37 Jalan Kamunting,  
50300 Kuala Lumpur  
Tel : 03-2691 5737  
Fax : 03-2691 3227

## PRINCIPAL BANKERS

### Eon Bank Berhad (92351-V)

Credit Admin Centre - Kuala Lumpur,  
1st Floor, Menara EON Bank,  
No. 288, Jalan Raja Laut,  
50350 Kuala Lumpur

### Malayan Banking Berhad (3813-K)

Jalan P. Ramlee Business Centre,  
Ground Floor, MUI Plaza,  
Jalan P. Ramlee, 50250 Kuala Lumpur

## SPONSORS

### CIMB Investment Bank Berhad (18417-M)

(formerly known as Commerce International Merchant Bankers Berhad)

5th Floor, Bangunan CIMB,  
Jalan Semantan, Damansara Heights  
50490 Kuala Lumpur  
Tel: 03-2084 8888  
Fax: 03-2093 9688

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
MESDAQ Market

# Audit Committee Report

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 the following members :-

### Chairman

James Henry Stewart — Independent Non-Executive Director

### Members

Lee Swee Seng — Independent Non-Executive Director  
 Chee Hong Soon — Executive Director  
 Tai Keat Chai — Independent Non-Executive Director (Appointed on 29.12.2006)

## 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 Chief Executive Officer shall not be a member of the Audit Committee.

The members of the Audit Committee shall elect a chairman from among their member who is an independent director. The Chairman elected shall be subjected to endorsement by the Board.

If a member of the Audit Committee resigns, 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.

### 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;
- 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;
- to review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work; and
- to verify the allocation of options to the eligible employees pursuant to the Company's Employee Share Option Scheme at the end of each financial year.

# audit committee report (cont'd)

## 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 and were fully attended by all the members during the year 2006.

Record of attendance for meetings held during the financial year ended 31 December 2006 is as follows :-

Audit Committee Members	Attendance
James Henry Stewart (Chairman)	3/3
Lee Swee Seng	3/3
Chee Hong Soon	3/3
Tai Keat Chai	N/A

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.

## SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The activities of the Audit Committee during the financial year ended 31 December 2006 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
- review the allotment of ESOS options that were granted to eligible employees during the year to ensure its compliance to the criteria set out in the By-Laws of the Company's ESOS.

## INTERNAL AUDIT FUNCTIONS

The Company has outsourced its internal audit division 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, and compliance with established procedures, guidelines and statutory requirements.

## EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The allocation of options was reviewed by the Audit Committee to ensure compliance with the allocation criteria determined by the Option Committee and in accordance with the By-Laws of the ESOS.

# Statement of Corporate Governance

The Board of Directors fully acknowledges 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 set out in Part 1 & Part 2 of 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
- Three (3) 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 profile of each Director is presented separately in the Annual Report.

#### Meetings

The Board met four (4) times during the financial year ended 31 December 2006. The members of the Board and their attendance at the meetings were as follows :-

Board of Directors	No. of meetings attended
Tan Kee Chung	4/4
Chee Hong Soon	4/4
Tune Hee Hian	4/4
James Henry Stewart	3/4
Lee Swee Seng	4/4
Tai Keat Chai (Appointed on 29.12.2006)	N/A
Azlan Bin Abdullah (Resigned on 13.04.2007)	4/4



# statement of corporate governance (cont'd)

## Supply of Information

The agenda and Board papers for each item as well as minutes of previous meetings are circulated prior to the Board meetings to give Directors sufficient time to deliberate on the issues to be raised at the Board meetings.

Upon recommendations by the management/committee members, the Board will deliberate and discuss on the matters before any decisions be made. All proceedings of the Board Meetings are minuted and signed by the Chairman of the meeting in accordance with the provision of Section 156 of the Companies Act, 1965.

The Board is kept updated on the Company's and Group's activities and its operations on a regular basis. The directors also have access to reports on the Group's activities, both financial and operational.

All directors have access to the advice and services of the Company Secretary who is responsible for ensuring that board procedures are followed and the Board may also take independent advice, at the Company's expenses, in the furtherance of their duties if so required. The Board also has unlimited access to all information with regard to the activities of the Company.

## Appointments to the Board

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board with due consideration given to the mix of expertise and experience required for an effective Board.

The Company has established a Nomination Committee on 13.2.2007. The Nomination Committee, which has been appointed by the Board is primarily empowered by its terms of reference in carrying out the functions amongst, to review annually the required mix of skills, experience and other qualities of the Directors and to recommend new appointment, if any, to the Board.

The Nomination Committee comprises the following :-

### Chairman

James Henry Stewart — Independent Non-Executive Director

### Members

Lee Swee Seng — Independent Non-Executive Director  
Tai Keat Chai — Independent Non-Executive Director

## Re-election

Pursuant to the Company's Articles of Association, one-third (1/3) of the Directors, 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.

At the forthcoming Annual General Meeting, Mr. Lee Swee Seng who will retire by rotation pursuant to Article 98 and that Mr. Tai Keat Chai will retire by rotation pursuant to Article 105. Mr. James Henry Stewart who will retire in accordance with Section 129(6) of the Companies Act, 1965. All of them being eligible, offer themselves for re-election.

## Directors' Training

In line with the constant amendments for the enhancement of the rules and regulations and borderless business environment, the Directors are encouraged to attend continuous training to further their knowledge and to equip them to effectively discharge their duties as directors.

The Board attends relevant training programmes from time to time to equip themselves with the knowledge to discharge their duties more effectively.

# statement of corporate governance (cont'd)

Five (5) directors attended the following courses during the financial year :-

Director	Date	Course Attended
<b>Chee Hong Soon</b>	17 May 2006	Briefing on the Revamp of the Listing Requirements for the Mesdaq Market – Organised by Bursa Malaysia
	15 June 2006	Tax Incentives for Malaysian Companies Under Income Tax Act & Promotion of Investment – Organised by The Exporters Club Sdn Bhd
	06 – 07 December 2006	Corporate Directors' Training Programme – Organised by MAICSA
<b>Tune Hee Hian</b>	06 – 07 December 2006	Corporate Directors' Training Programme – Organised by MAICSA
<b>Lee Swee Seng</b>	19 April 2006	Regulatory Framework in Corporate Fraud Prevention and How to Successfully Detect and Investigate Fraud – Organised by Lexis Nexis
	20 September 2006	Drafting Commercial Contracts : Avoiding Common Pitfalls in a Contract – Organised by Lexis Nexis
	21 November 2006	Directors' Duties and Liabilities : Challenges and Obligations in Maintaining Corporate Governance – Organised by Lexis Nexis
<b>Tai Keat Chai</b>	12 July 2006	Boardroom Briefing for Directors/CEOs – Organised by Smart Focus
<b>Azlan Bin Abdullah</b> (Resigned on 13.04.2007)	25 May 2006	Corporate Fraud – Organised by Trace Management Services Sdn Bhd and MAA Holding Bhd
	30 June 2006	Macro Economics : Malaysian Scenario 2006 – Organised by Trace Management Services Sdn Bhd
	06 October 2006	Corporate Directors' Training Programme – Organised by Trace Management Services Sdn Bhd

The other Directors were registered for a training course scheduled in December 2006, however, due to the cancellation of the course by the Organiser, another course could not be arranged prior to year-end.

# statement of corporate governance (cont'd)

## B. DIRECTORS' REMUNERATION

The details of the remuneration for Directors during the financial year ended 31 December 2006 are categorized into appropriate components as follows :-

	Salaries RM'000	Fees RM'000	Other Emoluments RM'000	Total RM'000
Executive Directors	645	-	-	645
Non-Executive Directors	-	72	5	77

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
RM 50,001 – RM150,000	-	-
RM150,001 – RM200,000	1	-
RM200,001 – RM250,000	1	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	1	-

The Company has established a Remuneration Committee on 13.2.2007, consisting of two (2) Independent Non-Executive Directors and the Chief Executive Director. The Committee's primary responsibility is to recommend to the Board, the remuneration of Directors. However, the final decision on remuneration for Directors is a matter for the Board as a whole and individual directors are required to abstain from discussion of their own remuneration.

The members of the Remuneration Committee are as follows :-

### Chairman

James Henry Stewart – Independent Non-Executive Director

### Members

Lee Swee Seng – Independent Non-Executive Director

Tan Kee Chung – Chief Executive Officer

## C. SHAREHOLDERS

### Dialogue between the Company and Investor

The Company values dialogue with investors as a means of effective communication that enables the Board to convey information about the Company's performance, corporate strategy and other matters affecting shareholders' interests.

The Annual General Meeting is the principal forum for dialogue with individual shareholders. It is a crucial mechanism in shareholder communication for the Company. 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.

The Board is also committed to ensure that shareholders are well informed of major developments of the Company and the information is also communicated to them through the following channels :-

- Annual Report;
- Various disclosures and announcements made to Bursa Securities including the quarterly results and annual results; and
- The Company's website [www.myopensys.com](http://www.myopensys.com) through which shareholders and the public in general can gain access to the latest corporate and product information of the Company.

# statement of corporate governance (cont'd)

## Annual General Meeting ("AGM")

Notice of AGM and annual reports are sent out to shareholders at least 21 days before the date of the meeting.

At the AGM, the Board also provides opportunities for shareholders to raise questions pertaining to the business activities of the Company. Directors and senior management staff are available to respond to shareholders' queries.

For the re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding Directors who are subject to retire but being eligible, after themselves for re-election.

Each item of special business included in the notice of meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

## 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 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 has outsourced the independent Internal audit Division to ensure the internal audit functions are carried out effectively and professionally.

### Relationship with 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 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.



# Additional Compliance Information

## 1. Non-audit Fees

There was no non-audit fee paid to the external auditors by the Company for the financial year ended 31 December 2006.

## 2. Revaluation Policy

Not applicable.

## 3. Option, Warrants or Convertible Securities

Save as disclosed below, no options, warrants or convertible securities were issued or exercised during the financial year

During the financial year ended 31 December 2006, the Company offered 14,250,000 options to the eligible employees of the Company under the Employee Share Option Scheme, of which 550,000 options were exercised by the eligible employees.

No ESOS option was offered to the non-executive directors of the Company in respect of the financial year ended 31 December 2006.

During the financial year ended 31 December 2006, none of the following transactions has been entered by the Company :-

- Share Buy-backs;
- Sponsorship of any American Depositary Receipt or Global Depositary Receipt programmes;
- Sanctions and/or penalties imposed on the Company, Directors or management staff by the relevant regulatory bodies;
- Issuance or announcement of any profit estimate, forecast or projection;
- Profit guarantee given by the Company; and
- Material contracts entered into by the Company involving directors and substantial shareholders

# Statement of Internal Control

## Introduction

This Statement of Internal Control is made by the Board of Directors pursuant to Section 15.27(b) of the Bursa Malaysia Listing Requirements, which provides that the Company's compliance with the best practices of internal control as provided in the Malaysian Code of Corporate Governance.

## Responsibilities of the Board

The Board acknowledges its responsibility for maintaining sound systems of internal controls, and for reviewing the adequacy and integrity of the system. The system of internal control covers financial, operational and compliance controls, and risk management. The Board recognizes that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the systems can only provide reasonable but not absolute assurance against material misstatement, fraud and loss.

## Risk Management

The Company has in place a risk management framework and sound internal controls to achieve a good governance framework. The risk management framework is set up to identify, evaluate, monitor and manage risks that may affect the Company's businesses. An effective framework allows the Management to manage risks within defined parameters and standards.

The Management, with the assistance of the internal auditors pursued a continuous process of identifying, assessing and managing key business, operational and financial risks faced by its business units as well as regularly reviewing planned strategies to determine whether risks are mitigated and well-managed, and to ensure compliance with the guidelines issued by the relevant authorities.

## Key Elements of Internal Control

The key elements of the Company's internal control system include the following :-

- Internal Audit Function

The internal audit function is presently out-sourced to a third party professional firm who monitors and reports on the system of internal financial, accounting and operational controls. Its main responsibility is to undertake reviews of the system of internal control to ensure that such a system operates satisfactorily and effectively in the Company. It reports to the Audit Committee. The internal audit function adopts a risk-based approach and prepares its audit plans based on the risk profiles of the Company.

- Report, Review and Monitor

The Company's monitoring, review and reporting procedures and systems are in place to give reasonable assurance that the controls are adequate to the Company's operations. Such procedures and systems, however, do not eliminate the possibility of human error, fraud and the occurrence of unforeseeable circumstances.

## Conclusion

The Board opined that the current system of internal controls incorporated by the Company is sound and effective. Notwithstanding this, the control procedures are constantly being reviewed to ensure the effectiveness and adequacy of the systems of internal control to safeguard shareholders' investments and the Company's assets.

The Board of Directors approved this Statement on 23 March 2007.

# Directors' Report

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December, 2006.

## 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.

The principal activities of the subsidiaries are set out in Note 11 to the financial statements.

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

## FINANCIAL RESULTS

**RM**

Net profit for the year	756,319
Unappropriated profits brought forward	1,985,845
Unappropriated profits carried forward	2,742,164

## 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 31 December, 2006.

## RESERVES AND PROVISIONS

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

## 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  
 Lee Swee Seng  
 James Henry Stewart  
 Tai Keat Chai (Appointed on 29.12.2006)  
 Azlan Bin Abdullah (Resigned on 13.4.2007)

In accordance with the Company's Articles of Association, Messrs. Lee Swee Seng, James Henry Stewart and Tai Keat Chai retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

# directors' report (cont'd)

## 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 31.12.2006
	Balance at 1.1.2006	Acquired	Disposed	
Tan Kee Chung	35,541,230	-	-	35,541,230
Chee Hong Soon	6,161,220	-	-	6,161,220
Tune Hee Hian	3,982,682	-	-	3,982,682
Azlan Bin Abdullah	24,218,093	-	-	24,218,093

By virtue of the directors' interests in the shares of the Company, directors having interest in the shares of the Company are also deemed interested in the shares of its related corporations to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

No other directors had any interest in shares of the Company and its related corporations during the year.

## 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 remunerations received or due and receivable by directors as shown in the financial statements of the Group and 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.

## INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and 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 Group and 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 Group and of the Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.



# directors' report (cont'd)

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

- (a) any charge on the assets of the Group and 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 Group and 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 Group and of the Company to meet their 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 Group and 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 Group and of the Company for the financial year in which this report is made.

## AUDITORS

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

On behalf of the Board,

**Tan Kee Chung**

**Chee Hong Soon**

Dated : 23 April 2007

Kuala Lumpur

# Statement by Directors

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 Group and of the Company as at 31 December, 2006 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 : 23 April 2007

Kuala Lumpur

# Statutory Declaration

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 23 April 2007

Before me :

**Commissioner for Oaths**

# Auditors' Report

## to the members of OpenSys (M) Berhad

We have audited the financial statements set out on pages 23 to 47. 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 MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities 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 of the Group and of the Company; and
  - (ii) the state of affairs of the Group and of the Company as at 31 December, 2006 and of the results of the operations and cash flows of the Group and of the Company 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 and its subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

**HLB LER LUM**

(Firm Number : AF 0276)  
Chartered Accountants

Dated : 23 April 2007  
Kuala Lumpur

**LUM TUCK CHEONG**

1005/3/09(J/PH)  
Partner of the Firm

# Income Statements

for the year ended 31 December 2006

	Note	Group 2006 RM	Company 2006 RM	2005 RM
REVENUE	4	26,692,849	26,692,849	20,268,849
COST OF SALES		(18,707,057)	(18,707,057)	(15,011,223)
GROSS PROFIT		7,985,792	7,985,792	5,257,626
OTHER OPERATING INCOME		97,405	97,405	138,605
SELLING & DISTRIBUTION COSTS		(569,585)	(569,585)	(349,728)
ADMINISTRATION EXPENSES		(2,591,087)	(2,591,087)	(1,885,196)
OTHER OPERATING EXPENSES		(2,153,945)	(2,153,945)	(1,604,301)
FINANCE COSTS	5	(2,012,261)	(2,012,261)	(1,155,093)
PROFIT BEFORE TAXATION	7	756,319	756,319	401,913
TAXATION	8	-	-	2,700
NET PROFIT FOR THE YEAR		756,319	756,319	404,613
ATTRIBUTABLE TO EQUITY HOLDERS		756,319	756,319	404,613
Earnings per share	9			
Basic (Sen)		0.34	0.34	0.18
Diluted (Sen)		0.26	0.26	0.14

The notes set out on pages 28 to 47 form an integral part of these financial statements.



# Balance Sheets

as at 31 December 2006

	Note	Group 2006 RM	Company 2006 RM	2005 RM
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant & equipment	10	21,405,562	21,405,562	14,923,113
Investment in subsidiaries	11	-	2,000	-
Development expenditure	12	15,289,879	15,289,879	14,571,809
Fixed deposits under lien	13	3,335,290	3,335,290	3,051,133
		40,030,731	40,032,731	32,546,055
<b>Current assets</b>				
Inventories	14	8,114,556	8,114,556	8,583,278
Trade receivables	15	11,601,493	11,601,493	14,829,044
Other receivables & prepayments	16	3,041,643	3,035,043	4,002,337
Amount due from subsidiaries	11	-	4,600	-
Tax recoverable		100,724	100,724	74,510
Fixed deposits	13	980,999	980,999	1,077,499
Cash & bank balances		1,227,689	1,227,689	801,361
		25,067,104	25,065,104	29,368,029
<b>Total assets</b>		65,097,835	65,097,835	61,914,084
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders</b>				
Share capital	17	22,235,000	22,235,000	22,180,000
Share premium	18	5,891,527	5,891,527	5,878,327
Capital reserve		328,800	328,800	-
Unappropriated profits		2,742,164	2,742,164	1,985,845
<b>Total equity</b>		31,197,491	31,197,491	30,044,172
<b>Non-current liabilities</b>				
Finance lease liabilities	19	2,653,809	2,653,809	5,709,395
Hire purchase liabilities	20	59,585	59,585	231,099
Borrowings	21	9,463,982	9,463,982	5,611,306
		12,177,376	12,177,376	11,551,800
<b>Current liabilities</b>				
Trade payables	22	2,351,334	2,351,334	3,596,838
Other payables & accruals	23	587,243	587,243	395,952
Finance lease liabilities	19	1,264,596	1,264,596	1,464,408
Hire purchase liabilities	20	171,514	171,514	243,641
Short term borrowings	21	15,792,230	15,792,230	4,496,997
Bankers' acceptance	24	981,000	981,000	8,193,319
Bank overdrafts	24	483,096	483,096	1,839,854
Post-employment benefit obligations	25	91,955	91,955	87,103
		21,722,968	21,722,968	20,318,112
<b>Total liabilities</b>		33,900,344	33,900,344	31,869,912
<b>Total equity and liabilities</b>		65,097,835	65,097,835	61,914,084

The notes set out on pages 28 to 47 form an integral part of these financial statements.

# Statements of Changes in Equity

for the year ended 31 December 2006

## Group/Company

	Share capital RM	Attributable to equity holders			Total equity RM
		Share premium RM	Capital reserve RM	Unappropriated profits RM	
Balance at 1 January, 2005	22,180,000	5,878,327	-	1,581,232	29,639,559
Net profit for the year	-	-	-	404,613	404,613
Balance at 31 December, 2005	22,180,000	5,878,327	-	1,985,845	30,044,172
Issue of share capital	55,000	13,200	328,800	-	397,000
Net profit for the year	-	-	-	756,319	756,319
Balance at 31 December, 2006	22,235,000	5,891,527	328,800	2,742,164	31,197,491

The notes set out on pages 28 to 47 form an integral part of these financial statements.

# Cash Flow Statements

for the year ended 31 December 2006

	Group 2006 RM	Company 2006 RM	2005 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation	756,319	756,319	401,913
Adjustments for :-			
Depreciation	2,627,892	2,627,892	1,378,957
Development expenditure	2,235,726	2,235,726	2,197,941
Interest expenses	2,012,261	2,012,261	1,155,093
Interest income	(97,405)	(97,405)	(138,605)
Operating profit before working capital changes	7,534,793	7,534,793	4,995,299
Decrease/(Increase) in inventories	468,722	468,722	(2,551,742)
Decrease in receivables	4,188,245	4,194,845	10,453,630
Decrease in payables	(1,049,362)	(1,049,362)	(11,558,402)
Net changes in inter-company balance	-	(4,600)	-
Cash generated from operations	11,142,398	11,144,398	1,338,785
Interest paid	(2,012,261)	(2,012,261)	(1,155,093)
Interest received	97,405	97,405	138,605
Tax paid	(26,214)	(26,214)	(39,617)
Net cash from operating activities	9,201,328	9,203,328	282,680
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries	-	(2,000)	-
Development expenditure paid	(2,691,893)	(2,691,893)	(3,570,652)
Purchase of property, plant & equipment	(499,475)	(499,475)	(349,903)
Net cash used in investing activities	(3,191,368)	(3,193,368)	(3,920,555)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	397,000	397,000	-
Placement of bankers' acceptance	-	-	13,665,116
Proceeds from borrowings	6,336,983	6,336,983	1,477,138
Placement of fixed deposits under lien	(284,156)	(284,156)	(31,909)
Repayment of bankers' acceptance	(7,212,319)	(7,212,319)	(8,297,281)
Repayment of borrowings	-	-	(5,517,385)
Repayment of hire purchase liabilities	(243,641)	(243,641)	(253,984)
Repayment of finance lease liabilities	(3,317,241)	(3,317,241)	(652,652)
Net cash (used in)/from financing activities	(4,323,374)	(4,323,374)	389,043
Net changes in cash and cash equivalents	1,686,586	1,686,586	(3,248,832)
Cash and cash equivalents brought forward	39,006	39,006	3,287,838
Cash and cash equivalents carried forward	1,725,592	1,725,592	39,006

The notes set out on pages 28 to 47 form an integral part of these financial statements.

# cash flow statements (cont'd)

for the year ended 31 December 2006

	Group 2006 RM		Company 2006 RM	2005 RM
<b>NOTES TO THE CASH FLOW STATEMENTS</b>				
<b>(a) Cash and cash equivalents comprise :-</b>				
Fixed deposits with licensed banks	4,316,289		4,316,289	4,128,632
Cash & bank balances	1,227,689		1,227,689	801,361
Bank overdrafts	(483,096)		(483,096)	(1,839,854)
	5,060,882		5,060,882	3,090,139
Less : Fixed deposits under lien	(3,335,290)		(3,335,290)	(3,051,133)
	1,725,592		1,725,592	39,006
<b>(b) Analysis of acquisition of property, plant &amp; equipment :-</b>				
Cash	499,475		499,475	349,903
Finance lease arrangement	61,843		61,843	5,127,989
Borrowings	8,810,926		8,810,926	6,548,165
	9,372,244		9,372,244	12,026,057

The notes set out on pages 28 to 47 form an integral part of these financial statements.

# Notes to the 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 principal activities of the subsidiaries are set out in Note 11 to the financial statements.

The Company is a limited liability company, incorporated and domiciled in Malaysia and is listed on the Malaysian Exchange of Securities Dealing & Automated Quotation Bhd ("MESDAQ") of Bursa Malaysia Securities Berhad ("BMSB").

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 Group's and 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 Group's and the Company's financial risk management policy seek to ensure that adequate resources are available to manage the above risks and to create value for their shareholders. These are not the Group's and the Company's policy to engage in speculative transactions.

### (a) Credit risk

The Group and the Company are exposed to credit risk mainly from receivables. The Group and the Company extend credit to their 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 Group and the Company are 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 Group's and the Company's transactions, assets and liabilities are denominated in Ringgit Malaysia.

### (c) Interest rate risk

The Group's and the Company's income and operating cash flows are substantially independent of changes in market rates. Interest rate exposure arise from the Group's and 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 (cont'd)

## 2. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (cont'd)

### (d) Market risk

The Group and the Company manage their exposure to fluctuation in prices of key products purchased used in their operations through floating price levels that the Group and 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 Group and the Company practice prudent liquidity risk management policies and maintain 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 Group and 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 MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

The preparation of financial statements in conformity with the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities 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 financial statements are presented in Ringgit Malaysia, which are the Group's and the Company's functional and presentation currency.

The adoption of the relevant new or revised Financial Reporting Standards ("FRS"), which effective for the financial period beginning on or after 1 January 2006 are as follows :-

- FRS 1 First-time Adoption of Financial Reporting Standards ("FRS")
- FRS 2 Share-based Payment
- FRS 3 Business Combinations
- FRS 101 Presentation of Financial Statements
- FRS 102 Inventories
- FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 110 Events After the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 121 The Effect of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements
- FRS 132 Financial Instruments: Disclosure and Presentation
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets

The financial statements have been amended as required, in accordance with the relevant transitional provisions in the respective FRSs.

The adoption of the above FRSs does not have significant financial impact on the Group and the Company except as disclosed in the Notes to the financial statements.

### (b) Property, plant & equipment

Property, plant & equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the financial year in which they are incurred.

# notes to the financial statements (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Property, plant & equipment (cont'd)

Depreciation on property, plant & equipment 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	10 – 20%

Residual value, useful life and depreciation method of assets are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Gains and losses on disposals are determined by comparing net disposal proceeds with net carrying amount and are recognised in the Income Statement.

### (c) Impairment of non-financial assets

The carrying amounts of assets, other than inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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.

Impairment losses on goodwill are not reversed. In respect of other assets, any 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) Investment in subsidiaries and basis of consolidation

In the Company's separate financial statements, investment in subsidiaries is stated at cost less accumulated impairment losses. On disposal of investment in subsidiaries, the difference between net disposal proceeds and their carrying amounts is included in the Income Statement.

Subsidiaries are entities in which the Group has power to exercise control over their financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest.

# notes to the financial statements (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Investment in subsidiaries and basis of consolidation (cont'd)

Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the Income Statement.

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated from the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases.

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated Income Statement.

### (e) Development expenditure

Expenditure on development activities are recognised as intangible asset when the following criteria are fulfilled :-

- (i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (ii) management intends to complete the intangible asset and use or sell it;
- (iii) there is an ability to use or sell the intangible asset;
- (iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

The expenditure capitalised includes the cost of direct labour and an appropriate proportion of overheads. Other development expenditure that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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.

### (f) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on the weighted average method and includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

# notes to the financial statements (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (g) Payables

Payables 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 Group and the Company.

### (h) Receivables

Receivables are stated at cost less any allowances for 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 receivable accounts.

### (i) Borrowing costs

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the Income Statement.

### (j) Finance leases

Leases of property, plant and equipment where the Group and the Company assume substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. 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. The interest element of the finance charge is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of the estimated useful life of the asset and the lease term.

All other leases are regarded as operating leases. Payments made under operating leases are charged to the Income Statement on the straight line basis over the lease period.

### (k) Hire purchase liabilities

Property, plant & equipment acquired under hire purchase arrangements which in substance transfer the risks and benefits of ownership, are capitalised at the value equivalent to the principal sum of total hire purchase payables. The corresponding obligations are treated as liabilities.

Finance charges are allocated to the Income Statement to give a constant periodic rate of interest on the remaining hire purchase liabilities.

### (l) 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 balance sheet is disclosed in the individual accounting policy statement associated with each item.

# notes to the financial statements (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (l) Financial instruments (cont'd)

#### (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.

### (m) Foreign currencies

#### (i) Functional and presentation currency

Items included in the financial statement of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentational currency.

#### (ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

### (n) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and 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) Services rendered

Revenue is recognised when the services are rendered.

#### (iv) Interest income

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

### (o) 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 attributable to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

# notes to the financial statements (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (p) Employee benefits

#### (i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company.

#### (ii) Post-employment benefits

##### Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's and the Company's contributions to a defined contribution plan are charged to the Income Statement in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

#### (iii) Equity compensation benefits

Details of the Company's Employees' Share Option Scheme are set out in Note 17 to the financial statements. As the equity instruments granted vest immediately, the entity shall recognise the service received in full in the Income Statement, with a corresponding increase in equity. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium.

### (q) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank overdraft and deposits held at call with financial institutions and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the Cash Flow Statement, cash and cash equivalents are presented net of bank overdrafts.

## 4. REVENUE

	Group/Company 2006 RM	Company 2005 RM
Efficient service machine	21,746,732	15,308,217
Software licence	168,190	10,000
Services rendered	4,777,927	4,950,632
	26,692,849	20,268,849

## 5. FINANCE COSTS

	Group/Company 2006 RM	Company 2005 RM
Bank overdraft interest	125,478	111,512
Hire purchase interest	32,983	58,959
Lease interest	729,148	572,495
Revolving credit interest	-	54,619
Term loan interest	1,123,259	356,641
Other interest	1,393	867
	2,012,261	1,155,093



# notes to the financial statements (cont'd)

## 6. DIRECTORS' REMUNERATION

The aggregate remuneration of directors of the Group and of the Company categorised into appropriate components for the year ended 31 December, 2006 are as follows :-

	<b>Fees RM</b>	<b>Salaries RM</b>	<b>Others* RM</b>	<b>Total RM</b>
Executive directors	-	658,580	77,628	736,208
Non executive directors	72,000	-	5,500	77,500

The number of directors of the Group and of the Company whose total remuneration fall within the following bands for the financial year ended 31 December, 2006 are as follows :-

<b>Range of remuneration</b>	<b>Group/Company No. of Directors</b>	
	<b>Executive</b>	<b>Non executive</b>
Below RM50,001	-	3
RM50,001 – RM150,000	-	-
RM150,001 – RM200,000	1	-
RM200,001 – RM250,000	1	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	1	-

\*Included in the remuneration of directors of the Group and of the Company is contribution to a defined contribution plan charged to the Income Statement amounting to RM77,628 (2005: RM71,712).

## 7. PROFIT BEFORE TAXATION

	<b>Group/Company 2006 RM</b>	<b>Company 2005 RM</b>
Profit before taxation is stated after charging/(crediting) (other than those disclosed in Note 5) :-		
Auditors' remuneration	13,000	13,000
Directors' remuneration		
– emoluments	342,900	-
– fees	72,000	72,000
– others	5,500	6,000
Depreciation	383,187	395,054
Development expenditure		
– amortisation	2,235,726	2,197,941
– charged to Income Statement	27,324	-
Lease rental	35,810	73,777
Realised loss on foreign exchange	21,522	12,468
Rental of premises	352,529	333,906
Share based payment	342,000	-
Staff costs (excluding directors' remuneration)	3,521,880	2,898,876
Fixed deposit interest	(97,405)	(138,605)
Included in the cost of sales are as follows :-		
Depreciation	2,244,705	983,903
Bankers' acceptance/Letter of credit interest	311,915	348,369
Cost of inventories	9,432,704	10,037,942

# notes to the financial statements (cont'd)

## 8. TAXATION

	Group/Company 2006 RM	Company 2005 RM
Malaysian income tax		
Over-provision in prior year	-	(2,700)

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 Group and of the Company is as follows :-

	Group/Company 2006 RM	Company 2005 RM
Profit before taxation	756,319	401,913
Income tax using Malaysian tax rate of 28% (2005: 28%)	211,769	112,536
Pioneer exempt income	(211,769)	(112,536)
Over-provision in prior year	-	(2,700)
	-	(2,700)

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 1 December, 2003. The pioneer exempt income as at 31 December, 2006 is estimated at RM15,296,780 (2005: RM15,296,780) which is subject to agreement by the Inland Revenue Board.

The unutilised capital allowances carried forward as at 31 December, 2006 is estimated at RM1,183,040 (2005: RM1,063,820). This is, however, subject to the confirmation by the Inland Revenue Board.

Subject to agreement with the Inland Revenue Board, the Company has exempt income estimated at RM50,666 (2005: RM50,666) pursuant to Section 12 of the Income Tax (Amendment) Act, 1999, from which tax exempt dividends can be declared.

Based on the prevailing tax rate applicable to dividends and the estimated tax credits under Section 108 of the Income Tax Act, 1967 and the tax exempt account balance as mentioned above, all of the unappropriated profits of the Company as at 31 December, 2006 (2005: RM1,985,845) are available for distribution by way of dividends without additional tax liabilities being incurred. This is, however, subject to confirmation by the Inland Revenue Board.

## 9. EARNINGS PER SHARE ("EPS")

	Group/Company 2006	Company 2005
Basic EPS		
Net profit for the year/Net profit attributable to equity holders (RM'000)	756	405
Weighted average number of shares in issue for basic EPS ('000)	222,167	221,800
Basic EPS (sen)	0.34	0.18

Basic EPS is calculated by dividing the net profit attributed to ordinary shareholders by the weighted average number of ordinary share in issue during the year.

# notes to the financial statements (cont'd)

## 9. EARNINGS PER SHARE ("EPS") (cont'd)

	Group/Company 2006	Company 2005
Diluted EPS		
Net profit for the year/Net profit attributable to equity holders (RM'000)	756	405
Weighted average number of shares in issue for basic EPS ('000)	222,167	221,800
Adjustment for :-		
Ordinary shares deemed issued at no consideration on assumed exercise of options ('000)	65,990	66,540
	288,157	288,340
Diluted EPS (sen)	0.26	0.14

For the diluted EPS calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

## 10. PROPERTY, PLANT & EQUIPMENT

Group/Company	Cost			Balance at 31.12.2006 RM
	Balance at 1.1.2006 RM	Additions RM	Disposal RM	
Computers	2,392,245	390,263	-	2,782,508
Furniture & fittings	1,033,297	27,254	-	1,060,551
Motor vehicles	653,609	-	-	653,609
Renovations	460,744	94,483	-	555,227
Signboard	6,440	2,400	-	8,840
Telecommunication & office equipment	15,619,929	8,857,844	-	24,477,773
	20,166,264	9,372,244	-	29,538,508
	Accumulated Depreciation			Balance at 31.12.2006 RM
	Balance at 1.1.2006 RM	Charge for the year RM	Disposal RM	
Computers	2,075,125	230,664	-	2,305,789
Furniture & fittings	693,907	108,291	-	802,198
Motor vehicles	411,315	94,043	-	505,358
Renovations	115,744	46,674	-	162,418
Signboard	3,641	751	-	4,392
Telecommunication & office equipment	1,943,419	2,409,372	-	4,352,791
	5,243,151	2,889,795	-	8,132,946

# notes to the financial statements (cont'd)

## 10. PROPERTY, PLANT & EQUIPMENT (cont'd)

	Net Book Value at 31.12.2006 RM	Net Book Value at 31.12.2005 RM	Depreciation for the year ended 31.12.2005 RM
Computers	476,719	317,120	169,057
Furniture & fittings	258,353	339,390	181,359
Motor vehicles	148,251	242,294	104,577
Renovations	392,809	345,000	39,109
Signboard	4,448	2,799	643
Telecommunication & office equipment	20,124,982	13,676,510	1,181,287
	21,405,562	14,923,113	1,676,032

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

	Group/Company 2006 RM	Company 2005 RM
Computers	82,233	59,788
Furniture & fittings	230,173	325,410
Motor vehicles	148,251	242,294
Renovations	197,280	216,827
Telecommunication & office equipment	5,675,683	6,899,889
	6,333,620	7,744,208
Depreciation charge for the year is allocated as follows :-		
Income Statement	2,627,892	1,378,957
Development expenditure (Note 12)	261,903	297,075
	2,889,795	1,676,032

## 11. SUBSIDIARIES

	Company 2006 RM	Company 2005 RM
(a) Investment in subsidiaries		
Unquoted shares – at cost	2,000	-

Name of Company	Principal Activities	Place of Incorporation	Effective Equity Interest 2006 %	Effective Equity Interest 2005 %
OpenSys Technologies Sdn Bhd	Dormant	Malaysia	100	-
OpenSys Engineering Sdn Bhd	Dormant	Malaysia	100	-

### (b) Amounts due from subsidiaries

The amounts due from subsidiaries pertain mainly to advances and payments on behalf. The outstanding amounts are unsecured, interest free and have no fixed terms of repayment.

# notes to the financial statements (cont'd)

## 12. DEVELOPMENT EXPENDITURE

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

	Group/Company 2006 RM	Company 2005 RM
At beginning of the year	14,571,809	12,902,023
Capitalised during the year	2,953,796	3,867,727
Less : Amortisation during the year	(2,235,726)	(2,197,941)
At end of the year	15,289,879	14,571,809
Cost		
At beginning of the year	24,316,688	20,859,247
Capitalised during the year	2,953,796	3,867,727
Less : Portion related to completed project	(2,855,686)	(410,286)
At end of the year	24,414,798	24,316,688
Accumulated amortisation		
At beginning of the year	9,744,879	7,957,224
Charged to Income Statement	2,235,726	2,197,941
Less : Portion related to completed project	(2,855,686)	(410,286)
At end of the year	9,124,919	9,744,879
Net book value	15,289,879	14,571,809

Included in the development expenditure are current charges of :-

	Group/Company 2006 RM	Company 2005 RM
Depreciation (Note 10)	261,903	297,075
Directors' emoluments	393,308	667,584
Staff costs (excluding directors' emoluments)	2,061,004	2,651,800
Rental of premises	237,580	251,268

## 13. FIXED DEPOSITS

	Group/Company 2006 RM	Company 2005 RM
Fixed deposits with licensed banks	4,316,289	4,128,632
Represented by :-		
Current	980,999	1,077,499
Non-current	3,335,290	3,051,133
	4,316,289	4,128,632

The interest rate of deposits of the Group and of the Company as at balance sheet date ranged from 2.5% to 3.59% (2005: 3%) per annum.

Deposits of the Group and of the Company have maturity ranging from 2 days to 365 days (2005: 2 days to 365 days). Bank balances are deposits held at call with banks.

# notes to the financial statements (cont'd)

## 14. INVENTORIES - at cost

	Group/Company 2006 RM	Company 2005 RM
Assembly components	8,022,893	6,039,768
Finished goods	91,663	2,543,510
	8,114,556	8,583,278

## 15. TRADE RECEIVABLES

	Group/Company 2006 RM	Company 2005 RM
The currency exposure profile of trade receivables is as follows :-		
Ringgit Malaysia	11,513,095	13,866,774
US Dollar	88,398	962,270
	11,601,493	14,829,044

The Group's and the Company's normal credit term of trade receivables ranged from 30 days to 90 days (2005: 30 days to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

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

## 16. OTHER RECEIVABLES & PREPAYMENTS

	Group 2006 RM	Company 2006 RM	Company 2005 RM
Other receivables	228,147	221,547	222,347
Prepayments	2,813,496	2,813,496	3,779,990
	3,041,643	3,035,043	4,002,337

Included in prepayments of the Group and of the Company which amounted to RM620,600 (2005: RM824,238) had been pledged to a bank for the utilisation of the bank facilities granted to the Group and the Company.

## 17. SHARE CAPITAL

	Group/Company 2006 RM	Company 2005 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		
– 221,800,000 (2005: 221,800,000) ordinary shares of RM0.10 each	22,180,000	22,180,000
Exercise of employment share option scheme		
– 550,000 (2005: Nil) ordinary shares of RM0.10 each	55,000	-
At end of the year		
– 222,350,000 (2005: 221,800,000) ordinary shares of RM0.10 each	22,235,000	22,180,000



# notes to the financial statements (cont'd)

## 17. SHARE CAPITAL (cont'd)

### EMPLOYEES' SHARE OPTION SCHEME

The Company's Employee Share Option Scheme ("ESOS") is governed by the bye-laws approved by the shareholders at an Extraordinary General Meeting held on 28 April, 2003. The ESOS was implemented on 30 January, 2004 and is in force for a period of 5 years from the date of implementation.

The salient features and other terms of the ESOS are as follows :-

- (i) The Option Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees or Executive Directors of the Company or its subsidiaries, to subscribe for new ordinary shares of RM0.10 each in the Company ("Shares") provided that no grant of options shall be made until the expiry of a period of 1 month after the Shares are listed on MESDAQ Market of Bursa Malaysia Securities Berhad.
- (ii) Subject to the discretion of the Option Committee, eligible employees (including Executive Directors) who are employed by the Company or any of its subsidiaries, who are at least 18 years of age and whose employment is confirmed on the date of offer shall be eligible to participate in the ESOS.
- (iii) The total number of Shares to be issued under the ESOS shall not exceed in aggregate 30% of the issued and paid-up share capital of the Company at any time during the tenure of the ESOS.
- (iv) The aggregate allocation to directors and senior management shall not exceed 50% of the total number of Shares to be issued under the ESOS. In addition, the allocation to an Executive Director and employee who, either singly or collectively through persons connected with the director or employee, holds 20% or more of the issued and paid-up capital of the Company, must not exceed 10% of the total number of Shares to be issued under the ESOS.
- (v) The subscription price shall be fixed based on the weighted average market price of the shares for the five market days immediately preceding the date of offer with a discount of not more than 10% (or such other pricing mechanism as may be permitted by the Securities Commission, Bursa Malaysia Securities Berhad or any other relevant regulatory authorities from time to time) at the Option Committee's discretion, provided that the subscription price shall not be less than the par value of RM0.10 of the Shares.
- (vi) The Option Committee may, at any time and from time to time before or after an Option is granted, limit the exercise of the Option to a maximum number of new Shares and/or such percentage of the total new Shares comprised in the Option during such periods within the Option period and impose any other terms and conditions deemed appropriate by the Option Committee in its discretion including amending and/or varying any terms and conditions imposed earlier.
- (vii) All new Shares issued upon the exercise of the options granted under the ESOS will rank pari passu in all respects with the existing issued and paid up Shares except that the new Shares so issued will not be entitled to any dividends, rights, allotments and/or distributions the entitlement of which is prior to the date of allotment of the new Shares.

Information with respect to the number of options granted under the ESOS is as follows :-

	Number of options
At 1 January, 2006	22,180,000
Exercised	(550,000)
Granted	14,250,000
Lapsed	-
At 31 December, 2006	35,880,000

The terms of options outstanding under the ESOS as at the end of the financial year are as follows :-

Exercise period	Exercise price (RM)	Number of options
12.3.2004 to 29.1.2009	0.36	22,180,000
15.2.2006 to 29.1.2009	0.10	13,700,000
		35,880,000

# notes to the financial statements (cont'd)

## 18. SHARE PREMIUM

	Group/Company 2006 RM	Company 2005 RM
At beginning of the year	5,878,327	5,878,327
Premium arising from :- Public Issue by way of employment share option scheme ("ESOS")	13,200	-
At end of the year	5,891,527	5,878,327

## 19. FINANCE LEASE LIABILITIES

	Group/Company 2006 RM	Company 2005 RM
Minimum lease payments :-		
Repayable not later than 1 year	1,661,696	2,237,173
Repayable later than 1 year and not later than 2 years	1,623,335	2,144,720
Repayable later than 2 years and not later than 5 years	1,351,782	4,640,519
	4,636,813	9,022,412
Less : Financing charges	(718,408)	(1,848,609)
Present value of minimum lease payments	3,918,405	7,173,803
Present value of minimum lease payments :-		
Repayable not later than 1 year	1,264,596	1,464,408
Repayable later than 1 year and not later than 2 years	1,396,368	1,588,503
Repayable later than 2 years and not later than 5 years	1,257,441	4,120,892
	3,918,405	7,173,803
Represented by finance lease liabilities :-		
Current	1,264,596	1,464,408
Non-current	2,653,809	5,709,395
	3,918,405	7,173,803

The finance lease liabilities of the Group and of the Company carry interest at the balance sheet date which ranged from 5.4% to 8% (2005: 5.4% to 8%) per annum.

# notes to the financial statements (cont'd)

## 20. HIRE PURCHASE LIABILITIES

	Group/Company 2006 RM	Company 2005 RM
Minimum hire purchase payments :-		
Repayable not later than 1 year	180,739	276,624
Repayable later than 1 year and not later than 2 years	46,500	180,740
Repayable later than 2 years and not later than 5 years	15,500	62,000
	242,739	519,364
Less : Financing charges	(11,640)	(44,624)
Present value of hire purchase liabilities	231,099	474,740
Present value of hire purchase liabilities :-		
Repayable not later than 1 year	171,514	243,641
Repayable later than 1 year and not later than 2 years	44,262	171,514
Repayable later than 2 years and not later than 5 years	15,323	59,585
	231,099	474,740
Represented by hire purchase liabilities :-		
Current	171,514	243,641
Non-current	59,585	231,099
	231,099	474,740

The interest rate of hire purchase liabilities of the Group and of the Company at the end of the financial year ranged from 3.25% to 6% (2005: 3.25% to 6%) per annum.

# notes to the financial statements (cont'd)

## 21. BORROWINGS

	Group/Company 2006 RM	Company 2005 RM
Term loans [Note 21(A)]	24,951,517	7,615,306
Revolving credit [Note 21(B)]	304,695	2,492,997
	25,256,212	10,108,303
Repayable not later than 1 year	15,792,230	4,496,997
Repayable later than 1 year and not later than 2 years	4,104,000	2,004,000
Repayable later than 2 years and not later than 5 years	3,604,000	3,607,306
Repayable later than 5 years and not later than 10 years	1,755,982	-
	25,256,212	10,108,303
Represented by :-		
Current	15,792,230	4,496,997
Non-current	9,463,982	5,611,306
	25,256,212	10,108,303
<b>A. Term loans</b>		
Term loan No. I	1,550,000	2,200,000
Term loan No. II	3,962,000	5,415,306
Term loan No. III	14,390,602	-
Term loan No. IV	5,048,915	-
	24,951,517	7,615,306

The term loan No. I is repayable over 60 months installment commencing in August, 2005.

The term loan No. II is repayable over 48 months installment commencing in September, 2005.

The term loan No. III is repayable over 48 months installment commencing in September, 2006.

The term loan No. IV is repayable over 6 months commencing in December, 2006.

The term loans of the Group and of the Company bear interest at rates ranging from 6.0% to 8.5% (2005: 6.3%) per annum.

The term loans are secured by :-

- a joint and several personal guarantee by certain of the Company's directors;
- an assignment of all contract proceeds arising from the two Distributor Agreements;
- a supplementary Deed of Assignment cum assignment of all intellectual property rights of the Company under the Project;
- a fixed and floating debenture charge over all the present and future assets and undertakings of the Company; and
- facility agreement.

### B. Revolving credit

The revolving credit is secured by :-

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

The revolving credit is repayable up to a maximum period of 10 months, which is subject to yearly review and repayable on demand.

The revolving credit of the Group and of the Company bear interest at a prescribed rate of 4.5% (2005: 4.5%) per annum.

# notes to the financial statements (cont'd)

## 22. TRADE PAYABLES

	Group/Company 2006 RM	Company 2005 RM
The currency exposure profile of trade payables are as follows :-		
Ringgit Malaysia	2,257,221	2,796,338
Euro	(332)	706,055
US Dollar	94,445	94,445
	2,351,334	3,596,838

The credit terms of trade payables granted to the Group and the Company vary from 30 days to 45 days (2005: 30 days to 45 days). Other credit terms are assessed and approved on a case-by-case basis.

## 23. OTHER PAYABLES & ACCRUALS

	Group/Company 2006 RM	Company 2005 RM
Other payables	110,074	66,040
Accruals	477,169	329,912
	587,243	395,952

## 24. BANKERS' ACCEPTANCE AND BANK OVERDRAFTS

The bankers' acceptance and bank overdrafts are secured by :-

- (a) fixed deposits of RM3,335,290 (2005: RM3,051,133); and
- (b) joint and several guarantees by certain directors of the Company.

The interest charges on the bankers' acceptance and bank overdrafts of the Group and of the Company during the year ranged from 4.5% to 8.4% (2005: 4.5% to 8.4%) per annum.

## 25. POST-EMPLOYMENT BENEFIT OBLIGATIONS

	Group/Company 2006 RM	Company 2005 RM
Defined contribution plan – current		
Charged to Income Statements	405,394	321,966
Payments	(313,439)	(234,863)
At end of the year	91,955	87,103

The Group and of the Company contribute to the Employees Provident Fund, the national defined contribution plan. Once the contributions have been paid, the Group and the Company have no further payment obligations.

## 26. SEGMENT INFORMATION

During the year, there is no segmental information by activities is prepared as the Group's and the Company's activities are predominantly in one industry segment and the geographical segments is also made locally.

# notes to the financial statements (cont'd)

## 27. COMPARATIVE INFORMATION

The following comparatives have been reclassified to conform with current year's presentation :-

Company	As previously reported RM	Reclassification RM	As re-presented RM
<b>Income Statement</b>			
Selling & distribution costs	-	349,728	349,728
Administration expenses	1,498,351	386,845	1,885,196
Other operating expenses	2,340,874	(736,573)	1,604,301

## 28. EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW OR REVISED FRSs

The principal effects of the changes in accounting policies resulting from the adoption of the FRS 2 and FRS 101 is summarised as below :-

(a) FRS 2 : Share-based payment

With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options, which based on market prices if available, taking into account the terms and conditions upon which those share options were granted and the number of share options to be vested by vesting period. The Company shall make no subsequent adjustment to total equity after vesting date.

For all grants of equity instruments to which this FRS is applied, the Company shall restate comparative information and, where applicable, adjust the opening balance of retained earnings for the earliest period presented.

(b) FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of the Income Statement, Balance Sheet and Statement of Changes in Equity with additional disclosure on the amount attributable to equity holders of the Group and of the Company, and Statement of Changes in Equity also showing the total recognised income and expense for the period.

The current period's presentation of the Group's and of the Company's financial statements, if based on the requirements of the revised FRS 101, are with the comparatives restated to conform to the current period's presentation.

## 29. THE NEW OR REVISED FINANCIAL REPORTING STANDARDS

The new or revised Financial Reporting Standards have been published that are mandatory for accounting periods beginning on or after 1 January, 2007 or later period, are as follow :-

- (a) Standards that are not yet effective and have not been early adopted
- (b) Standards that are not yet effective and not relevant for the Group's and the Company's operations.

(a) Standards that are not yet effective and have not been early adopted

- (i) FRS 117 Leases (effective for accounting periods beginning on or after 1 October, 2006)

This standard requires the classification of leasehold land as prepaid lease payments. The Group and the Company will apply this standard from financial periods beginning on 1 January, 2007.

- (ii) FRS 124 Related Party Disclosures (effective for accounting periods beginning on or after 1 October, 2006)

This standard will affect the identification of related parties and some other related party disclosures. The Group and the Company will apply this standard from financial periods beginning 1 January, 2007.



# notes to the financial statements (cont'd)

## 29. THE NEW OR REVISED FINANCIAL REPORTING STANDARDS (cont'd)

### (a) Standards that are not yet effective and have not been early adopted (cont'd)

- (iii) Amendment to FRS 119<sub>2004</sub> Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures (effective for accounting periods beginning on or after 1 January 2007)

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group and the Company do not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multiemployer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements. The Group and the Company will apply this amendment from financial periods beginning on 1 January 2007.

- (iv) FRS 139 Financial Instruments : Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board)

This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group and the Company will apply this standard when effective.

### (b) Standards that are not yet effective and not relevant for the Group's and the Company's operations

FRS 6 Exploration for and Evaluation of Mineral Resources (effective for accounting periods beginning on or after 1 January 2007).

## 30. FINANCIAL INSTRUMENTS

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

## 31. 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 23 April 2007.

# Analysis of Shareholdings

as at 18 April 2007

<b>Authorized Capital</b>	:	RM50,000,000 divided into 500,000,000 ordinary shares of RM0.10 each
<b>Issued and Paid-Up Capital</b>	:	RM22,330,000.00 divided into 223,300,000 ordinary shares of RM0.10 each
<b>Class of Shares</b>	:	There is only one class of shares in the Company
		• Ordinary Shares of RM0.10 each fully paid
<b>Voting Rights</b>	:	One vote per RM0.10 share

## ANALYSIS BY SIZE SHAREHOLDING

Size of Holdings	No. of Shareholders	Total Holdings	%
Less than 100 shares	3	150	0
100 – 1,000 shares	299	212,400	0.09
1,001 – 10,000 shares	1,704	10,414,692	4.66
10,001 – 100,000 shares	1,087	37,710,200	16.89
100,001 – below 5% of issued shares	152	94,068,657	42.13
5% and above of issued shares	4	80,893,901	36.23
	3,249	223,300,000	100.00

## SUBSTANTIAL SHAREHOLDERS

No.	Name	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1.	Tan Kee Chung	35,541,230	15.92	13,613,003*	6.10
2.	Commerce Technology Ventures Sdn Bhd	21,544,010	9.65	-	-
3.	Skyline Yield Sdn Bhd	15,000,000	6.72	-	-
4.	Omtiara Sdn Bhd	13,213,003	5.92	-	-
	Total	85,298,243	38.21	13,613,003*	6.10

## DIRECTORS' SHAREHOLDINGS

No.	Name	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1.	Tan Kee Chung	35,541,230	15.92	13,613,003*	6.10
2.	Chee Hong Soon	6,161,220	2.76	400,000**	0.18
3.	Tune Hee Hian	3,982,682	1.78	-	-
	Total	45,685,132	20.46	14,013,003	6.28

\* 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 (cont'd)

as at 18 April 2007

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Names	No. of Shares held	%
1	Tan Kee Chung	31,141,230	13.95
2	Commerce Technology Ventures Sdn Bhd	21,544,010	9.65
3	Skyline Yield Sdn Bhd	15,000,000	6.72
4	MAA Credit Sdn Bhd for Omtiara Sdn Bhd	13,208,661	5.92
5	Araneum Sdn Bhd	9,218,093	4.13
6	Chee Hong Soon	6,161,220	2.76
7	MAA Credit Sdn Bhd for Tan Kee Chung	4,400,000	1.97
8	Leong Yoke Wai	3,997,282	1.79
9	Tune Hee Hian	3,982,682	1.78
10	Lim Swee Keah	3,982,682	1.78
11	Koh Lea Cheong	3,982,682	1.78
12	Tan Gaik Keow	3,982,682	1.78
13	Commerce Asset Ventures Sdn Bhd	3,701,903	1.66
14	Haw Wan Chong	3,516,082	1.57
15	Low Suet Cheng	3,427,682	1.54
16	Tee So Guat	1,510,000	0.68
17	Goh Siew Tee	1,405,800	0.63
18	Soong Sor Pow	1,340,000	0.60
19	Public Invest Nominees (Tempatan) Sdn Bhd pledged securities account for Yoong Fui Kien	1,220,700	0.55
20	Lim Keat Wah	1,146,500	0.51
21	Chuah Tai Eu	975,000	0.44
22	Tham Kok Cheng	959,574	0.43
23	Wong Yook Keong	902,874	0.40
24	Chow Kee Siew	900,000	0.40
25	Low Swee Seng	780,000	0.35
26	Choong Foong Heng	758,800	0.34
27	Lim Kah Heng	673,000	0.30
28	Khoo Ah Chaw	586,300	0.26
29	Yeo Eck Liong	550,000	0.25
30	Normah Binti Raja Nong Chik	550,000	0.25
		145,505,439	65.17

# Appendix A

Proposed Amendments to the Company's Articles of Association in line with the revamped Listing requirements for MESDAQ Market.

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
<b>Article 2(b)</b> (Definition)	<b>"Approved Market Place"</b> means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) Exemption Order, 1998.	<b>"Approved Market Place"</b> means a stock exchange which is specified to be an approved market place pursuant to an exemption order made under Section 62A of the Securities Industry (Central Depositories) Act, 1991.
<b>Article 2(d)</b> (Definition)	<b>"Central Depository"</b> means the Malaysian Central Depository Sdn Bhd.	<b>"Depository"</b> means the Bursa Malaysia Depository Sdn. Bhd. and that the word "Central Depository" appears in the Articles throughout be substituted with "Depository"
<b>Article 2(g)</b> (Definition)	<b>"Depositor"</b> means a holder of a Securities Account.	<b>"Depositor"</b> means a holder of a Securities Account established by the Depository.
<b>Article 2(h)</b> (Definition)	<b>"Deposited Security"</b> means a security standing to the credit of a Securities Account and includes a security in a Securities Account that is in suspense.	<b>"Deposited Security"</b> shall have the meaning given in Section 2 of the Securities Industry (Central Depositories) Act, 1991.
<b>Article 2(j)</b> (Definition)	<b>"the Exchange"</b> means the Kuala Lumpur Stock Exchange ("KLSE").	<b>"Exchange"</b> means Bursa Malaysia Securities Berhad and that the word "KLSE" appears in the Articles throughout be substituted with "Bursa Malaysia Securities Berhad".
<b>Article 2(m)</b> (Definition)	<b>"market day"</b> means any day from Monday to Friday which is not a public holiday or a holiday for the KLSE.	<b>"Market Day"</b> means a day on which the MESDAQ Market is open for trading securities.
<b>Article 2(u)</b> (Definition)	<b>"Rules"</b> mean the Rules of the Central Depository.	<b>"Rules / Rules of the Depository"</b> shall have the meaning given in Section 2 of the Securities industry (Central Depositories) Act, 1991.
<b>Article 2(u)(i)</b> (Definition)		Addition New Definition to be inserted immediately after Article 2(u).  <b>"Rules of the Exchange"</b> means the Rules of Bursa Malaysia Securities Berhad including any amendment thereto that may be made from time to time.
<b>Article 2(y)</b> (Definition)	<b>"Securities"</b> shall have the meaning given in Section 2(1) of the Securities Industry Act. 1983.	<b>"Securities"</b> shall have the meaning given in Section 2 of the Securities Commission Act, 1993.
<b>Article 4(d)</b>	no Director shall participate in any issue of shares or options to employees, unless the members in general meeting have approved the specific allotment to be made to such Director and unless he holds office in an executive capacity. However, a Director not holding office in an executive capacity may participate in an issue of shares pursuant to a public offer or a public issue.	no Director shall participate in any issue of shares or options to employees, unless the members in general meeting have approved the specific allotment to be made to such Director.
<b>Article 5(1)</b>	the total nominal value of preference shares issued shall not exceed the total nominal value of the issued ordinary shares at any time.	Deleted.
<b>Article 60</b>	<p>Subject to the provision of the Act and Listing Requirements relating to the convening of meetings, the notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all members (other than those who under the provisions of these Articles or the terms of issued of the shares held by them are not entitled to receive notices of general meetings of the Company) and to the auditors for the time being of the Company, at least fourteen (14) days before the meeting or at least twenty one (21) days before the meeting where any special resolution is to be proposed, or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business.</p> <p>At least fourteen (14) days' notice, or twenty one (21) days' notice in the case where any special resolution is to be proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in the daily press and in writing to the KLSE PROVIDED THAT in respect of a Deposited Security, the Company shall inform the Central Depository of the dates of general meetings and shall by written request made in accordance with the Rules, request the Central Depository to prepare the Record of Depositors to whom the notice of the general meeting shall be given by the Company. The Company shall also request the Central Depository in accordance with the Rules, to issue a Record of Depositors, as at a date not less than three (3) market days before the general meeting (hereinafter referred to as the "General Meeting Record of Depositors"). The General Meeting Record of Depositors shall be the final record of all Depositors who shall be deemed to be the registered holders of ordinary shares of the Company eligible to be present and vote at such meetings. Subject to the</p>	<p>The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' notice 21 days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in at least one nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the Company is listed.</p> <p><b>Record of depositors</b></p> <ol style="list-style-type: none"> <li>The Company shall request the Depository in accordance with the Rules of the Depository, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company.</li> <li>The Company shall also request the Depository in accordance with the Rules of the Depository, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than 3 market days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors").</li> <li>Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.</li> </ol>

# appendix A (cont'd)

Proposed Amendments to the Company's Articles of Association in line with the revamped Listing requirements for MESDAQ Market. (cont'd)

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
<b>Article 60</b> (cont'd)	Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 (where applicable), a depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors	
<b>Article 83</b>	Subject to any special rights or restrictions as to voting attached to any class or classes of shares by or in accordance with these Articles, on a resolution to be decided on a show of hands, every person present who is a member or a member's representative or proxy or by attorney shall have one vote and in the case of a poll every member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for every share held by him.	Subject to any special rights or restrictions as to voting attached to any class or classes of shares by or in accordance with these Articles, on a resolution to be decided on a show of hands, every person present who is a member or a member's representative or proxy or by attorney shall have one vote and in the case of a poll every member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for every share held by him.  A proxy shall be entitled to vote on a show of hands on any question at any general meeting and the provision of Section 149(1)(a) of the Act shall not apply to the Company.
<b>Article 90</b>	The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised. The Directors may, but shall not be bound to require evidence of the authority of any such attorney or officer. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) & (c) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.	The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised. The Directors may, but shall not be bound to require evidence of the authority of any such attorney or officer. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
<b>Article 91</b>	A member may appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) or more proxies, he shall specify the proportion of his shareholding to be represented by each proxy.	(i) A member may appoint up to two (2) proxies to attend at the same meeting provided that he specifies the proportion of his shareholding to be represented by each proxy.  (ii) A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Act shall not apply to the Company.  (iii) Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 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.
<b>Article 98</b>	<b>Article 98 (1)</b>  An election of directors shall take place each year. At the first annual general meeting of the Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year one-third of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third, shall retire from office PROVIDED ALWAYS that all Directors except the Managing Director shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.  <b>Article 98 (3)</b>  An election of Directors shall take place each year. All Directors except a Managing Director shall retire from office at least once every three (3) years but shall be eligible for re-election.	<b>Article 98 (1)</b>  An election of directors shall take place each year. At the first annual general meeting of the Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year one-third of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third, shall retire from office PROVIDED ALWAYS that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.  Deleted.
<b>Article 109(c)</b>	if he shall have absented himself (such absence not being absence with leave or by arrangement with the Directors) for six (6) months in succession and his alternate Director (if any) shall not during such period have attended in his stead.	Deleted.

# appendix A (cont'd)

Proposed Amendments to the Company's Articles of Association in line with the revamped Listing requirements for MESDAQ Market. (cont'd)

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
<b>Article 120</b>	The Directors may meet together for the despatch of business at such time and place, adjourn and otherwise regulate their meetings and proceedings as they think fit.	<p>(i) The Directors may meet together for the dispatch of business at such time and place, adjourn and otherwise regulate their meetings and proceedings as they think fit.</p> <p>(ii) A meeting of the directors or a committee appointed by the directors may be held by means of telephone conference and/or video conferencing or any other interactive means of audio or audio-visual communications whereby all participating person are able to hear each other or be heard during the meeting but shall not be counted for the purpose of a quorum.</p> <p>(iii) A director's participation in the manner as aforesaid shall be deemed to be present at the meeting but does not include for the purpose of determination of quorum. He shall also be entitled to vote thereat. Any meeting held in such manner shall be deemed to be or have been held such time and place as set out in the notice of the meeting.</p>
<b>Article 136</b>	The Directors may from time to time appoint any one or more of their body to be the Managing Director. Any such appointment shall, if for a fixed term, be for such period not exceeding five (5) years subject to reappointment and on such terms as the Directors think fit. The Directors may vest in such Managing Director such of the powers hereby vested in the Directors generally as they may think fit and may from time to time revoke, withdraw, alter or vary all or any of these powers. The Managing Director shall be subject to the control of the Board.	The Directors may from time to time appoint any one or more of their body to be the Managing Director. Any such appointment shall, if for a fixed term, be for such period not exceeding three (3) years subject to reappointment and on such terms as the Directors think fit. The Directors may vest in such Managing Director such of the powers hereby vested in the Directors generally as they may think fit and may from time to time revoke, withdraw, alter or vary all or any of these powers. The Managing Director shall be subject to the control of the Board.
<b>Article 138</b>	The Managing Director shall not, while he continues to hold such office be subject to retirement by rotation, and shall not be reckoned as a director for the purpose of determining the rotation or retirement of directors or in fixing the number of directors to retire, but he shall, subject to provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and if he ceases to hold the office of Director from any cause shall ipso facto and immediately cease to be Managing Director.	The Managing Director shall, while he continues to hold such office be subject to retirement by rotation, and shall be reckoned as a director for the purpose of determining the rotation or retirement of directors or in fixing the number of directors to retire, he shall, subject to provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and if he ceases to hold the office of Director from any cause shall ipso facto and immediately cease to be Managing Director.
<b>Article 178</b>	<p><b><u>Alteration of Articles</u></b></p> <p>Notwithstanding Section 31 of the Act, these existing Articles which have been previously approved by the KLSE or any part hereof may not be deleted, amended or added to unless prior written approval has been sought and obtained from the KLSE for such deletion, amendment or addition.</p>	<p><b><u>Effect of the Listing Requirements</u></b></p> <p>(a) Notwithstanding anything contained in these articles, if the Listing Requirements prohibit an act being done, the act shall not be done.</p> <p>(b) Nothing contained in these articles prevents an act being done that the Listing Requirements require to be done.</p> <p>(c) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).</p> <p>(d) If the Listing Requirements require these articles to contain a provision and they do not contain such a provision, these articles are deemed to contain that provision.</p> <p>(e) If the Listing Requirements require these articles not to contain a provision and they contain such a provision, these articles are deemed not to contain that provision.</p> <p>(f) If any provision of these articles is or becomes inconsistent with the Listing Requirements, these articles are deemed not to contain that provision to the extent of the inconsistency.</p> <p>(g) For the purpose of this Articles, unless the context otherwise requires, "Listing Requirements" means the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market including any amendments to the Listing Requirements that may be made from time to time.</p>







**OPENSYS (M) BERHAD**

(Company No. 369818-W)

Incorporated in Malaysia

No. of ordinary shares held

# proxyform

(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 Eleventh Annual General Meeting of the Company to be held at The View, Level 18, Melia Kuala Lumpur, 16 Jalan Imbi, 55100 Kuala Lumpur on Wednesday, 20th June 2007 at 3.00 pm and at every adjournment thereof to vote as indicated below :-

		For	Against
Resolution 1			
Resolution 2			
Resolution 3			
Resolution 4			
Resolution 5			
Resolution 6			
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 \_\_\_\_\_ 2007

\_\_\_\_\_  
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 up to two (2) 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 two (2) proxies 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.

2nd fold here

AFFIX STAMP

Company Secretary  
**Mega Corporate Services Sdn Bhd**  
Level 15-2, Faber Imperial Court,  
Jalan Sultan Ismail,  
P.O. Box 12337  
50250 Kuala Lumpur

1st fold here



[www.myopensys.com](http://www.myopensys.com)

