OpenSys

ANNUAL REPORT
2008

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

# CONTENTS



# NOTICE OF
# ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the Company will be held at Nakhoda 1, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Seksyen 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 17 June 2009 at 3.00pm for the following purposes:-

## AGENDA

### AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 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 31 December 2008. **(RESOLUTION 1)**

3. To re-elect the following Directors retiring in accordance with Article 98 of the Company's Articles of Association:
   a) Mr. Lee Swee Seng **(RESOLUTION 2)**
   b) Mr. Tai Keat Chai **(RESOLUTION 3)**

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 resolution:-

6. **ORDINARY RESOLUTION**
   **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

   "THAT, subject always to the Companies Act, 1965 ("the Act"), the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Act, to issue shares in the Company from time to time at such price 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 as at the date of this Annual General Meeting, and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **(RESOLUTION 6)**

By Order of the Board

**LIM SECK WAH (MAICSA 0799845)**
**KONG MEI KEE (MAICSA 7039391)**
Company Secretaries

Dated this 26th day of May 2009

Kuala Lumpur

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 6 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 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.

# 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 98 |
| 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 and Analysis of Shareholdings 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 2008. 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 | 4/4 |
| Lee Swee Seng | 4/4 |
| Tai Keat Chai | 3/4 |

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

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

| | | |
|---|---|---|
| Venue | : | Nakhoda 1, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Seksyen 52, 46200 Petaling Jaya, Selangor Darul Ehsan |
| Date | : | 17 June 2009 |
| Time | : | 3.00 p.m. |

## 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**
*(Independent Non-Executive Director)*

## COMPANY SECRETARIES

**LIM SECK WAH**
*(MAICSA-0799845)*

**KONG MEI KEE**
*(MAICSA-7039391)*

## AUDIT COMMITTEE

**JAMES HENRY STEWART**
*(Chairman)*

**LEE SWEE SENG**

**TAI KEAT CHAI**

## NOMINATION COMMITTEE

**JAMES HENRY STEWART**
*(Chairman)*

**LEE SWEE SENG**

**TAI KEAT CHAI**

## REMUNERATION COMMITTEE

**JAMES HENRY STEWART**
*(Chairman)*

**LEE SWEE SENG**

**TAN KEE CHUNG**

## 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
Tel : 03-2145 2878
Fax : 03-2148 2239

## SHARE 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)
Malayan Banking Berhad (3813-K)

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
MESDAQ Market

# PROFILE OF DIRECTORS



*Seated*

**TAN KEE CHUNG**

*Standing from left to right:*

**LEE SWEE SENG**
**CHEE HONG SOON**
**JAMES HENRY STEWART**
**TAI KEAT CHAI**
**TUNE HEE HIAN**

## TAN KEE CHUNG
*(Malaysian, Aged 50)*

was appointed as Executive Director of OpenSys on 7 December 1995. He is a co-founder and the Chief Executive Officer of OpenSys. He is a member of the Remuneration Committee. 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 26 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 49)*

was appointed as Executive Director of OpenSys on 7 December 1995. He is a co-founder and the Chief Financial Officer of OpenSys. He primarily oversees the finance department 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 50)*

was appointed as Executive Director of OpenSys on 9 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 23 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.

### JAMES HENRY STEWART
*(Canadian, Aged 75)*

was appointed as Independent Non-Executive Director of OpenSys on 6 November 2003. He is the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee. 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 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 49)*

was appointed as Independent Non-Executive Director of OpenSys on 6 November 2003. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee. 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, University of Ballarat MBA programme and a Visiting Fellow of Taylor's University College Law Programme with University of Reading.

### TAI KEAT CHAI
*(Malaysian, Aged 55)*

was appointed as Independent Non-Executive Director of OpenSys on 29 December 2006. He is also a member of both the Nomination Committee and Audit Committee. Presently, he is a Board member of Chuan Huat Resources Berhad, Disccomp Berhad, Cuscapi Berhad, PECD Berhad, Imaspro Corporation Berhad, SILK Holdings Berhad, Datascan Berhad, MIDF Amanah Investment Bank Berhad, Sunway Infrastructure Berhad and several other private limited companies. He began his career with KPMG in London in 1977 and a year later returned home to join PricewaterhouseCoopers. In 1981, he joined Alliance Investment Bank Berhad and rose to the position of Senior Manager (Corporate Finance). In 1990, he ventured into the stock broking industry and has worked in SJ Securities Sdn Bhd, A.A. Anthony Securities Sdn Bhd and ECM Investment Bank Berhad as General Manager, Director and a dealer's representative respectively.

***Note :*** *All 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 of the Company.*

Seated from left to right:

**CHEE HONG SOON**
*Chief Financial Officer*

**TAN KEE CHUNG**
*Chief Executive Officer*

**TUNE HEE HIAN**
*Director, Business Development*

Standing from left to right:

**KOH LEA CHEONG**
*Director,*
*Business Process Outsourcing*

**ERIC LIM SWEE KEAH**
*Director, Sales*

**GOH CHING LONG**
*Director, Customer Support Services*

**THAM KOK CHENG**
*Director, Centre of Technology*

**WONG SIEW POOI**
*Director,*
*Software Development & Integration*

**STEVEN LEE WENG SIN**
*Director,*
*Project Management Office/QA*

**CHAN KIN HOU**
*Senior Manager, Marketing*

**LEONG YOKE WAI**
*Director,*
*Hardware Development & Integration*

# MANAGEMENT DISCUSSION





In 2008, OpenSys further consolidated its position as the premier solution and service provider in the domain of Cheque Truncation System (CTS) and Efficient Service Machines (ESM) in Malaysia.

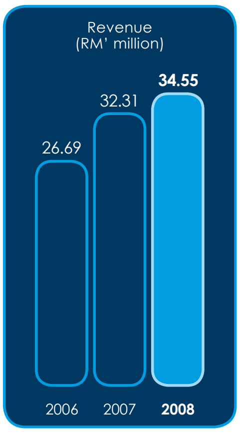
CTS is an image-based cheque clearing system that minimises the physical movement of cheques by converting cheques and standing instructions into electronic fund transfer instruments. The increased efficiency of this "paperless" cheque clearing and settlement process saves the banking industry hundreds of millions of ringgit per year.

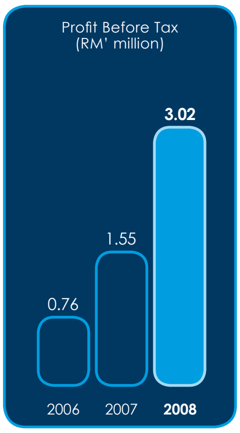
ESM are machines that do not dispense cash but perform other functions such as allowing customers to make deposits of cheques and cash; pay bills using cash, cheques, credit and debit cards; buy insurance premiums, bank drafts and tickets; reload prepaid cards and electronic purses; facilitate funds transfers, time deposits, statement printing and registration of accounts.

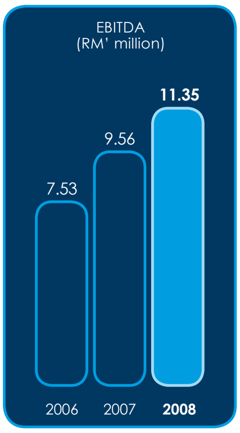
In the CTS area, eight out of fourteen Tier-1 local and foreign banks in Malaysia have implemented or in the process of implementing the OpenSys total cheque processing system. Unlike other solutions that are based on people-intensive traditional methods, OpenSys pioneering solution is built on a modern technology architecture that allows banks to clear cheques within two working days nationwide at less than ½ the cost of traditional systems.

In the ESM space, OpenSys has installed over 1,800 machines in eleven banks, three insurance companies and three telecommunication companies in Malaysia, Brunei, Singapore and Dubai – making us the market leader in the provision of cheque deposit and bill payment machines in the region.

For the financial year ended 31 December 2008, profit before tax for our Company surged 99.6% to RM3.02 million on the back of a 6.9% growth in revenue to RM34.6 million from a year before. Our earnings before interest, tax, depreciation and amortisation (EBITDA) jumped 18.7% to RM11.35 million from the corresponding period in 2007.




| | 2006 | 2007 | 2008 |
|---|---|---|---|
| | (RM'million) | | |
| Revenue | 26.69 | 32.31 | **34.55** |
| Profit Before Tax | 0.76 | 1.55 | **3.02** |
| EBITDA | 7.53 | 9.56 | **11.35** |

We have reengineered our Company to derive more revenue from software and services to produce higher profit margins. In 2008, the segmentation of our business was 45% hardware and 55% software/services. As a comparison, the ratio was 85% hardware and 15% software/services at the point of our listing in 2004. Software and services provides steady income and recurring cash flow thus making OpenSys more resilient in this uncertain economic climate.

Going forward, we envisage that banks that are currently not using the OpenSys CTS solution will be doing so in the near future because they cannot ignore the importance of cost savings and containment in this difficult financial time. Due to the increased efficiency generated by our solution, banks that uses the OpenSys total cheque processing system save between RM5 million and RM15 million per year in cheque processing cost for medium-size and large-size banks respectively.

On the regional front, we may have to tweak our business model of selling our products and services through local business partners to one that requires us to set up a direct presence in some countries in order to gain more traction and acceptance from customers. It is pertinent to note that some of the regional countries that we are targeting are embroiled in political unrest and economic stalemate making our decision on which business model to adopt challenging.

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.

Currently, we are doing research in the field of cheque fraud and detection. To reduce cheque frauds, we are developing a fraud detection solution that detects the tampering of physical cheques by using advanced cryptographic algorithm software to secure cheques issued by banks with digitally encoded-printing as well as researching advanced optical scanning technologies to detect alteration to cheques.

For each of the past three financial years, OpenSys invested an average of approximately 10% of its revenue in research and development. The total research and development expense incurred by our Company for the 12-month financial period up to 31 December 2008 was RM2.859 million. The carrying book value of development expenditure for the year ended 31 December 2008 is RM16.27 million.

With regard to our corporate social responsibility, we launched a first in Malaysia Charity Kiosk at One Utama Shopping Complex, Petaling Jaya in March 2009. The Charity Kiosk is located at the shopping complex for an initial period of six months. It allows shoppers to make donations via cash or cheques to three beneficiaries namely Kiwanis Down Syndrome Foundation, Hospis Malaysia and United Voice. All development expenses and maintenance cost of the Charity Kiosk are absorbed by OpenSys – that is to say all donations collected via the Charity Kiosk are disbursed in full to the three beneficiaries.

The Board of Directors would like take this opportunity to extend our gratitude and appreciation to our shareholders, customers, suppliers and business partners for the invaluable support that you give to OpenSys.

We would also like to thank each and every member of our management and staff for his/her dedication and commitment to grow with our Company, without which our success would not be possible.

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
Tai Keat Chai - Independent Non-Executive Director

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

### Membership

The Audit Committee shall be appointed by the Board of Directors from among their number and shall be composed of not fewer than 3 members, exclusively non-executive directors with a majority being Independent Non-Executive.

The members of the Audit Committee shall elect a chairman from among their member who is an independent director. The Chairman elected shall be subject 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.

No alternate director shall be appointed as a member of the Audit Committee.

The terms of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years. However, the appointment terminates when a member ceases to be a Director.

### 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.

**MEETINGS AND ATTENDANCE**

Meetings shall be held at least 4 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, both of whom present shall be Independent Non-Executive Directors. The Company Secretary may be the Secretary of the Committee.

The Audit Committee shall meet with the external auditors and internal auditors without executive board members present at least twice a year.

There were four (4) Audit Committee meetings chaired by Mr. James Henry Stewart and were attended by the members during the year 2008.

Record of attendance for meetings held during the financial year ended 31 December 2008 is as follow: -

| Audit Committee Members | Attendance |
|---|---|
| James Henry Stewart *(Chairman)* | 4/4 |
| Lee Swee Seng | 4/4 |
| Tai Keat Chai | 3/4 |

The Company Secretary attended all the Audit Committee meetings.

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 2008 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.
- consider and recommend to the Board for approval of the audit fees payable to the external auditors.
- review the internal auditors' scope of work.
- check with the internal auditors on any findings which require the committee's attention.
- review the internal control policy and internal control system.
- review the audited Financial Statements of the Group and the Company prior to submission to the Board for their consideration and approval. The review was to ensure that the audited Financial Statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable accounting standards approved by the Malaysian Accounting Standard Board ("MASB").

**INTERNAL AUDIT FUNCTIONS**

The Company has outsourced its internal audit division to a third party professional firm 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.

During the financial year under review, the internal auditors reviewed and audited the Company's Purchase and Payment System, Cash and Bank Management System, Human Resource and Payroll Management and Employee Claims Processing and Controls. There were no significant problems noted during the period under review.

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

**Board Composition and Balance**

The Board presently comprises six (6) members and is headed by the Chief Executive Officer, Mr. Tan Kee Chung. The profile of each Director is presented separately in the Annual Report.

The Board members are made up as follows:-

- One (1) Chief Executive Officer
- Two (2) Executive Directors
- Three (3) Independent Non-Executive Directors

The Company is in compliance with Rule 15.02 of the MESDAQ Market Listing Requirements whereby one-third of its Board members are independent directors.

**Board Committees**

There are three committees of the Board, namely the Audit Committee, Nomination Committee and Remuneration Committee. All these committees have written terms of reference to govern their respective responsibilities. Each of the committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate decision on all matters lies with the Board.

**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.

The presence of Non-Executive Directors who are independent from the management ensures a balanced and independent view at all Board deliberations. The Independent Directors are also free from any business or other relationships that could materially interfere with the exercise of their independent judgment.

**Meetings**

The Board meets regularly, with due notice of issues to be discussed and records its conclusions in discharging its duties and responsibilities.

The Board met four (4) times during the financial year ended 31 December 2008. 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 | 4/4 |
| Lee Swee Seng | 4/4 |
| Tai Keat Chai | 3/4 |

The Company Secretary attended all the Board meetings.

**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 is also set for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of each individual director including Independent Non-Executive Directors and Chief Executive Officer. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are properly documented.

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 including the Managing Director, 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 and Mr. Tai Keat Chai will retire by rotation pursuant to Article 98. Mr. James Henry Stewart who will retire in accordance with Section 129(6) of the Companies Act, 1965. 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.

Three (3) directors attended the following courses during the financial year: -

| Director | Date | Course Attended |
|---|---|---|
| Chee Hong Soon | 9 January 2008 | Effective Annual Reports: A Strategic Approach<br>- Organized by Malaysian Investor Relations Association |
| | 3 April 2008 | Tax Planning on Current Tax Issues &<br>Business Succession Solution<br>- Organized by Advent Tax Consultants Sdn Bhd |
| | 22 April 2008 | Drafting Technology Licences & Contracts<br>- Organized by LexisNexis Malayan Law Journal Sdn Bhd |
| | 11 September 2008 | 3rd Advent Tax & Business Management Seminar<br>- Organized by Advent Tax Consultants Sdn Bhd |
| Lee Swee Seng | 29 October 2008 -<br>1 November 2008 | 21st LAWASIA Conference<br>- Organized by Malaysian Bar Council and LAWAISA. |
| Tai Keat Chai | 23 October 2008 | Strategy, Assessment & Structure of Risk Management<br>- Organized by the Malaysian Institute of Accountants |

The other Directors who have not attended any formal training in 2008 had hectic schedules for 2008. However, they will undergo relevant training in 2009 to keep abreast with new regulatory developments and requirements in compliance with Bursa Securities Listing Requirements.

**B. DIRECTORS' REMUNERATION**

The details of the remuneration for Directors during the financial year ended 31 December 2008 are categorized into appropriate components as follows: -

| | Fees RM'000 | Salaries RM'000 | Others Emoluments RM'000 | Total RM'000 |
|---|---|---|---|---|
| Executive directors | - | 724 | 433 | 1,157 |
| Non executive directors | 72 | - | 5.5 | 77.5 |

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

| Remuneration Band | Executive | Non executive |
|---|---|---|
| Below RM50,001 | - | 3 |
| RM50,001 - RM250,000 | - | - |
| RM250,001 – RM300,000 | 1 | - |
| RM300,001 – RM350,000 | 1 | - |
| RM350,001 – RM550,000 | - | - |
| RM550,001 – RM600,000 | 1 | - |

The Company has established the 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. In the case of Executive Directors, the component parts of remuneration are structured to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular non-executive concerned.

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:-

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

**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. DIRECTOR'S 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.

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 2008.

2. **Revaluation Policy**

   Not applicable.

3. **Option, Warrants or Convertible Securities**

   There were no options, warrants or convertible securities issued or exercised during the financial year.

   During the financial year ended 31 December 2008, no options were exercised by the eligible employees under the Employee Share Option Scheme (ESOS).

   No ESOS option was offered to the non-executive directors of the Company in respect of the financial year ended 31 December 2008.

4. **Utilisation of Proceeds**

   The Company did not undertake any corporate exercise during the financial year. Hence, no proceeds were raised therefrom.

5. **Corporate Social Responsibilities ("CSR")**

   On 24 March 2009, the Company launched its CSR initiative with a first in Malaysia Charity Kiosk at One Utama Shopping Centre, Petaling Jaya, Selangor. The OpenSys Charity Kiosk, based on its successful Efficient Service Machine (ESM) technology that are used by banks, insurance and telecommunication companies, is located at the shopping centre for an initial period of six months. It allows public to make donations to three beneficiaries namely Kiwanis Down Syndrome Foundation – National Centre, Hospis Malaysia and United Voice. Donations can be made by cash or cheques.

   The Company has sponsored the cost of developing the software and hardware for the Charity Kiosk. All maintenance costs of the Charity Kiosk will also be borne by the Company and the Company does not impose any charges for the service. All donations made via the Charity Kiosk are collected by representatives of the three beneficiaries.

6. **Others**

   During the financial year ended 31 December 2008, none of the following transactions has been entered by the Company:-
   - Share Buy-backs;
   - Sponsorship of any American Depository Receipt or Global Depository 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**
Pursuant to paragraph 15.27(b) of the Bursa Securities Listing Requirements, the Board of Directors is pleased to make a statement on the state of the internal control system of the Group which has been prepared in accordance with the Listing Requirements for MESDAQ Market and guided by the Bursa Malaysia Statement on Internal Control: Guidance for Directors of Public Listed Companies.

**Responsibilities of the Board**
The Board acknowledges its responsibility for maintaining sound system of internal control, and for reviewing the effectiveness, adequacy and integrity of the system. The system of internal control covers financial controls, operational controls, compliance controls, and risk management. The Board also acknowledges that a sound system of internal control reduces, but cannot eliminate, the risk of failure to achieve business objectives. Accordingly, a sound system of internal control therefore provides reasonable, but not absolute, assurance against material misstatement, fraud and loss.

**Risk Management**
The Group has in placed a risk management framework and a sound system of internal control to achieve a good governance framework. The risk management framework is set up to identify, evaluate, monitor and manage risks that may affect the Group'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.

**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 Group. 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 Group.

The fee (inclusive of service tax) paid to the professional firm in respect of internal audit function for the financial year ended 31 December 2008 was RM 21,000.

**Key Elements of Internal Control**
The Group's Management conducts periodic meetings that are attended by key personnel and senior staff members to discuss the Group's current and future business conditions, and to assess the Group's financial and operational exposure. The respective head of departments and business units heads also participate in such meetings to assist the Group in achieving its business performance, corporate plans and strategies with a structured segregation of duties and reporting responsibilities in monitoring operational issues, procedures and performance in a timely manner.

The key elements of the Group's internal control include the following:

- Giving authority to the Board's committee members to investigate and report on any areas of improvement.
- Performing in-depth study on major variances and deliberating irregularities in the board meetings and Audit Committee meetings so as to identify the causes of the problems and formulate solutions to resolve them.
- Arranging regular interactive meetings to identify and rectify any weaknesses in the system of internal control. There would also be informed on the matters brought up in the Audit Committee meetings on a timely basis.
- Delegating necessary authority to the Chief Executive Officer in order for him to play a major role as the link between the Board and Senior Management in implementing the Board's expectation of effective system of internal control.
- Keeping the management informed on the development of the action plan for enhancing the system of internal control allowing various management personnel to have access to important information for better decision-making; and
- Monitoring key commercial, operational and financial risks through reviewing the system of internal control and operational structures.

**Review of statement by External Auditors**

The external auditors have reviewed this Statement on Internal Control for the inclusion in the annual report of the Group for the financial year ended 31 December 2008, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Internal Control is inconsistent with their understanding of the process adopted by the Board in the review of the adequacy and integrity of the system of internal control of the Group.

**Conclusion**

The Board believes that the current system of internal control incorporated by the Group is adequate and effective with no significant problems noted during the period under review. Notwithstanding this, the Board is cognizant of the fact that the Group's system of internal control must continuously be enhanced and evolved to meet the ever changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to enhance the effectiveness and adequacy of the system of internal control to safeguard shareholders' investments and the Group's assets.

This Statement was approved by the Board of Directors on 22 April 2009.

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# FINANCIAL STATEMENTS

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 2008.

## 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

| | Group RM | Company RM |
|---|---|---|
| Profit for the financial year | 3,023,608 | 3,028,422 |
| Attributable to :- | | |
| Equity holders of the Company | 3,023,608 | 3,028,422 |

## 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 2008.

## 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 and at the date of this Report are :-

Tan Kee Chung
Chee Hong Soon
Tune Hee Hian
Lee Swee Seng
James Henry Stewart
Tai Keat Chai

**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 1.1.2008 | Acquired | Disposed | Balance at 31.12.2008 |
| 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 |

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 the subsidiaries of the Company to the extend of the Company's interest in the subsidiaries as disclosed under Note 11 to the financial statements.

Other than disclosed above, Directors who held office at the end of the financial year did not have any interests in the shares of the Company or related companies during the financial 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.

**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps :-

(a) 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

(b) 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 :-

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

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) 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.

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 ON THE FINANCIAL STATEMENTS**

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.

Signed on behalf of the Board in accordance with a resolution of the Directors,

**Tan Kee Chung**

**Chee Hong Soon**

Dated : 8 April 2009

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 MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities 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 2008 and of the results of the operations and cash flows for the financial year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the Directors,

**Tan Kee Chung**

**Chee Hong Soon**

Dated : 8 April 2009

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 by the abovenamed TAN KEE CHUNG
at Kuala Lumpur on 8 April 2009

Before me :

**Commissioner for Oaths**

We have audited the financial statements of OPENSYS (M) BERHAD, which comprise the Balance Sheets of the Group and of the Company as at 31 December 2008, and the Income Statements, Statements of Changes in Equity and Cash Flow Statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 60.

**Directors' Responsibility for the Financial Statements**

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) 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 these purposes.

c) The auditors' report on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

**Other Matters**

This Report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this Report.

**HLB LER LUM**
(Firm Number : AF 0276)
Chartered Accountants

**LER CHENG CHYE**
871/3/11(J/PH)
Chartered Accountant

Dated : 8 April 2009
Kuala Lumpur

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2008 | 2007 | 2008 | 2007 |
| | Note | RM | RM | RM | RM |
| Revenue | 4 | 34,552,621 | 32,306,155 | 34,552,621 | 32,306,155 |
| Cost of sales | | (24,687,507) | (24,232,356) | (24,687,507) | (24,232,356) |
| Gross profit | | 9,865,114 | 8,073,799 | 9,865,114 | 8,073,799 |
| Other operating income | | 125,776 | 212,753 | 125,776 | 212,753 |
| Selling & distribution costs | | (290,078) | (408,262) | (290,078) | (408,262) |
| Administration expenses | | (2,838,516) | (2,246,861) | (2,833,702) | (2,234,959) |
| Other operating expenses | | (2,016,764) | (1,952,984) | (2,016,764) | (1,952,984) |
| Finance costs | 5 | (1,803,373) | (2,132,166) | (1,803,373) | (2,132,166) |
| Profit before tax | 6 | 3,042,159 | 1,546,279 | 3,046,973 | 1,558,181 |
| Income tax expense | 8 | (18,551) | (31,249) | (18,551) | (31,249) |
| Profit for the financial year | | 3,023,608 | 1,515,030 | 3,028,422 | 1,526,932 |
| Attributable to :- | | | | | |
| Equity holders of the Company | | 3,023,608 | 1,515,030 | 3,028,422 | 1,526,932 |
| Earnings per ordinary share | 9 | | | | |
| Basic (Sen) | | 1.35 | 0.68 | 1.35 | 0.68 |
| Diluted (Sen) | | 1.05 | 0.53 | 1.05 | 0.53 |

The notes set out on pages 38 to 60 form an integral part of these financial statements.

# BALANCE SHEETS

as at 31 December 2008

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2008 | 2007 | 2008 | 2007 |
| | Note | RM | RM | RM | RM |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant & equipment | 10 | 26,694,643 | 27,069,903 | 26,694,643 | 27,069,903 |
| Investment in subsidiaries | 11 | - | - | 2,000 | 2,000 |
| Development expenditure | 12 | 16,271,684 | 15,436,228 | 16,271,684 | 15,436,228 |
| Fixed deposits | 13 | 3,549,820 | 3,441,310 | 3,549,820 | 3,441,310 |
| | | 46,516,147 | 45,947,441 | 46,518,147 | 45,949,441 |
| **Current assets** | | | | | |
| Inventories | 14 | 9,298,159 | 10,306,527 | 9,298,159 | 10,306,527 |
| Trade receivables | 15 | 6,410,265 | 10,437,150 | 6,410,265 | 10,437,150 |
| Other receivables & prepayments | 16 | 2,008,255 | 1,608,948 | 2,008,255 | 1,608,948 |
| Amount due from subsidiaries | 11 | - | - | 13,666 | 8,852 |
| Income tax assets | | 17,829 | 30,094 | 17,829 | 30,094 |
| Cash & bank balances | | 2,782,872 | 1,499,399 | 2,782,872 | 1,499,399 |
| | | 20,517,380 | 23,882,118 | 20,531,046 | 23,890,970 |
| Total assets | | 67,033,527 | 69,829,559 | 67,049,193 | 69,840,411 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to equity holders** | | | | | |
| Share capital | 17 | 22,342,000 | 22,342,000 | 22,342,000 | 22,342,000 |
| Share premium | 18 | 5,917,207 | 5,917,207 | 5,917,207 | 5,917,207 |
| Capital reserve | | 303,120 | 303,120 | 303,120 | 303,120 |
| Unappropriated profits | | 7,280,802 | 4,257,194 | 7,297,518 | 4,269,096 |
| Total equity | | 35,843,129 | 32,819,521 | 35,859,845 | 32,831,423 |

The notes set out on pages 38 to 60 form an integral part of these financial statements.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2008 | 2007 | 2008 | 2007 |
| | Note | RM | RM | RM | RM |
| **Non-current liabilities** | | | | | |
| Finance lease liabilities | 19 | 2,521,156 | 3,618,103 | 2,521,156 | 3,618,103 |
| Borrowings | 20 | 4,833,580 | 6,495,360 | 4,833,580 | 6,495,360 |
| | | 7,354,736 | 10,113,463 | 7,354,736 | 10,113,463 |
| **Current liabilities** | | | | | |
| Trade payables | 21 | 2,735,312 | 3,004,387 | 2,735,312 | 3,004,387 |
| Other payables & accruals | 22 | 2,587,332 | 625,435 | 2,586,282 | 624,385 |
| Finance lease liabilities | 19 | 1,750,329 | 2,001,104 | 1,750,329 | 2,001,104 |
| Short term borrowings | 20 | 11,341,320 | 11,202,480 | 11,341,320 | 11,202,480 |
| Bankers' acceptance | 23 | 5,307,000 | 7,551,000 | 5,307,000 | 7,551,000 |
| Bank overdrafts | 23 | 10 | 2,412,200 | 10 | 2,412,200 |
| Post-employment benefit obligations | 24 | 114,359 | 99,969 | 114,359 | 99,969 |
| | | 23,835,662 | 26,896,575 | 23,834,612 | 26,895,525 |
| **Total liabilities** | | 31,190,398 | 37,010,038 | 31,189,348 | 37,008,988 |
| **Total equity and liabilities** | | 67,033,527 | 69,829,559 | 67,049,193 | 69,840,411 |

The notes set out on pages 38 to 60 form an integral part of these financial statements.

| | Attributable to equity holders | | | | |
|---|---|---|---|---|---|
| | **Share capital RM** | **Share premium RM** | **Capital reserve RM** | **Unappropriated profits RM** | **Total equity RM** |
| Balance at 1 January 2007 | 22,235,000 | 5,891,527 | 328,800 | 2,742,164 | 31,197,491 |
| Issue of share capital | 107,000 | 25,680 | (25,680) | - | 107,000 |
| Profit for the financial year, representing total recognised income and expenses for the financial year | - | - | - | 1,515,030 | 1,515,030 |
| Balance at 31 December 2007 | 22,342,000 | 5,917,207 | 303,120 | 4,257,194 | 32,819,521 |
| Profit for the financial year, representing total recognised income and expenses for the financial year | - | - | - | 3,023,608 | 3,023,608 |
| Balance at 31 December 2008 | 22,342,000 | 5,917,207 | 303,120 | 7,280,802 | 35,843,129 |

The notes set out on pages 38 to 60 form an integral part of these financial statements.

| | Attributable to equity holders | | | | |
|---|---|---|---|---|---|
| | Share capital RM | Share premium RM | Capital reserve RM | Unappropriated profits RM | Total equity RM |
| Balance at 1 January 2007 | 22,235,000 | 5,891,527 | 328,800 | 2,742,164 | 31,197,491 |
| Issue of share capital | 107,000 | 25,680 | (25,680) | - | 107,000 |
| Profit for the financial year, representing total recognised income and expenses for the financial year | - | - | - | 1,526,932 | 1,526,932 |
| Balance at 31 December 2007 | 22,342,000 | 5,917,207 | 303,120 | 4,269,096 | 32,831,423 |
| Profit for the financial year, representing total recognised income and expenses for the financial year | - | - | - | 3,028,422 | 3,028,422 |
| Balance at 31 December 2008 | 22,342,000 | 5,917,207 | 303,120 | 7,297,518 | 35,859,845 |

The notes set out on pages 38 to 60 form an integral part of these financial statements.

# CASH FLOW STATEMENTS

for the year ended 31 December 2008

| | Note | Group 2008 RM | Group 2007 RM | Company 2008 RM | Company 2007 RM |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before tax | | 3,042,159 | 1,546,279 | 3,046,973 | 1,558,181 |
| Adjustments for :- | | | | | |
| Amortisation of development expenditure | | 2,858,904 | 2,807,115 | 2,858,904 | 2,807,115 |
| Bad debts written off | | - | 614 | - | 614 |
| Depreciation | | 3,542,325 | 3,182,559 | 3,542,882 | 3,182,559 |
| Gain on disposal of property, plant & equipment | | (125) | (104,999) | (125) | (104,999) |
| Interest expenses | | 2,092,717 | 2,477,057 | 2,092,717 | 2,477,057 |
| Interest income | | (120,532) | (107,754) | (120,532) | (107,754) |
| Inventories written off | | - | 707,133 | - | 707,133 |
| Operating profit before working capital changes | | 11,415,448 | 10,508,004 | 11,420,819 | 10,519,906 |
| Decrease/(Increase) in inventories | | 1,008,368 | (2,899,104) | 1,008,368 | (2,899,104) |
| Decrease in receivables | | 3,627,578 | 2,596,424 | 3,627,578 | 2,589,824 |
| Increase in payables | | 1,707,212 | 699,259 | 1,706,655 | 698,209 |
| Net changes in inter-company balances | | - | - | (4,814) | (4,252) |
| Cash generated from operations | | 17,758,606 | 10,904,583 | 17,758,606 | 10,904,583 |
| Interest paid | | (2,092,717) | (2,477,057) | (2,092,717) | (2,477,057) |
| Interest received | | 120,532 | 107,754 | 120,532 | 107,754 |
| Tax paid | | (6,286) | (31,249) | (6,286) | (31,249) |
| Tax refund | | - | 70,630 | - | 70,630 |
| Net cash from operating activities | | 15,780,135 | 8,574,661 | 15,780,135 | 8,574,661 |
| **Cash flows from investing activities** | | | | | |
| Development expenditure paid | | (3,438,517) | (2,710,611) | (3,438,517) | (2,710,611) |
| Purchase of property, plant & equipment | | (382,902) | (2,732,889) | (382,902) | (2,732,889) |
| Proceeds from disposal of property, plant & equipment | | 140 | 104,999 | 140 | 104,999 |
| Net cash used in investing activities | | (3,821,279) | (5,338,501) | (3,821,279) | (5,338,501) |
| **Cash flows from financing activities** | | | | | |
| Placement of fixed deposit | | (108,510) | (106,020) | (108,510) | (106,020) |
| (Repayment of)/Proceeds from bankers' acceptance - net | | (2,244,000) | 6,570,000 | (2,244,000) | 6,570,000 |
| Proceeds from issue of shares | | - | 107,000 | - | 107,000 |
| Repayment of borrowings - net | | (3,772,940) | (10,670,872) | (3,772,940) | (10,670,872) |
| Repayment of finance lease liabilities | | (2,137,743) | (1,774,661) | (2,137,743) | (1,774,661) |
| Net cash used in financing activities | | (8,263,193) | (5,874,553) | (8,263,193) | (5,874,553) |
| Net changes in cash and cash equivalents | | 3,695,663 | (2,638,393) | 3,695,663 | (2,638,393) |
| Cash and cash equivalents brought forward | | (912,801) | 1,725,592 | (912,801) | 1,725,592 |
| Cash and cash equivalents carried forward | | 2,782,862 | (912,801) | 2,782,862 | (912,801) |

The notes set out on pages 38 to 60 form an integral part of these financial statements.

## NOTES TO THE CASH FLOW STATEMENTS

### (a) Cash and cash equivalents comprise :-

| | Group/Company 2008 RM | Group/Company 2007 RM |
|---|---|---|
| Fixed deposits | 3,549,820 | 3,441,310 |
| Cash & bank balances | 2,782,872 | 1,499,399 |
| Bank overdrafts | (10) | (2,412,200) |
| | 6,332,682 | 2,528,509 |
| Less : Fixed deposits under lien | (3,549,820) | (3,441,310) |
| | 2,782,862 | (912,801) |

### (b) Analysis of acquisition of property, plant & equipment :-

| | Group/Company 2008 RM | Group/Company 2007 RM |
|---|---|---|
| Cash | 382,902 | 2,732,889 |
| Borrowings | 2,250,000 | 3,112,500 |
| Finance lease arrangement | 790,021 | 3,244,364 |
| | 3,422,923 | 9,089,753 |

The notes set out on pages 38 to 60 form an integral part of these financial statements.

## 1. GENERAL INFORMATION

The principal activities of the Company are :-

(a) to provide solutions to the financial services industry in the areas of self-service machines and universal delivery systems and IT services such as systems integration, project management, software development, support services and training;

(b) investment holdings; and

(c) to develop, assemble, manufacture, sell, import, export, let out, hire, lease, finance, install, alter, maintain, service, repair or otherwise deal in all kinds of computers, self-service machines, software application solutions and provision of related services.

The 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 ("Bursa Securities").

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. It is 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.

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

### (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 arises 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.

### (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 practise 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 of the Company have been prepared under the historical cost convention (unless stated otherwise in the significant accounting policies below) and comply with the Companies Act 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

The preparation of financial statements in conformity with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the Companies Act 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities (if any) 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 areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3(b).

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 revised Financial Reporting Standards ("FRS") which are effective for the Group and for the Company financial year beginning on 1 January 2008 are as follows :-

FRS 107 Cash Flow Statements
FRS 112 Income Taxes
FRS 118 Revenue
FRS 134 Interim Financial Reporting
FRS 137 Provisions, Contingent Liabilities and Contingent Assets
IC Int 8 Scope of FRS 2

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 did not result in substantial changes to the Group's and the Company's accounting policies.

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

### (b) Significant accounting estimates and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below :-

(i) Impairment of property, plant & equipment

Determining whether the property, plant & equipment are impaired requires an estimation of value-in-use of the property, plant & equipment. The value-in-use calculation requires the management to estimate the future cash flows and an appropriate discount rate in order to calculate the present value of future cash flows. The management has evaluated such estimates and is confident that no allowance for impairment is necessary.

(ii) Estimated residual values and useful lives of property, plant & equipment

The Group's and the Company's business is fairly capital intensive and the annual depreciation of property, plant & equipment forms a significant component of total costs charged to the Income Statement. The Company reviews the residual values and useful lives of property, plant & equipment at each balance sheet date in accordance with the accounting policy. The review is based on factors such as expected level of usage, business plans and strategies and future regulatory changes. The estimation of the residual values and useful lives involves significant judgement.

(iii) Allowance for doubtful debts

The Group and the Company assesses at each balance sheet date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

(iv) Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain in the ordinary course of business. The Group and the Company recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the financial year in which such determination is made.

(v) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgement regarding future financial performance of a particular entity in which the deferred tax asset has been recognised.

(vi) Share based payments

Equity-settled share based payments are measured at fair value at the grant date. The Group revises the estimated number of performance shares that participants are expected to receive based on non-market vesting conditions at each balance sheet date. The assumptions of the valuation model used to determine fair value are set out in Note 17 of the Financial Statements.

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

**(c) Property, plant & equipment and depreciation**

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.

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 & equipment.

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

**(d) 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.

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

### (e) 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.

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.

### (f) Development expenditure

Development expenditure incurred is capitalisad when it meets certain criteria that indicate it is probable that the costs will give rise to future economic benefits and are amortised over the period of the projects. They are written down to their recoverable amounts when there is insufficient certainty that future economic benefits will flow to the enterprise.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

**(f) Development expenditure (cont'd)**

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 the remaining development expenditure.

**(g) 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.

**(h) 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.

**(i) 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.

**(j) Interest-bearing borrowings**

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received.

Borrowing costs are recognised as an expense in the Income Statement in the period in which they are incurred.

**(k) Finance leases**

Leases of property, plant & 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 & 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.

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

**(l) Foreign currencies**

(i) Functional and presentation currency

Items included in the financial statements of the Group and the Company 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 and the Company'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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

**(m) 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.

**(n) Income tax and deferred tax**

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

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial 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.

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

### (n) Income tax and deferred tax (cont'd)

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 unabsorbed tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively 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.

### (o) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group and Company.

Short term accumulating compensated absences such as paid annual leave are recognised as expenses when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(ii) Post-employment benefits

<u>Defined contribution plan</u>

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.

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the Income Statement as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(iii) Equity compensation benefits

Details of the Group's and 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.

### (p) 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.

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

**(q) 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.

(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.

**4. REVENUE**

| | Group/Company | |
|---|---|---|
| | **2008** | **2007** |
| | **RM** | **RM** |
| Efficient service machine | 13,342,098 | 10,784,434 |
| Software license | 801,829 | 581,600 |
| Services rendered | 18,615,791 | 14,615,909 |
| Teller cheque collection solution | 1,792,903 | 6,324,212 |
| | 34,552,621 | 32,306,155 |

**5. FINANCE COSTS**

| | Group/Company | |
|---|---|---|
| | **2008** | **2007** |
| | **RM** | **RM** |
| Bank overdraft interest | 280,467 | 107,842 |
| Lease interest | 521,632 | 639,196 |
| Term loan interest | 1,001,274 | 1,381,741 |
| Other interest | - | 3,387 |
| | 1,803,373 | 2,132,166 |

## 6. PROFIT BEFORE TAX

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Profit before tax is stated after charging/(crediting) (other than those disclosed in Note 5) :- | | | | |
| Auditors' remuneration | | | | |
| - statutory | 16,000 | 16,000 | 15,000 | 15,000 |
| - others | 6,300 | 29,525 | 6,300 | 29,525 |
| Bad debt written off | - | 614 | - | 614 |
| Depreciation | 448,909 | 408,038 | 448,909 | 408,038 |
| Directors' remuneration | | | | |
| - emoluments | 870,860 | 323,800 | 870,860 | 323,800 |
| - fees | 77,500 | 78,000 | 77,500 | 78,000 |
| - others | - | 6,000 | - | 6,000 |
| Lease rentals | 32,400 | 32,400 | 32,400 | 32,400 |
| Realised loss on foreign exchange | - | 8,025 | - | 8,025 |
| Rental of premises | 518,135 | 430,628 | 518,135 | 430,628 |
| Staff costs (excluding Directors' remuneration) | | | | |
| - Salaries, wages & bonus | 1,279,473 | 1,110,621 | 1,279,473 | 1,110,621 |
| - Defined contribution plan | 212,950 | 158,639 | 212,950 | 158,639 |
| - Other employee benefits | 524,340 | 683,724 | 524,340 | 683,724 |
| Gain on disposal of property, plant & equipment | (125) | (104,999) | (125) | (104,999) |
| Interest income | | | | |
| - fixed deposits | (108,510) | (106,011) | (108,510) | (106,011) |
| - other | (12,022) | (1,743) | (12,022) | (1,743) |
| Included in the cost of sales are as follows :- | | | | |
| Bankers' acceptance/ Letter of credit interest | 289,344 | 344,891 | 289,344 | 344,891 |
| Cost of inventories | 11,441,960 | 15,893,843 | 11,441,960 | 15,893,843 |
| Depreciation | 3,093,416 | 2,774,521 | 3,093,416 | 2,774,521 |
| Development expenditure | | | | |
| - amortisation | 2,858,904 | 2,807,115 | 2,858,904 | 2,807,115 |
| - charged to Income Statement | - | 27,000 | - | 27,000 |
| Director's remuneration | | | | |
| - emoluments | 64,863 | 41,569 | 64,863 | 41,569 |
| Inventories written off | - | 707,133 | - | 707,133 |
| Staff costs (excluding Director's remuneration) | | | | |
| - Salaries, wages & bonus | 2,395,668 | 1,373,556 | 2,395,668 | 1,373,556 |
| - Defined contribution plan | 290,268 | 167,052 | 290,268 | 167,052 |
| - Other employee benefits | 257,960 | 227,199 | 257,960 | 227,199 |

## 7. DIRECTORS' REMUNERATION

The aggregate remuneration of Directors of the Group and of the Company categorised into appropriate components for the financial year ended 31 December 2008 are as follows :-

| | Fees RM | Salaries RM | Others* RM | Total RM |
|---|---|---|---|---|
| Executive Directors | - | 723,792 | 432,679 | 1,156,471 |
| 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 2008 are as follows :-

| | Group/Company No. of Directors | |
|---|---|---|
| **Range of remuneration** | **Executive** | **Non executive** |
| Below RM50,001 | - | 3 |
| RM50,001 - RM250,000 | - | - |
| RM250,001 - RM300,000 | 1 | - |
| RM300,001 - RM350,000 | 1 | - |
| RM350,001 - RM550,000 | - | - |
| RM550,001 - RM600,000 | 1 | - |

* Included in the remuneration of Directors of the Group and of the Company is contribution to a defined contribution plan amounting to RM124,132 (2007: RM86,484) charged to the Income Statement.

## 8. INCOME TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Malaysian income tax based on results for the financial year | 49,800 | 31,249 | 49,800 | 31,249 |
| Over-provision of income tax in prior financial year | (31,249) | - | (31,249) | - |
| | 18,551 | 31,249 | 18,551 | 31,249 |

## 8. INCOME TAX EXPENSE (cont'd)

A reconciliation of income tax expense applicable to profit before tax 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 | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Profit before tax | 3,042,159 | 1,546,279 | 3,046,973 | 1,558,181 |
| Income tax using Malaysian tax rate of 26% (2007: 27%) | 790,961 | 417,495 | 792,213 | 420,709 |
| Non-deductible expenses | 264,423 | 271,481 | 263,171 | 268,267 |
| Over-provision of income tax in prior financial year | (31,249) | - | (31,249) | - |
| Utilisation of unutilised capital allowances | (1,005,584) | (657,727) | (1,005,584) | (657,727) |
| | 18,551 | 31,249 | 18,551 | 31,249 |

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 which commenced from 1 December 2003 and expired on 30 November 2008. The pioneer exempt income as at 31 December 2008 estimated at RM15,296,780 (2007: RM15,296,780) is subject to agreement by the Inland Revenue Board.

The unutilised capital allowances carried forward as at 31 December 2008 is estimated at RM Nil (2007: RM452,945). 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 (2007: RM50,666) pursuant to Section 12 of the Income Tax (Amendment) Act 1999, from which tax exempt dividends can be declared.

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. On 1 January 2008, the single-tier tax system came into effect in Malaysia. Under this system, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under the single-tier system are tax exempt in the hands of shareholders. Companies can make an irrevocable election to disregard the Section 108 balance and opt to pay dividends under the single-tier tax system.

The Company did not make an election to disregard the Section 108 balance, and may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier.

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 balances as mentioned above, all of the unappropriated profits of the Company as at 31 December 2008 (2007: RM4,269,096) 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 | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Basic EPS | | | | |
| Profit for the financial year/ Profit attributable to equity holders (RM'000) | 3,024 | 1,515 | 3,028 | 1,527 |
| Weighted average number of shares in issue for basic EPS ('000) | 223,420 | 223,192 | 223,420 | 223,192 |
| Basic EPS (sen) | 1.35 | 0.68 | 1.35 | 0.68 |

Basic EPS is calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the financial year.

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Diluted EPS | | | | |
| Profit for the financial year/ Profit attributable to equity holders (RM'000) | 3,024 | 1,515 | 3,028 | 1,527 |
| Weighted average number of shares in issue for basic EPS ('000) | 223,420 | 223,192 | 223,420 | 223,192 |
| Adjustment for :- | | | | |
| Ordinary shares deemed issued at no consideration on assumed exercise of options ('000) | 64,920 | 64,920 | 64,920 | 64,920 |
| | 288,340 | 288,112 | 288,340 | 288,112 |
| Diluted EPS (sen) | 1.05 | 0.53 | 1.05 | 0.53 |

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 - 2008**

| | Computers RM | Furniture & fittings RM | Motor vehicles RM | Renovations RM | Signboard RM | Telecom-munication & office equipment RM | Total RM |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| At 1.1.2008 | 3,028,202 | 1,067,628 | 686,524 | 555,227 | 8,840 | 32,886,807 | 38,233,228 |
| Additions | 238,986 | 2,000 | 596,546 | - | - | 2,585,391 | 3,422,923 |
| Disposals | (60,857) | - | - | - | - | - | (60,857) |
| At 31.12.2008 | 3,206,331 | 1,069,628 | 1,283,070 | 555,227 | 8,840 | 35,472,198 | 41,595,294 |
| Accumulated Depreciation | | | | | | | |
| At 1.1.2008 | 2,589,388 | 904,919 | 203,051 | 212,324 | 5,211 | 7,248,432 | 11,163,325 |
| Charge for the financial year | 301,481 | 104,200 | 146,106 | 49,906 | 819 | 3,195,656 | 3,798,168 |
| Disposals | (60,842) | - | - | - | - | - | (60,842) |
| At 31.12.2008 | 2,830,027 | 1,009,119 | 349,157 | 262,230 | 6,030 | 10,444,088 | 14,900,651 |
| Net Book Value | | | | | | | |
| At 31.12.2008 | 376,304 | 60,509 | 933,913 | 292,997 | 2,810 | 25,028,110 | 26,694,643 |

**Group/Company - 2007**

| | Computers RM | Furniture & fittings RM | Motor vehicles RM | Renovations RM | Signboard RM | Telecom-munication & office equipment RM | Total RM |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| At 1.1.2007 | 2,782,508 | 1,060,551 | 653,609 | 555,227 | 8,840 | 24,477,773 | 29,538,508 |
| Additions | 245,694 | 7,077 | 427,948 | - | - | 8,409,034 | 9,089,753 |
| Disposals | - | - | (395,033) | - | - | - | (395,033) |
| At 31.12.2007 | 3,028,202 | 1,067,628 | 686,524 | 555,227 | 8,840 | 32,886,807 | 38,233,228 |
| Accumulated Depreciation | | | | | | | |
| At 1.1.2007 | 2,305,789 | 802,198 | 505,358 | 162,418 | 4,392 | 4,352,791 | 8,132,946 |
| Charge for the financial year | 283,599 | 102,721 | 92,726 | 49,906 | 819 | 2,895,641 | 3,425,412 |
| Disposals | - | - | (395,033) | - | - | - | (395,033) |
| At 31.12.2007 | 2,589,388 | 904,919 | 203,051 | 212,324 | 5,211 | 7,248,432 | 11,163,325 |
| Net Book Value | | | | | | | |
| At 31.12.2007 | 438,814 | 162,709 | 483,473 | 342,903 | 3,629 | 25,638,375 | 27,069,903 |

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

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

| | Group/Company 2008 RM | Group/Company 2007 RM |
|---|---|---|
| Computers | 183,111 | 80,715 |
| Motor vehicles | 933,913 | 483,473 |
| Telecommunication & office equipment | 319,221 | 5,591,266 |
| | 1,436,245 | 6,155,454 |
| Depreciation charge for the financial year is allocated as follows :- | | |
| Income Statement | 3,542,325 | 3,182,559 |
| Development expenditure (Note 12) | 255,843 | 242,853 |
| | 3,798,168 | 3,425,412 |

Security

The net book value of the Group's property, plant & equipment that have been charged to financial institutions for facilities granted to the Group and the Company are as follows :-

| | Group/Company 2008 RM | Group/Company 2007 RM |
|---|---|---|
| Telecommunication & office equipment | 23,302,103 | 17,490,097 |

## 11. SUBSIDIARIES

| | Company 2008 RM | Company 2007 RM |
|---|---|---|
| (a) Investment in subsidiaries | | |
| Unquoted shares - at cost | 2,000 | 2,000 |

| Name of Company | Principal Activities | Place of Incorporation | Effective Equity Interest 2008 % | Effective Equity Interest 2007 % |
|---|---|---|---|---|
| OpenSys Technologies Sdn. Bhd. | Dormant | Malaysia | 100 | 100 |
| OpenSys Engineering Sdn. Bhd. | Dormant | Malaysia | 100 | 100 |

**11. SUBSIDIARIES (cont'd)**

(b) Amount due from subsidiaries

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

**12. DEVELOPMENT EXPENDITURE**

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

| | Group/Company | |
|---|---|---|
| | **2008** | **2007** |
| | **RM** | **RM** |
| At beginning of the financial year | 15,436,228 | 15,289,879 |
| Capitalised during the financial year | 3,694,360 | 2,953,464 |
| Less : Amortisation during the financial year | (2,858,904) | (2,807,115) |
| At end of the financial year | 16,271,684 | 15,436,228 |
| Cost | 23,235,398 | 23,740,285 |
| Less : Accumulated amortisation | (6,963,714) | (8,304,057) |
| Net book value | 16,271,684 | 15,436,228 |

Included in the development expenditure are the following current charges :-

| | Group/Company | |
|---|---|---|
| | **2008** | **2007** |
| | **RM** | **RM** |
| Depreciation (Note 10) | 255,843 | 242,853 |
| Directors' emoluments | 220,748 | 440,124 |
| Staff costs (excluding Directors' emoluments) | 2,548,920 | 2,008,043 |
| Rental of premises | 186,265 | 218,944 |

**13. FIXED DEPOSITS**

| | Group/Company | |
|---|---|---|
| | **2008** | **2007** |
| | **RM** | **RM** |
| Fixed deposits with licensed banks | 3,549,820 | 3,441,310 |

The interest rate of deposits of the Group and of the Company as at balance sheet date ranged from 2.3% to 3.1% (2007: 2.5% to 3.3%) per annum.

Deposits of the Group and of the Company have maturity of 365 days (2007: 365 days). Bank balances are deposits held at call with banks.

**14. INVENTORIES - at cost**

| | Group/Company 2008 RM | Group/Company 2007 RM |
|---|---|---|
| Assembly components | 9,196,097 | 10,221,930 |
| Finished goods | 102,062 | 84,597 |
| | 9,298,159 | 10,306,527 |

**15. TRADE RECEIVEABLES**

| | Group/Company 2008 RM | Group/Company 2007 RM |
|---|---|---|
| The currency exposure profile of trade receivables is as follows :- | | |
| Ringgit Malaysia | 6,410,265 | 10,226,559 |
| US Dollar | - | 210,591 |
| | 6,410,265 | 10,437,150 |

The Group's and the Company's normal credit term of trade receivables ranged from 30 days to 90 days (2007: 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/Company 2008 RM | Group/Company 2007 RM |
|---|---|---|
| Other receivables | 232,779 | 232,139 |
| Prepayments | 1,775,476 | 1,376,809 |
| | 2,008,255 | 1,608,948 |

## 17. SHARE CAPITAL

| | Group/Company 2008 RM | 2007 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 financial year - 223,420,000 (2007: 222,350,000) ordinary shares of RM0.10 each | 22,342,000 | 22,235,000 |
| Exercise of ESOS options - Nil (2007: 1,070,000) ordinary shares of RM0.10 each | - | 107,000 |
| At end of the financial year - 223,420,000 (2007: 223,420,000) ordinary shares of RM0.10 each | 22,342,000 | 22,342,000 |

**EMPLOYEES' SHARE OPTION SCHEME**

The Group's and the Company's Employees' 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 Securities.

(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 Securities 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.

**17. SHARE CAPITAL (cont'd)**

(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 2008 | 34,810,000 |
| Exercised | - |
| Granted | - |
| Lapsed | - |
| At 31 December 2008 | 34,810,000 |

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 | 12,630,000 |
| | | 34,810,000 |

**18. SHARE PREMIUM**

| | Group/Company | |
|---|---|---|
| | 2008 RM | 2007 RM |
| At beginning of the financial year | 5,917,207 | 5,891,527 |
| Shares issued upon exercise of ESOS | - | 25,680 |
| At end of the financial year | 5,917,207 | 5,917,207 |

## 19. FINANCE LEASE LIABILITIES

| | Group/Company 2008 RM | 2007 RM |
|---|---|---|
| Minimum lease payments :- | | |
| Repayable not later than 1 year | 2,066,024 | 2,502,197 |
| Repayable later than 1 year and not later than 2 years | 1,333,698 | 1,865,311 |
| Repayable later than 2 years and not later than 5 years | 1,435,625 | 2,244,250 |
| | 4,835,347 | 6,611,758 |
| Less : Financing charges | (563,862) | (992,551) |
| Present value of minimum lease payments | 4,271,485 | 5,619,207 |
| Present value of minimum lease payments :- | | |
| Repayable not later than 1 year | 1,750,329 | 2,001,104 |
| Repayable later than 1 year and not later than 2 years | 1,171,354 | 1,582,146 |
| Repayable later than 2 years and not later than 5 years | 1,349,802 | 2,035,957 |
| | 4,271,485 | 5,619,207 |
| Represented by :- | | |
| Current | 1,750,329 | 2,001,104 |
| Non-current | 2,521,156 | 3,618,103 |
| | 4,271,485 | 5,619,207 |

The finance lease liabilities of the Group and of the Company carry interest at the balance sheet date which ranged from 2.4% to 8.0% (2007: 2.5% to 8.0%) per annum.

## 20. BORROWINGS

| | Group/Company 2008 RM | 2007 RM |
|---|---|---|
| Term loans | | |
| Term loan No. I | 300,000 | 950,000 |
| Term loan No. II | 1,037,000 | 2,558,000 |
| Term loan No. III | 14,236,500 | 13,294,440 |
| Term loan No. IV | 601,400 | 895,400 |
| | 16,174,900 | 17,697,840 |
| Repayable not later than 1 year | 11,341,320 | 11,202,480 |
| Repayable later than 1 year and not later than 2 years | 4,833,580 | 5,333,150 |
| Repayable later than 2 years and not later than 5 years | - | 1,162,210 |
| | 16,174,900 | 17,697,840 |
| Represented by :- | | |
| Current | 11,341,320 | 11,202,480 |
| Non-current | 4,833,580 | 6,495,360 |
| | 16,174,900 | 17,697,840 |

**20. BORROWINGS (cont'd)**

The term loan No. I is repayable over 60 monthly installments of RM50,000 commencing in August 2005.

The term loan No. II is repayable over 48 monthly installments of RM117,000 commencing in October 2005.

The term loan No. III is repayable over 48 monthly installments ranging from RM35,000 to RM500,000 commencing in March 2006.

The term loan No. IV is repayable over 54 monthly installments ranging from RM7,300 to RM25,400 commencing in May 2007.

The effective interest rate of term loans of the Group and of the Company at the balance sheet date ranged from 6.0% to 6.3% (2007: 6.0% to 6.3%) per annum.

The term loans are secured by :-

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

**21. TRADE PAYABLES**

| | Group/Company | |
|---|---|---|
| | **2008** | **2007** |
| | **RM** | **RM** |
| The currency exposure profile of trade payables are as follows :- | | |
| Ringgit Malaysia | 2,735,312 | 2,460,895 |
| Euro | - | (129,362) |
| Japanese Yen | - | 87,239 |
| Singapore Dollar | - | 291,351 |
| US Dollar | - | 294,264 |
| | 2,735,312 | 3,004,387 |

The credit terms of trade payables granted to the Group and the Company vary from 30 days to 90 days (2007: 30 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

**22. OTHER PAYABLES & ACCRUALS**

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | **RM** | **RM** | **RM** | **RM** |
| Other payables | 52,134 | 79,033 | 52,134 | 79,033 |
| Accruals | 2,535,198 | 546,402 | 2,534,148 | 545,352 |
| | 2,587,332 | 625,435 | 2,586,282 | 624,385 |

## 23. BANKERS' ACCEPTANCE AND BANK OVERDRAFTS

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

(a) fixed deposits of RM3,549,820 (2007: RM3,441,310); 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 financial year ranged from 5.2% to 8.8% (2007: 5.2% to 8.8%) per annum.

## 24. POST-EMPLOYMENT BENEFIT OBLIGATIONS

| | Group/Company | |
|---|---|---|
| | 2008 RM | 2007 RM |
| Defined contribution plan - current | 114,359 | 99,969 |

The Group and 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.

## 25. SEGMENT INFORMATION

During the financial year, there is no segmental information by activities and geographical locations prepared as the Group's and the Company's activities and operations are predominantly in one industry segment principally located in Malaysia.

## 26. DEFERRED TAX

The estimated potential tax benefits of temporary differences not dealt with in the financial statements is as follows :-

| | Group/Company | |
|---|---|---|
| | 2008 RM | 2007 RM |
| Unutilised capital allowances | - | 452,945 |
| Potential tax benefits calculated at 26% (2007: 27%) tax rate | - | 122,295 |

Deferred tax assets have not been recognised as it is not probable that taxable profits will be available against which the deductible temporary difference can be used.

## 27. SIGNIFICANT RELATED PARTY TRANSACTIONS

Key management personnel compensation

The key management personnel compensation during the financial year was in respect of the Directors' remuneration of the Group and of the Company as stated in Note 7 to the Financial Statements.

## 28. THE NEW OR REVISED FINANCIAL REPORTING STANDARDS

The new or revised Financial Reporting Standards which have been published that are mandatory for the Group's and the Company's accounting periods beginning on or after 1 January 2009 or later period, are as follows :-

(a) Standards that are not yet effective and have not been early adopted
(b) Standard that is 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 7 Financial Instruments : Disclosures (effective for accounting periods beginning on or after 1 January 2010)

FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, liquidity risk and market risk (including sensitivity analysis to market risk). It replaces the disclosure requirements in FRS 132 Financial Instruments: Presentation.

The Group and the Company will apply this standard from financial year beginning on 1 January 2010.

(ii) FRS 8 Operating Segments (effective for accounting periods beginning on or after 1 July 2009)

(iii) FRS 139 Financial Instruments : Recognition and Measurement (effective for financial periods beginning on or after 1 January 2010)

The impact of applying FRS 139 on the financial statements has not been disclosed by virtue of the exemption stipulated in the said FRS.

(iv) IC Int 10 Interim Financial Reporting and Impairment (effective for financial periods beginning on or after 1 January 2010)

(b) Standard that is not yet effective and not relevant for the Group's and the Company's operations

(i) FRS 4 Insurance Contracts (effective for accounting periods beginning on or after 1 January 2010)

(ii) IC Int 9 Reassessment of Embedded Derivative (effective for accounting periods beginning on or after 1 January 2010)

## 29. 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.

## 30. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue by the Board of Directors in accordance with the Directors' Resolution dated 8 April 2009

| | | |
|---|---|---|
| Lodged by | : | Mega Corporate Services (M) Sdn. Bhd. (Company No : 187984-H) |
| Address | : | Level 15-2, Faber Imperial Court<br>Jalan Sultan Ismail<br>50250 Kuala Lumpur |
| Tel. No. | : | 03-26924271 |

| | | |
|---|---|---|
| **Authorized Capital** | : | RM50,000,000 divided into 500,000,000 ordinary shares of RM0.10 each |
| **Issued and Paid-Up Capital** | : | RM22,342,000.00 divided into 223,420,000 ordinary shares of RM0.10 each |
| **Class of Shares** | : | There is only one class of shares in the Company<br>• Ordinary Shares of RM0.10 each fully paid |
| **Voting Rights** | : | One vote per RM0.10 share |

**ANALYSIS BY SIZE OF SHAREHOLDINGS**

| Size of Holdings | No. of Shareholders | Total Holdings | % |
|---|---|---|---|
| Less than 100 Shares | 3 | 150 | 0.00 |
| 100 - 1,000 shares | 284 | 196,600 | 0.09 |
| 1,001 - 10,000 shares | 1,484 | 9,010,050 | 4.03 |
| 10,001 - 100,000 shares | 995 | 34,508,200 | 15.45 |
| 100,001 - less than 5% of issued shares | 177 | 107,619,760 | 48.17 |
| 5% and above of issued shares | 3 | 72,085,240 | 32.26 |
| **Total** | **2,946** | **223,420,000** | **100.00** |

**SUBSTANTIAL SHAREHOLDERS**

| No. | Name | Direct Interest Shares | Direct Interest % | Deemed Interest Shares | Deemed Interest % |
|---|---|---|---|---|---|
| 1 | Tan Kee Chung | 35,541,230 | 15.91 | 13,613,003* | 6.09 |
| 2 | Commerce Technology Ventures Sdn Bhd | 21,544,010 | 9.64 | - | - |
| 3 | Skyline Yield Sdn Bhd | 15,000,000 | 6.71 | - | - |
| 4 | Omtiara Sdn Bhd | 13,213,003 | 5.91 | - | - |
| | Total | 85,298,243 | 38.18 | 13,613,003 | 6.09 |

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

**DIRECTORS' SHAREHOLDINGS**

| No. | Name | Direct Interest Shares | Direct Interest % | Deemed Interest Shares | Deemed Interest % |
|---|---|---|---|---|---|
| 1 | Tan Kee Chung | 35,541,230 | 15.91 | 13,613,003* | 6.09 |
| 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 | 20.45 | 14,013,003 | 6.27 |

* 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.

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS

| No. | Name | No. of Shares held | % |
|---|---|---|---|
| 1. | Tan Kee Chung | 35,541,230 | 15.91 |
| 2. | Commerce Technology Ventures Sdn Bhd | 21,544,010 | 9.64 |
| 3. | Skyline Yield Sdn Bhd | 15,000,000 | 6.71 |
| 4. | Araneum Sdn Bhd | 9,218,093 | 4.13 |
| 5. | MAA Credit Sdn Bhd for Omtiara | 8,808,661 | 3.94 |
| 6. | Chee Hong Soon | 6,161,220 | 2.76 |
| 7. | Omtiara Sdn Bhd | 4,404,342 | 1.97 |
| 8. | Leong Yoke Wai | 3,997,282 | 1.79 |
| 9. | Koh Lea Cheong | 3,982,682 | 1.78 |
| 10. | Lim Swee Keah | 3,982,682 | 1.78 |
| 11. | Tan Gaik Keow | 3,982,682 | 1.78 |
| 12. | Tune Hee Hian | 3,982,682 | 1.78 |
| 13. | Commerce Asset Ventures Sdn Bhd | 3,551,903 | 1.59 |
| 14. | Haw Wan Chong | 3,516,082 | 1.57 |
| 15. | Low Suet Cheng | 2,927,682 | 1.31 |
| 16. | Tee So Guat | 1,660,000 | 0.74 |
| 17. | Goh Siew Tee | 1,405,800 | 0.63 |
| 18. | Soong Sor Pow | 1,360,000 | 0.61 |
| 19. | Mayban Nominees (Tempatan) Sdn Bhd for Gan Cheong Poon | 1,002,100 | 0.45 |
| 20. | Chuah Tai Eu | 975,000 | 0.44 |
| 21. | Tham Kok Cheng | 959,574 | 0.43 |
| 22. | Lim Kah Heng | 933,000 | 0.42 |
| 23. | Siow Yun Fatt | 903,000 | 0.40 |
| 24. | Choi Swee Cheng | 835,100 | 0.37 |
| 25. | Lee Poh Yong | 800,800 | 0.36 |
| 26. | Low Swee Seng | 780,000 | 0.35 |
| 27. | Choong Foong Heng | 758,800 | 0.34 |
| 28. | Khoo Ah Chaw | 736,300 | 0.33 |
| 29. | Simon Tan Cheng Kim | 691,600 | 0.31 |
| 30. | Chen Ling Chiong | 643,200 | 0.29 |
| | Total | 145,045,507 | 64.92 |

**OPENSYS (M) BERHAD**
(Company No. 369818-W)
Incorporated in Malaysia

| No. of ordinary shares held |
|---|
| |

# PROXY FORM

(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 Thirteenth Annual General Meeting of the Company to be held at Nakhoda 1, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Seksyen 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 17 June 2009 at 3.00 p.m. and at every adjournment thereof to vote as indicated below:-

| | | **For** | **Against** |
|---|---|---|---|
| Resolution 1 | | | |
| Resolution 2 | | | |
| Resolution 3 | | | |
| Resolution 4 | | | |
| Resolution 5 | | | |
| Resolution 6 | | | |

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

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

As witness my hand this________________day of__________________ 2009

_____________________________________
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 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.
3. 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.
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.

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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