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

ANNUAL REPORT 2010

OpenSys

OpenSys (M) Berhad

(369818-W) (Incorporated in Malaysia)

Annual Report 2010

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Company will be held at Arcadia 1 & 2, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Seksyen 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 15 June 2011 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 2010 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 2010. **(ORDINARY RESOLUTION 1)**

3. To approve the increase in Directors' fees from RM2,000 to RM2,500 per director per month for the year 2011. **(ORDINARY RESOLUTION 2)**

4. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:

Mr. Tan Kee Chung	Article 98	**(ORDINARY RESOLUTION 3)**
Mr. Chee Hong Soon	Article 98	**(ORDINARY RESOLUTION 4)**
Mr. Ng Bee Ken	Article 105	**(ORDINARY RESOLUTION 5)**

5. 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." **(ORDINARY RESOLUTION 6)**

6. To re-appoint Messrs HLB Ler Lum as Auditors and to authorise the Board of Directors to fix their remuneration. **(ORDINARY RESOLUTION 7)**

AS SPECIAL BUSINESS

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

7. **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 AND THAT the Directors be and are hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation of the additional shares so issued." **(ORDINARY RESOLUTION 8)**

8. **SPECIAL RESOLUTION**
   PROPOSED AMENDMENT TO THE COMPANY'S ARTICLES OF ASSOCIATION

   "THAT the existing Article 155 of the Articles of Association of the Company be and is hereby deleted in its entirety and be substituted thereof a new Article 155 as follows:-

   Existing Article 155
   Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant and sent through the post directed to the address of the holder in the Register or Record of Depositors. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder and the payment of such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.

   New Article 155
   Any dividend, interest or other money payable in cash in respect of shares may be paid by direct crediting, cheque or warrant, sent via electronic means or post directed to the registered address of the holder. Every direct crediting or such cheque or warrant shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant or the payment by direct crediting or such other electronic means to the bank account provided by the holder shall operate as a good discharge of the Company's obligation in respect of dividend represented thereby, notwithstanding that it may subsequently appear that the cheque has been stolen or that the endorsement thereon or the instruction for the payment by direct crediting or such other electronic means has been forged. Every such cheque or warrant sent or payment by direct crediting or such other electronic means shall be at the risk of the person entitled to the dividend thereby presented." **(SPECIAL RESOLUTION 1)**

By Order of the Board

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

Dated this 24th day of May 2011

Kuala Lumpur

Notes:

1. *The Agenda No. 1 is meant for discussion only as the Company's Articles of Association provides that the audited financial statements are to be laid in the general meeting and do not require a formal approval of shareholders. Hence, it 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.*

NOTICE OF ANNUAL GENERAL MEETING

6. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 15-2, Bangunan 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 8 proposed in Agenda 7, 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.

   The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/diversification proposals involves the issue of new shares, the Directors, under certain circumstance when the opportunity arises, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the issued capital.

   In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to issue shares in the Company, up to any amount not exceeding in total 10% of the issued share capital of the Company for the time being, for such purposes. The renewed authority for allotment of shares will provide flexibility to the Company for the allotment of shares for the purpose of funding future investment, working capital and/or acquisitions.

   No shares have been issued and allotted by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting held on 16 June 2010.

   7.2 The proposed special resolution 1, if passed, will align Article 155 with Bursa Malaysia Securities Berhad's requirement that cash dividend is to be paid to shareholders by direct credit into their bank accounts as provided to Bursa Malaysia Depository Sdn Bhd.

PROFILE OF DIRECTORS

Standing from left to right: NG BEE KEN
CHEE HONG SOON
TAN KEE CHUNG
JAMES HENRY STEWART
TAI KEAT CHAI
TUNE HEE HIAN

TAN KEE CHUNG
(Malaysian, Aged 52)

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 28 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 51)

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 more than 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.

PROFILE OF DIRECTORS

TUNE HEE HIAN
(Malaysian, Aged 52)

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 25 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.

NG BEE KEN
(Malaysian, Aged 57)

was appointed as Independent Non-Executive Director of OpenSys on 1 July 2010. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He holds a Bachelor of Law (Hons) from the University of Wales, Cardiff; a Master of Laws from King's College, University of London; and a Barrister-at-Law from Lincoln's Inn. He also holds a Master of Science (Corporate Communication) from Universiti Putra Malaysia, an Associate of the Association of Costs & Executive Accountants, United Kingdom and is a Certified Mediator at the Malaysian Mediation Centre as accredited by the Malaysian Bar. He is an Advocate and Solicitor of the High Court of Malaya since 1987, and presently is the Managing Partner of the law firm of Azri, Lee Swee Seng & Co where he specialises in corporate law. Presently he is the Chairman and an Independent Non-Executive Director of Sinotop Holdings Bhd., an Independent Non-Executive Director of Widetech (Malaysia) Bhd and Talam Corporation Bhd. He is also the local representative Independent Non-Executive Director of Xstrata Recycling Sdn. Bhd. whose parent company is listed in both London and Zurich. Xstrata is one of the largest mining companies in the world.

JAMES HENRY STEWART
(Canadian, Aged 77)

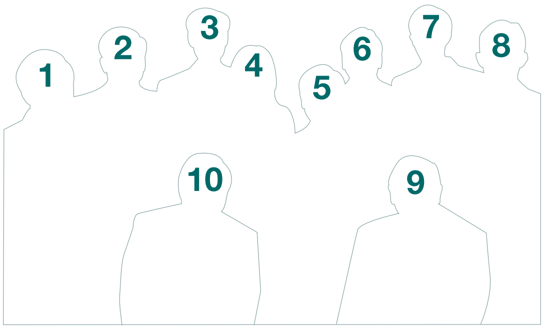
was appointed as Independent Non-Executive Director of OpenSys on 6 November 2003. He is the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee. He has more than thirty years of experience in the IT industry. His management expertise includes sales and marketing, human resource 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.

TAI KEAT CHAI
(Malaysian, Aged 57)

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, Imaspro Corporation Berhad, SILK Holdings Berhad, MIDF Amanah Investment Bank 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 Libra 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.*

SENIOR MANAGEMENT



Standing clockwise from top left:

1 Tham Kok Cheng
Director, Customer Support

2 Eric Lim Swee Keah
Director, Sales

3 Leong Yoke Wai
Director, Hardware Development & Integration

4 Wong Siew Pooi
Director, Software Development & Integration

5 Tan Kee Chung
Chief Executive Officer

6 Luke Sebastian
Director, Centre of Technology

7 Ooi Hock Ang
Director, Project Management Office

8 Koh Lea Cheong
Director, Business Process Outsourcing

9 Chee Hong Soon
Chief Financial Officer

10 Tune Hee Hian
Director, Business Development

CEO'S STATEMENT

As we enter into the second decade of the Noughties during the time of Twitter, iPad and Android phones, most customers prefer to control their own experience in the manner in which they handle routine financial transactions such as withdrawing cash, depositing cash or cheques, paying bills and renewing insurance policies, permits and subscription plans. Instead of queuing up at brick-and-mortar outlets of banks, insurers, telcos and government departments – which is time consuming and unproductive – customers increasingly gravitates towards the Internet or self-service kiosks to do these transactions.

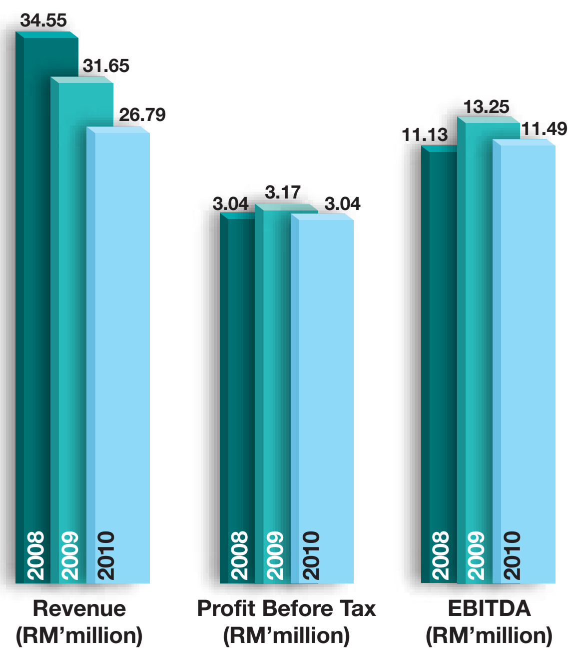
For the technology savvy customers, the Internet is the preferred medium of transaction but for the majority of customers who do not have ready access to the Internet, self-service kiosks are an excellent enabling technology. In addition to convenience and control, self-service kiosks provide a high degree of comfort and security to the customers vis-à-vis pure electronic mediums because they are more deterministic and less susceptible to abuse and fraud.

The preference towards the Internet and self-service kiosks also benefits the service providers because these enabling technologies allow the service providers to operate beyond the traditional 9-to-5 window and are less onerous and cheaper to manage compared with human resources.

OpenSys continues to lead the market in the area of non-cash-dispensing self-service kiosks called Efficient Service Machines (ESM). ESMs allow customers to make deposits of cheques and cash, pay bills and renew insurance premiums and subscription plans using cash, cheques, credit and debit cards. OpenSys is also the market leader in providing solutions in image-based cheque processing systems that minimizes the physical movement of paper cheques by converting cheques into electronic funds transfer instruments that can be transmitted through the Internet.

For the financial year ended 31 December 2010, our profit before tax and revenue fell 4% and 15% to RM3.04 million and RM26.79 million respectively from the corresponding period in 2009. Our earnings before interest, tax, depreciation and amortization (EBITDA) dropped 13% to RM11.49 million from the year before. The poorer result was due to the lingering ripple effect from the sub-prime financial crisis that started in early 2009 when banks either scaled down or held back their capital expenditure for computer equipment.

	2008	2009	2010
Revenue (RM'million)	34.55	31.65	26.79
Profit Before Tax (RM'million)	3.04	3.17	3.04
EBITDA (RM'million)	11.13	13.25	11.49



CEO'S STATEMENT

Despite the modest results, it is pertinent to note that our Company is in a better and stronger position than previous years with the following highlights:

- Our recurring income comprising life-cycle maintenance of equipment and business process outsourcing (based on click or transaction charges) is now at 75% of our total revenue representing an increase of 22% over the last three years. This recurring income stream generates steady cashflow for our Company and it shields us from financial market turbulences that are beyond our control.

- Our cost of goods sold has progressively been pared down from 53% of total revenue in 2008 to 33% of total revenue in 2010. This means that we are getting more efficient and cost effective in the production of our hardware equipment and software solutions.

- Our finance cost is down by half from 6% to 3% of total revenue over the last three years due to higher loan repayment.

- Due to the above factors, our profit before tax has improved from 6% of total revenue in 2008 to 11% of total revenue in 2010. **

** It is worth noting that our income tax expense of RM1.80 million in 2010 had no bearing on our cashflow. It was merely a deferred tax treatment that was required to comply with the accounting guidelines of FRS 112 (Income Taxes).

Moving forward, we see tremendous opportunity in the outsourcing of cheque processing systems as cheque usage declines. We are in a strong position to offload the cheque processing burden from the banks because OpenSys modern cheque truncation system (CTS) solution delivers as much as 80% operational cost savings to banks at less than half the price of traditional systems. In addition, we have the track record, expertise and service and support infrastructure to implement these solutions for the banks and at the same time, move them towards the pure electronic play in the future.

In the domain of self-service kiosks in particular in the area of bill payments using cash, cheques, credit and debit cards, we have proven that we are the most reliable technology partner for the telcos, insurers and utility companies in the marketplace over the last eight years. A couple of these organisations started with solutions from our competitors but when they realized that our competitors' solutions are not as comprehensive as OpenSys's, they replaced them with our solution instead. Besides our total solution, we can also offer better pricing vis-à-vis our competitors since we have economy of scale.

In the area of research and development, our commitment to product development allows us to be more responsive to changes in technology, industry standards and customer expectations. We will continue to enhance our existing products and services and introduce new ones to maintain our market leadership position. The carrying book value of development expenditure for the year ended 31 December 2010 is RM10.34 million.

Last year, we reached a significant milestone in our history by returning the first dividend payment of 5% to our shareholders on 28 July 2010. Since then, we have declared another interim dividend of 5% to be payable on 29 April 2011. Going forward, our goal is to return as much value as possible to our esteemed shareholders.

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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Kee Chung
(Executive Director and Chief Executive Officer)

Chee Hong Soon
(Executive Director)

Tune Hee Hian
(Executive Director)

James Henry Stewart
(Independent Non-Executive Director)

Ng Bee Ken
(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

1) James Henry Stewart *(Chairman)*
2) Ng Bee Ken
3) Tai Keat Chai

NOMINATION COMMITTEE

1) James Henry Stewart *(Chairman)*
2) Ng Bee Ken
3) Tai Keat Chai

REMUNERATION COMMITTEE

1) James Henry Stewart *(Chairman)*
2) Ng Bee Ken
3) Tan Kee Chung

REGISTERED OFFICE

Level 15-2, Bangunan 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
Web Site : www.myopensys.com

SHARE REGISTRAR

Mega Corporate Services Sdn Bhd (187984-H)
Level 15-2, Bangunan 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
ACE Market
Stock Code : 0040

AUDIT COMMITTEE REPORT

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

COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

The Audit Committee comprises the following members: -

Chairman
James Henry Stewart - Independent Non-Executive Director

Members
Ng Bee Ken - 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.

Subsequent to Mr. Lee Swee Seng's resignation on 28 April 2010, Mr. Ng Bee Ken was appointed to the Board and Audit Committee on 1 July 2010. Hence, the composition of the Company's Audit Committee has complied to the Bursa Listing Requirements.

AUTHORITY

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

DUTIES AND RESPONSIBILITIES

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

- to consider the appointment of the external auditors, the audit fees and any question of resignation or dismissal;
- to oversee all matters pertaining to audit including the review of the audit plan and report;
- to discuss problems and reservations arising from the interim and final results, and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- to keep under review the effectiveness of internal control systems, and in particular review the external auditors management letter and management's response;
- to consider other matters, act upon the Board of Directors' request to investigate and report on any issues or concerns in regard to management of the Company, as defined;
- to review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work; and
- to verify the allocation of options to the eligible employees pursuant to the Company's Employee Share Option Scheme at the end of each financial year.

AUDIT COMMITTEE REPORT

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 is the Secretary of the Committee.

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

There were four (4) Audit Committee meetings chaired by Mr. James Henry Stewart and were attended by the members during the year 2010.

Record of attendance for meetings held during the financial year ended 31 December 2010 is as follow:-

Audit Committee Members	Attendance
James Henry Stewart *(Chairman)*	4/4
Lee Swee Seng *(Resigned 28 April 2010)*	1/1
Tai Keat Chai	4/4
Ng Bee Ken	2/2

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 2010 are as follows: -

- review the quarterly results;
- 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; and
- review the audited Financial Statements of the Group and the Company prior to submission to the Board for their consideration and approval.

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 Cash and Bank Management System, Human Resource and Payroll Management. Follow-up review was also performed on the Company's Management and Financial Control, Inventory Management Control, Property, Plant and Equipment Management Control and Insurance Coverage. There were no significant problems noted during the period under review.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors fully acknowledges the importance of adopting high standards of corporate governance as means for sustaining the Company's long-term growth and increasing shareholders' value. The Company is currently moving towards compliance with the Principles and adoption of most of the Best Practices as set out in Part 1 & Part 2 of the Malaysian Code of Corporate Governance ("The Code").

PRINCIPLES STATEMENT

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

A. BOARD OF DIRECTORS

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 ACE 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 committee has 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 2010. 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	3/4
James Henry Stewart	4/4
Tai Keat Chai	4/4
Lee Swee Seng *(Resigned 28 April 2010)*	1/1
Ng Bee Ken *(Appointed 1 July 2010)*	2/2

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.

Mr. Lee Swee Seng resigned from the Board on 28 April 2010. Subsequent to his resignation, Mr. Ng Bee Ken was appointed to the Board on 1 July 2010. His profile is presented separately in the Annual Report.

The Company has established a Nomination Committee on 13 February 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.

Appointments to the Board (cont'd)

The Nomination Committee comprises the following: -

Chairman
James Henry Stewart - Independent Non-Executive Director

Members
Tai Keat Chai - Independent Non-Executive Director
Lee Swee Seng - Independent Non-Executive Director *(Resigned 28 April 2010)*
Ng Bee Ken - Independent Non-Executive Director *(Appointed 1 July 2010)*

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. Tan Kee Chung and Mr. Chee Hong Soon will retire by rotation pursuant to Article 98. Mr. Ng Bee Ken will retire pursuant to Article 105. Mr. James Henry Stewart, age 77 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 continuously attend the relevant training courses to further enhance their knowledge and to equip them in effectively discharging their duties as directors.

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

Two (2) directors attended the following courses during the financial year: -

Director	Date	Course Attended
Chee Hong Soon	22 February 2010	Forum on FRS 139 – Financial Instruments Standard - Organized by Bursa Malaysia Berhad
Tai Keat Chai	17 – 18 May 2010	Building Audit Committees for Tomorrow - Organised by the Financial Institutions Directors' Education Programme

Save for the abovementioned, the other Directors did not attend any formal training in 2010 due to hectic work schedules. However, they continue to learn and upkeep themselves by acquiring the informal briefing from the panel colleagues and senior management on the importance good corporate governance and corporate social responsibility 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 2010 are categorized into appropriate components as follows: -

	Fees RM'000	Salaries RM'000	Others Emoluments RM'000	Total RM'000
Executive directors	-	738	321	1059
Non executive directors	68	-	5	73

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

Remuneration Band	Executive	Non Executive
Below RM50,001	-	4
RM50,001 - RM250,000	-	-
RM250,001 - RM300,000	2	-
RM300,001 - RM500,000	-	-
RM500,001 - RM550,000	1	-

The Company has established the Remuneration Committee on 13 February 2007. 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 nonexecutive concerned.

However, the final decision on the Directors' remuneration lies on the Board as a whole and the respective director is to abstain from discussion on 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 *(Resigned 28 April 2010)*
Ng Bee Ken - Independent Non-Executive Director *(Appointed 1 July 2010)*
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, offer 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 anytime reflect the financial position of the Company. It is also the duty and responsibility of the Directors to ensure that the financial statements are complied with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

ADDITIONAL ON COMPLIANCE INFORMATION

1. Non-audit Fees

There was no non-audit fee paid to the external auditors by the Company for the financial year ended 31 December 2010.

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.

4. Utilisation of Proceeds

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

5. Corporate Social Responsibilities (“CSR”)

In 2010, the Company made a contribution to the enhancement of arts and culture in Malaysia. The Company was a Sliver Sponsor of the Dewan Filharmonik PETRONAS (DFP) Spotlight Jazz Series with a sponsorship of RM10,000. This Jazz Series featured three concerts by three Malaysian artists to showcase their varied repertoire in a unique professional concert hall.

The Company sponsored Malaysian artist Rachel Guerzo in the final concert of the three concerts series. Rachel Guerzo, pianist and vocalist, was born into Malaysia’s music royal family, the Solianos. She is one of the most versatile musicians on the Kuala Lumpur jazz music scene since 1990. Rachel performed to a packed house at the Dewan Filharmonik PETRONAS, KLCC on 27 April 2010 night. She received a standing ovation from the audience and gave the audience an encore performance at the end of the concert.

6. Others

During the financial year ended 31 December 2010, 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 ON INTERNAL CONTROL

Introduction

Pursuant to Rule 15.26(b) of the Bursa Securities Listing Requirements, the Board of Directors is pleased to make a statement on the state of the internal controls of the Group which has been prepared in accordance with the Listing Requirements for ACE 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 systems of internal control, and for reviewing the effectiveness, adequacy and integrity of the system. The systems of internal control cover financial, 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 paid to the professional firm in respect of internal audit function for the financial year ended 31 December 2010 was RM33,438.00 (inclusive of government tax and disbursement).

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 system 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 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.

STATEMENT ON INTERNAL CONTROL

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 2010, 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.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

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	1,244,728	1,250,318
Attributable to :-		
Equity holders of the Company	1,244,728	1,250,318

DIVIDENDS

The amount of dividend paid since the end of the last financial year was as follows :-

	RM
In respect of the financial year ended 31 December 2010 :-	
Tax exempt interim dividend of 5%, paid on 28 July 2010	1,117,100

The Board of Directors do not recommend any final dividend for the current financial year ended 31 December 2010.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

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 (Resigned on 28.4.2010)
James Henry Stewart
Tai Keat Chai
Ng Bee Ken (Appointed on 1.7.2010)

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 1.1.2010	**Acquired**	**Disposed**	**Balance at 31.12.2010**
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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONT'D)

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 of the Group and of the Company 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 : 22 April 2011
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 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 2010 and of the results of the operations and cash flows for the financial year ended on that date.

The supplementary information set out in Note 32 to the Financial Statements has been prepared in accordance with the Guidance of Special Matter No. 1, Determinatiion of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

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

Tan Kee Chung

Chee Hong Soon

Dated : 22 April 2011
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 22 April 2011.

Before me :

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF OPENSYS (M) BERHAD (COMPANY NO: 369818-W)

We have audited the financial statements of OPENSYS (M) BERHAD, which comprise the Statements of Financial Position of the Group and of the Company as at 31 December 2010, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 58.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the Companies Act 1965 in Malaysia, and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgment, 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 of financial statements that give a true and fair view 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 2010 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF OPENSYS (M) BERHAD (COMPANY NO: 369818-W)

Other Reporting Responsibilities

The supplementary information set out in Note 32 to the Financial Statements in disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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 Accountants

Dated: 22 April 2011
Kuala Lumpur

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
Revenue	4	26,788,726	31,646,624	26,788,726	31,646,624
Cost of sales		(18,242,804)	(22,154,804)	(18,242,804)	(22,154,804)
Gross profit		8,545,922	9,491,820	8,545,922	9,491,820
Other operating income		106,866	101,830	106,866	101,830
Selling & distribution costs		(262,036)	(359,191)	(262,036)	(359,191)
Administration expenses		(3,058,459)	(3,036,833)	(3,052,869)	(3,031,959)
Other operating expenses		(1,482,679)	(1,827,251)	(1,482,679)	(1,827,251)
Finance costs	5	(804,886)	(1,200,438)	(804,886)	(1,200,438)
Profit before tax	6	3,044,728	3,169,937	3,050,318	3,174,811
Income tax expense	8	(1,800,000)	92,028	(1,800,000)	92,028
Profit for the financial year		1,244,728	3,261,965	1,250,318	3,266,839
Attributable to :-					
Equity holders of the Company		1,244,728	3,261,965	1,250,318	3,266,839
Earnings per ordinary share					
Basic (Sen)	9	0.56	1.46	0.56	1.46

The notes set out on pages 34 to 58 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
ASSETS					
Non-current assets					
Property, plant & equipment	10	22,196,093	25,984,671	22,196,093	25,984,671
Investment in subsidiaries	11	-	-	2,000	2,000
Development expenditure	12	10,335,715	12,793,314	10,335,715	12,793,314
Fixed deposits	13	3,727,458	3,646,431	3,727,458	3,646,431
		36,259,266	42,424,416	36,261,266	42,426,416
Current assets					
Inventories	14	9,661,606	8,413,992	9,661,606	8,413,992
Trade receivables	15	4,614,849	4,964,501	4,614,849	4,964,501
Other receivables & prepayments	16	771,558	1,269,879	771,558	1,269,879
Amount due from subsidiaries	11	-	-	23,483	18,540
Income tax assets		480,419	480,419	480,419	480,419
Short term investment	17	1,118,807	401,791	1,118,807	401,791
Cash & bank balances		663,713	571,874	663,713	571,874
		17,310,952	16,102,456	17,334,435	16,120,996
Total assets		53,570,218	58,526,872	53,595,701	58,547,412
EQUITY AND LIABILITIES					
Equity attributable to equity holders					
Share capital	18	22,342,000	22,342,000	22,342,000	22,342,000
Share premium	19	5,917,207	5,917,207	5,917,207	5,917,207
Retained earnings		10,973,515	10,845,887	11,000,695	10,867,477
Total equity		39,232,722	39,105,094	39,259,902	39,126,684
Non-current liabilities					
Finance lease liabilities	20	1,432,033	2,486,077	1,432,033	2,486,077
Term loans	21	1,392,360	3,498,550	1,392,360	3,498,550
Deferred tax liabilities	22	1,800,000	-	1,800,000	-
		4,624,393	5,984,627	4,624,393	5,984,627
Current liabilities					
Trade payables	23	515,658	908,458	515,658	908,458
Other payables & accruals	24	2,304,649	2,251,681	2,302,952	2,250,631
Finance lease liabilities	20	1,191,168	1,449,004	1,191,168	1,449,004
Term loans	21	2,106,190	6,937,897	2,106,190	6,937,897
Bankers' acceptance	25	2,110,000	1,195,000	2,110,000	1,195,000
Bank overdrafts	25	1,377,381	585,828	1,377,381	585,828
Post-employment benefit obligations	26	108,057	109,283	108,057	109,283
		9,713,103	13,437,151	9,711,406	13,436,101
Total liabilities		14,337,496	19,421,778	14,335,799	19,420,728
Total equity and liabilities		53,570,218	58,526,872	53,595,701	58,547,412

The notes set out on pages 34 to 58 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	←--------- Attributable to equity holders			---------→	
	Share capital RM	Share premium RM	Capital reserve RM	Distributable Retained earnings RM	Total equity RM
Balance at 1 January 2009	22,342,000	5,917,207	303,120	7,280,802	35,843,129
Profit for the financial year, representing total recognised income and expenses for the financial year	-	-	-	3,261,965	3,261,965
Transfer from capital reserve	-	-	(303,120)	303,120	-
Balance at 31 December 2009	22,342,000	5,917,207	-	10,845,887	39,105,094
Profit for the financial year, representing total recognised income and expenses for the financial year	-	-	-	1,244,728	1,244,728
Dividend	-	-	-	(1,117,100)	(1,117,100)
Balance at 31 December 2010	22,342,000	5,917,207	-	10,973,515	39,232,722

The notes set out on pages 34 to 58 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	← Attributable to equity holders →				
	Share capital RM	Share premium RM	Capital reserve RM	Distributable Retained earnings RM	Total equity RM
Balance at 1 January 2009	22,342,000	5,917,207	303,120	7,297,518	35,859,845
Profit for the financial year, representing total recognised income and expenses for the financial year	-	-	-	3,266,839	3,266,839
Transfer from capital reserve	-	-	(303,120)	303,120	-
Balance at 31 December 2009	22,342,000	5,917,207	-	10,867,477	39,126,684
Profit for the financial year, representing total recognised income and expenses for the financial year	-	-	-	1,250,318	1,250,318
Dividend	-	-	-	(1,117,100)	(1,117,100)
Balance at 31 December 2010	22,342,000	5,917,207	-	11,000,695	39,259,902

The notes set out on pages 34 to 58 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash flows from operating activities				
Profit before tax	3,044,728	3,169,937	3,050,318	3,174,811
Adjustments for :-				
Amortisation of development expenditure	3,855,631	4,761,182	3,855,631	4,761,182
Depreciation	3,880,621	4,218,662	3,880,621	4,218,662
Loss on disposal of property, plant & equipment	243	-	243	-
Interest expenses	907,406	1,367,369	907,406	1,367,369
Interest income	(100,731)	(101,830)	(100,731)	(101,830)
Operating profit before working capital changes	11,587,898	13,415,320	11,593,488	13,420,194
(Increase)/Decrease in inventories	(1,247,615)	884,167	(1,247,615)	884,167
Decrease in receivables	847,973	2,184,140	847,973	2,184,140
Decrease in payables	(341,058)	(2,167,581)	(341,705)	(2,167,581)
Net changes in inter-company balances	-	-	(4,943)	(4,874)
Cash generated from operations	10,847,198	14,316,046	10,847,198	14,316,046
Interest paid	(907,406)	(1,367,369)	(907,406)	(1,367,369)
Interest received	100,731	101,830	100,731	101,830
Tax paid	-	(480,419)	-	(480,419)
Tax refund	-	109,857	-	109,857
Net cash from operating activities	10,040,523	12,679,945	10,040,523	12,679,945
Cash flows from investing activities				
Development expenditure paid	(1,308,471)	(1,187,167)	(1,308,471)	(1,187,167)
Purchase of property, plant & equipment	(184,196)	(1,046,389)	(184,196)	(1,046,389)
Proceeds from disposal of property, plant & equipment	2,349	-	2,349	-
Net cash used in investing activities	(1,490,318)	(2,233,556)	(1,490,318)	(2,233,556)
Cash flows from financing activities				
Dividend paid	(1,117,100)	-	(1,117,100)	-
Placement of short term investment	(717,016)	(401,791)	(717,016)	(401,791)
Placement of fixed deposit	(81,027)	(96,611)	(81,027)	(96,611)
Proceeds from bankers' acceptance	4,188,000	7,693,000	4,188,000	7,693,000
Proceeds from borrowings	-	4,478,000	-	4,478,000
Repayment of bankers' acceptance	(3,273,000)	(11,805,000)	(3,273,000)	(11,805,000)
Repayment of borrowings	(6,937,897)	(11,266,453)	(6,937,897)	(11,266,453)
Repayment of finance lease liabilities	(1,311,879)	(1,844,350)	(1,311,879)	(1,844,350)
Net cash used in financing activities	(9,249,919)	(13,243,205)	(9,249,919)	(13,243,205)
Net changes in cash and cash equivalents	(699,714)	(2,796,816)	(699,714)	(2,796,816)
Cash and cash equivalents brought forward	(13,954)	2,782,862	(13,954)	2,782,862
Cash and cash equivalents carried forward	(713,668)	(13,954)	(713,668)	(13,954)

The notes set out on pages 34 to 58 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

NOTES TO THE CASH FLOW STATEMENTS

	Group/Company	
	2010 RM	2009 RM
(a) Cash and cash equivalents comprise :-		
Fixed deposits	3,727,458	3,646,431
Cash & bank balances	663,713	571,874
Bank overdrafts	(1,377,381)	(585,828)
	3,013,790	3,632,477
Less : Fixed deposits under lien	(3,727,458)	(3,646,431)
	(713,668)	(13,954)
(b) Analysis of acquisition of property, plant & equipment :-		
Cash	184,196	1,046,389
Borrowings	-	1,050,000
Finance lease arrangement	-	1,507,946
	184,196	3,604,335

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activities of the Company are :-

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

(b) investment holdings; and

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

The principal activities of the subsidiaries are set out in Note 11 to the Financial Statements.

The Company is a limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

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

Level 15-2, Bangunan 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 risk exposure in respect of trade receivables is limited to the carrying value of the receivables less allowance for impairment, whereas the maximum exposure for other receivables, and cash and cash equivalents are the reported carrying values in the financial statements. Information regarding trade receivables that are neither past due nor impaired, and either past due or impaired, are disclosed accordingly in Note 15 to the Financial Statements.

At the reporting date, there were no significant concentrations of credit risk.

(b) Foreign currency risk

The Group is exposed to currency risk as a result of foreign currency transactions other than Ringgit Malaysia. However, the effect of the foreign currency risk is not significant as the majority of the Group'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 income and operating cash flows are substantially independent of changes in market rates. Interest rate exposure arises from the Group'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.

The Group's policy in dealing with interest-bearing financial liabilities is to minimise the interest expense by obtaining the most favourable interest rates available. An increase of 5% in interest rates applicable for the Group's entire loans and borrowings (excluding finance lease obligation) would result in approximately 2.4% variance in the Group's profit for the financial year.

(d) Market risk

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

The Group does not face significant exposure to risk from changes in debt and equity prices.

(e) Liquidity and cash flow risk

The Group practises prudent liquidity risk management policies and maintains sufficient levels of cash and credit facilities for working capital and contingent funding requirements. The Group has short term investment value of RM1.12 million as an alternative source of financing which can be executed as and when required.

The Group's trade and other payables, bankers' acceptance and bank overdrafts at the reporting date, are short-term in nature, and are payable either on-demand or within one year. Details of respective maturities for the Group's finance lease liabilities and term loans are as disclosed in Note 20 and Note 21 to the Financial Statements each respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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 judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3(c) of the Financial Statements.

The financial statements are presented in Ringgit Malaysia, which are the Group's and the Company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

The Financial Reporting Standards ("FRS"), Amendments to FRS which became relevant and effective from the financial period beginning 1 January 2010 are as follows :-

FRS 7 Financial Instruments: Disclosures
FRS 101 (revised) Presentation of Financial Statements
FRS 139 Financial Instruments: Recognition and Measurement
Amendment to FRS 7 Financial Instruments: Disclosures
Amendment to FRS 132 Financial Instruments: Presentation
Amendment to FRS 139 Financial Instruments: Recognition and Measurement

The principal effects of the changes in accounting policies resulting from the adoption of FRS and Amendments to FRS are as discussed below :-

FRS 7 Financial Instruments : Disclosures and the FRS 101 (Revised) Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group's and the Company's financial position and performance, the nature and extent of risks arising from financial instruments and the objectives, policies and processes for managing capital. The Amendments to FRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

The new standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures

Except for the adoption of the above FRS and Amendments to FRS, the Directors expect that other FRS, Amendments to FRS and IC Interpretations which effective from the financial period beginning 1 January 2010 will have no effect on the financial statements of the Group and the Company.

(c) Significant accounting estimates and judgments

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. Projected future cash flows are based on the Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

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 businesses are fairly capital intensive. The depreciation charges form a significant component of total costs of profit and loss. The Group and the Company review 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 judgment. A 5% difference in the expected useful lives of these assets from management's estimates would either result in a 15.6% increase or 15.6% decrease respectively in the Group's profit for the financial year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Significant accounting estimates and judgments (cont'd)

(iii) Impairment of trade receivables

The Group 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 tax

Judgment is involved in determining the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain in the ordinary course of business. The Group 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 judgment regarding future financial performance of a particular entity in which the deferred tax asset has been recognised.

(d) 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 profit and loss 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%
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 profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) 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 profit and loss 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 profit and loss 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 profit and loss, a reversal of that impairment loss is recognised as income in profit and loss.

(f) 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 profit and loss.

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 profit and loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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 profit and loss.

(g) Development expenditure

Development expenditure incurred is capitalised 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.

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.

(h) Financial assets

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.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading purposes or are designated as such upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial assets (cont'd)

(iii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and lossess are recognised in profit and loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised in other comprehensive income, except impairment losses, if any, interest as calculated using the effective interest method, and dividends as recognised when the Group's right to receive payment is established; all of which are recognised in profit and loss.

(i) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment as a result of one or more events that has occured after the initial recognition of the assets, i.e. an incurred loss event, and that loss event has an impact on the estimated future cash flows of the financial assets of the Group, that can be reliably estimated.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables include the Group's past experience of collecting payments, and reduced collection rates for specific ageing buckets.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written-off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment of financial assets (cont'd)

(ii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost represents one of the considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss are impaired.

(j) Financial liabilities

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.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

Financial liabilites are classified as held for trading if they are acquired for the purpose of selling in near-term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss.

(ii) Other financial liabilities

The Group's other financial liabilities include trade and other payables, and loans and borrowings.

Trade and other payables are initially measured at fair value plus directly attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Loans and borrowings are initially measured at fair value, and are subseqently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised in profit and loss over the period of the borrowing using the effective interest method.

Borrowing costs are recognised in profit and loss as an expense in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(k) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) 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.

(m) 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.

(n) 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 profit and loss in the period in which they are incurred.

(o) 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. Lease 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 profit and loss 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 profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

(p) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of share issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Costs incurred directly attributable to the issuance of shares are accounted for as a deduction from share premium. Otherwise they are charged to profit or loss.

Dividends to shareholders are recognised in equity in the period in which they are declared.

(q) Foreign currencies

(i) Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) 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.

(s) Income tax

Income tax on profit and 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.

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.

(t) 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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Employee benefits (cont'd)

(ii) Post-employment benefits

Defined contribution plan

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

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 profit and loss as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(u) Cash and cash equivalents

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

4. REVENUE

	Group/Company	
	2010 RM	**2009 RM**
Sale of goods	5,169,583	6,431,594
Software solution and services rendered	21,619,143	25,215,030
	26,788,726	31,646,624

5. FINANCE COSTS

	Group/Company	
	2010 RM	**2009 RM**
Bank overdraft interest	64,538	32,275
Lease interest	314,256	360,653
Term loan interest	426,092	807,510
	804,886	1,200,438

6. PROFIT BEFORE TAX

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit before tax is stated after charging/(crediting) (other than those disclosed in Note 5) :-				
Auditors' remuneration				
- statutory	18,100	17,500	16,500	16,500
- others	6,000	6,000	6,000	6,000
Depreciation	476,705	633,818	476,705	633,818
Directors' remuneration				
- emoluments	809,006	818,706	809,006	818,706
- fees	68,000	72,000	68,000	72,000
Lease rentals	36,000	33,900	36,000	33,900
Loss on disposal of property, plant and equipment	243	-	243	-
Realised loss on foreign exchange	-	668	-	668
Rental of premises	682,914	640,705	682,914	640,705
Staff costs (excluding Directors'remuneration)				
- Salaries, wages, bonus and others	1,357,729	1,659,550	1,357,729	1,659,550
- Defined contribution plan expense	124,950	167,701	124,950	167,701
Interest income				
- fixed deposits	(81,027)	(96,611)	(81,027)	(96,611)
- other	(19,704)	(5,219)	(19,704)	(5,219)
Realised gain on foreign exchange	(6,135)	-	(6,135)	-
Included in the cost of sales are as follows :-				
Amortisation of development expenditure	3,855,631	4,761,182	3,855,631	4,761,182
Bankers' acceptance/Letter of credit interest	102,520	166,931	102,520	166,931
Cost of inventories	5,143,399	5,374,795	5,143,399	5,374,795
Depreciation	3,403,916	3,584,844	3,403,916	3,584,844
Director's emoluments	255,820	209,471	255,820	209,471
Staff costs (excluding Director's emoluments)				
- Salaries, wages, bonus and others	3,949,547	3,883,483	3,949,547	3,883,483
- Defined contribution plan expense	427,633	427,424	427,633	427,424

7. DIRECTORS' REMUNERATION

The aggregate remuneration of Directors of the Group and of the Company categorized into appropriate components for the financial year ended 31 December 2010 are as follows:-

	Fees RM	Salaries RM	Others* RM	Total RM
Executive Directors	-	738,327	321,499	1,059,826
Non executive Directors	68,000	-	5,000	73,000

7. DIRECTORS' REMUNERATION (CONT'D)

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 2010 are as follows:-

	Group/Company No. of Directors	
Range of remuneration	**Executive**	**Non executive**
Below RM50,001	-	4
RM50,001 - RM250,000	-	-
RM250,001 - RM300,000	2	-
RM300,001 - RM500,000	-	-
RM500,001 - RM550,000	1	-

Included in the remuneration of Directors of the Group and of the Company is contribution to a defined contribution plan expense amounting to RM114,230 (2009: RM103,666) charged to the profit and loss.

8. INCOME TAX EXPENSE

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Malaysian income tax based on results for the financial year				
- Current tax	-	-	-	-
- Deferred tax (Note 22)				
- origination and reversal of temporary differences	1,800,000	-	1,800,000	-
Over-provision in prior financial years				
- Current tax	-	(92,028)	-	(92,028)
	1,800,000	(92,028)	1,800,000	(92,028)

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	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Profit before tax	3,044,728	3,169,937	3,050,318	3,174,811
Income tax using Malaysian tax rate of 25% (2009: 25%)	761,182	792,484	762,580	793,703
Non-deductible expenses	107,283	151,915	105,885	150,696
Over-provision of income tax in prior financial years	-	(92,028)	-	(92,028)
Utilisation of unutilised capital allowances	(1,791,376)	(1,896,238)	(1,791,376)	(1,896,238)
Tax effect of unrecognised deferred tax assets	2,722,911	951,839	2,722,911	951,839
	1,800,000	(92,028)	1,800,000	(92,028)

8. INCOME TAX EXPENSE (CONT'D)

Subject to agreement with the Inland Revenue Board, the Company has pioneer exempt income and exempt income pursuant to Section 12 of the Income Tax (Amendment) Act 1999 estimated at RM20,790,406 (2009: RM21,907,521) and RM50,666 (2009: RM50,666) each respectively, from which tax exempt dividends can be declared.

Prior to the financial year of assessment 2009, Malaysian companies adopted the full imputation system. On 1 January 2009, 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 retained earnings of the Company as at 31 December 2010 (2009: RM10,867,477) 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	
	2010 RM	2009 RM	2010 RM	2009 RM
Basic EPS				
Profit for the financial year/Profit attributable to equity holders (RM'000)	1,245	3,262	1,250	3,267
Weighted average number of shares in issue for basic EPS ('000)	223,420	223,420	223,420	223,420
Basic EPS (sen)	0.56	1.46	0.56	1.46

10. PROPERTY, PLANT and EQUIPMENT

Group/Company - 2010

	Computers	Furniture & fittings	Motor vehicles	Renovations	Signboard	Telecommunication & office equipment	Total
	RM	RM	RM	RM	RM	RM	RM
Cost							
At 1.1.2010	4,261,251	1,069,628	1,413,732	555,227	8,840	37,890,951	45,199,629
Additions	91,435	-	-	31,350	-	61,411	184,196
Disposals	(435,360)	-	-	-	-	-	(435,360)
At 31.12.2010	3,917,326	1,069,628	1,413,732	586,577	8,840	37,952,362	44,948,465
Accumulated Depreciation							
At 1.1.2010	3,226,743	1,056,816	568,384	312,136	6,785	14,044,094	19,214,958
Charge for the financial year	362,625	7,265	208,957	50,167	650	3,340,518	3,970,182
Disposals	(432,768)	-	-	-	-	-	(432,768)
At 31.12.2010	3,156,600	1,064,081	777,341	362,303	7,435	17,384,612	22,752,372
Net Book Value							
At 31.12.2010	760,726	5,547	636,391	224,274	1,405	20,567,750	22,196,093

Group/Company - 2009

	Computers	Furniture & fittings	Motor vehicles	Renovations	Signboard	Telecommunication & office equipment	Total
Cost							
At 1.1.2009	3,206,331	1,069,628	1,283,070	555,227	8,840	35,472,198	41,595,294
Additions	1,054,920	-	130,662	-	-	2,418,753	3,604,335
Disposal	-	-	-	-	-	-	-
At 31.12.2009	4,261,251	1,069,628	1,413,732	555,227	8,840	37,890,951	45,199,629
Accumulated Depreciation							
At 1.1.2009	2,830,027	1,009,119	349,157	262,230	6,030	10,444,088	14,900,651
Charge for the financial year	396,716	47,697	219,227	49,906	755	3,600,006	4,314,307
Disposal	-	-	-	-	-	-	-
At 31.12.2009	3,226,743	1,056,816	568,384	312,136	6,785	14,044,094	19,214,958
Net Book Value							
At 31.12.2009	1,034,508	12,812	845,348	243,091	2,055	23,846,857	25,984,671

10. PROPERTY, PLANT and EQUIPMENT (CONT'D)

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

	Group/Company	
	2010 RM	**2009 RM**
Computers	530,352	799,767
Motor vehicles	636,391	845,348
Telecommunication and office equipment	2,852,510	3,672,184
	4,019,253	5,317,299

Depreciation charge for the financial year is allocated as follows :-

	Group/Company	
	2010 RM	**2009 RM**
Profit or loss	3,880,621	4,218,662
Development expenditure (Note 12)	89,561	95,645
	3,970,182	4,314,307

Security

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

	Group/Company	
	2010 RM	**2009 RM**
Telecommunication and office equipment	15,101,565	17,515,755

11. SUBSIDIARIES

	Company	
	2010 RM	**2009 RM**
(a) Investment in subsidiaries		
Unquoted shares - at cost	2,000	2,000

11. SUBSIDIARIES (CONT'D)

Name of Company	Principal Activities	Place of Incorporation	Effective Equity Interest 2010 %	2009 %
OpenSys Technologies Sdn. Bhd.	Dormant	Malaysia	100	100
OpenSys Engineering Sdn. Bhd.	Dormant	Malaysia	100	100

(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 2010 RM	2009 RM
At beginning of the financial year	12,793,314	16,271,684
Capitalised during the financial year	1,398,032	1,282,812
Less : Amortisation during the financial year	(3,855,631)	(4,761,182)
At end of the financial year	10,335,715	12,793,314
Cost	20,923,221	22,754,196
Less : Accumulated amortisation	(10,587,506)	(9,960,882)
Net book value	10,335,715	12,793,314

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

	Group/Company 2010 RM	2009 RM
Depreciation (Note 10)	89,561	95,645
Director's emoluments	-	55,467
Staff costs (excluding Directors' remuneration)		
- Salaries, wages, bonus and others	895,491	805,415
- Defined contribution plan expense	107,459	96,649
Rental of premises	82,991	63,696

13. FIXED DEPOSITS

	Group/Company	
	2010 RM	2009 RM
Licensed banks	3,727,458	3,646,431

The interest rate of deposits of the Group and of the Company as at balance sheet date ranged from 2.0% to 2.5% (2009: 2.5% to 3.0%) per annum.

Deposits of the Group and of the Company have maturity of 365 days (2009: 365 days). Bank balances are deposits held at call with banks.

14. INVENTORIES - AT COST

	Group/Company	
	2010 RM	2009 RM
Assembly components	9,567,631	8,303,289
Finished goods	93,975	110,703
	9,661,606	8,413,992

15. TRADE RECEIVABLES

The table below is an analysis of trade receivables as at 31 December :-

	Group/Company	
	2010 RM	2009 RM
Not past due and not impaired	4,463,719	4,811,316
Past due but not impaired	151,130	153,185
Total trade receivables, net	4,614,849	4,964,501

The normal credit term of the Group and the Company granted to trade receivables are ranged from 30 days to 90 days (2009: 30 days to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Trade receivables are non-interest bearing. When a trade receivable is ascertained to be uncollectible, it is written off directly to profit and loss.

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

15. TRADE RECEIVABLES (CONT'D)

The currency exposure profile of trade receivables is as follows :-

	Group/Company	
	2010 RM	2009 RM
Ringgit Malaysia	4,567,532	4,933,481
US Dollar	47,317	31,020
	4,614,849	4,964,501

16. OTHER RECEIVABLES and PREPAYMENTS

	Group/Company	
	2010 RM	2009 RM
Other receivables	253,780	242,855
Prepayments	517,778	1,027,024
	771,558	1,269,879

17. SHORT TERM INVESTMENT

	Group/Company	
	2010 RM	2009 RM
Unit trust		
At cost	1,118,807	401,791
At market value	1,118,807	401,791

18. SHARE CAPITAL

	Group/Company	
	2010 RM	2009 RM
Authorised :-		
500,000,000 ordinary shares of RM0.10 each	50,000,000	50,000,000
Issued and fully paid :-		
223,420,000 ordinary shares of RM0.10 each	22,342,000	22,342,000

19. SHARE PREMIUM

	Group/Company	
	2010 RM	2009 RM
At beginning/end of the financial year	5,917,207	5,917,207

20. FINANCE LEASE LIABILITIES

	Group/Company	
	2010 RM	2009 RM
Minimum lease payments :-		
Repayable not later than 1 year	1,378,325	1,747,686
Repayable later than 1 year and not later than 2 years	796,577	1,337,021
Repayable later than 2 years and not later than 5 years	785,125	1,454,347
	2,960,027	4,539,054
Less : Financing charges	(336,826)	(603,973)
Present value of minimum lease payments	2,623,201	3,935,081
Present value of minimum lease payments :-		
Repayable not later than 1 year	1,191,168	1,449,004
Repayable later than 1 year and not later than 2 years	705,752	1,163,302
Repayable later than 2 years and not later than 5 years	726,281	1,322,775
	2,623,201	3,935,081
Represented by :-		
Current	1,191,168	1,449,004
Non-current	1,432,033	2,486,077
	2,623,201	3,935,081

The finance lease liabilities of the Group and the Company carried interest at the balance sheet date which ranged from 2.3% to 5.9% (2009: 2.5% to 8.0%) per annum.

21. TERM LOANS

	Group/Company 2010 RM	2009 RM
Repayable not later than 1 year	2,106,190	6,937,897
Repayable later than 1 year and not later than 2 years	1,124,820	2,588,050
Repayable later than 2 years and not later than 5 years	267,540	910,500
	3,498,550	10,436,447
Represented by :-		
Current	2,106,190	6,937,897
Non-current	1,392,360	3,498,550
	3,498,550	10,436,447

The carrying amounts of term loans of the Group and the Company at the balance sheet date approximated their fair values.

The effective interest rate of term loans of the Group and the Company at the balance sheet date ranged from 6.3% to 6.5% (2009: 6.0% to 7.1%) per annum.

The term loans of the Group and the Company are repayable by monthly installments commencing between 2006 and 2009.

The term loans are secured by :-

(a) a joint and several personal guarantee by certain Directors of the Company;
(b) an assignment of all contract proceeds arising from the 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.

22. DEFERRED TAX LIABILITIES

	Group/Company 2010 RM	2009 RM
At beginning of the financial year	-	-
Charged to Income Statement (Note 8)	1,800,000	-
At end of the financial year	1,800,000	-

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

	Group/Company 2010 RM	2009 RM
Unutilised capital allowances	2,806,674	6,133,992
Potential tax benefits calculated at a tax rate of 25% (2009: 25%)	701,669	1,533,498

23. TRADE PAYABLES

The normal credit terms of trade payables granted to the Group and the Company vary from 30 days to 90 days (2009: 30 days to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

24. OTHER PAYABLES and ACCRUALS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Other payables	107,916	47,696	107,916	47,696
Accruals	2,196,733	2,203,985	2,195,036	2,202,935
	2,304,649	2,251,681	2,302,952	2,250,631

25. BANKERS' ACCEPTANCE AND BANK OVERDRAFTS

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

(a) fixed deposits of RM3,727,458 (2009: RM3,646,431);
(b) personal guarantees by certain Directors of the Company;
(c) an assignment of contract proceeds deriving from customer; and
(d) facility agreement.

The interest charges on the bankers' acceptance and bank overdrafts of the Group and the Company during the financial year ranged from 3.74% to 8.3% (2009: 5.2% to 8.8%) per annum.

26. POST-EMPLOYMENT BENEFIT OBLIGATIONS

	Group/Company	
	2010 RM	2009 RM
Defined contribution plan - current	108,057	109,283

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.

27. 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.

28. 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.

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The Group monitors and reviews its capital structure based on its business and operating requirements.

There were no changes in the Group's approach to capital management during the financial year.

	Group	
	2010 **RM**	**2009** **RM**
Trade payables	515,658	908,458
Other payables & accruals	2,304,649	2,251,681
Finance lease liabilities	2,623,201	3,935,081
Term loans	3,498,550	10,436,447
Bankers' acceptance	2,110,000	1,195,000
Post-employment benefit obligations	108,057	109,283
Less: Cash and cash equivalents	(713,668)	(13,954)
Net debt	10,446,447	18,821,996
Equity attributable to equity holders	39,232,722	39,105,094
Debt to equity ratio	0.27	0.48

30. FINANCIAL REPORTING STANDARD AND IC INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following new or revised Financial Reporting Standards ("FRS"), Amendments to FRS and IC Interpretations ("IC Int") have been issued but are not yet effective and have not been adopted by the Group and the Company :-

	Effective for financial periods beginning on or after
• FRS 1 (revised) First-time Adoption of Financial Reporting Standards	1 July 2010
• FRS 3 (revised) Business Combinations	1 July 2010
• FRS 124 Related Party Disclosures	1 January 2012
• FRS 127 Consolidated and Separate Financial Statements	1 July 2010
• Amendment to FRS 1 First-time Adoption of Financial Reporting Standards Limited Exemption from Comparative FRS 7 Disclosures	1 January 2011
• Amendment to FRS 1 First-time Adoption of Financial Reporting Standards Additional Exemptions from Comparative FRS 7 Disclosures	1 January 2011
• Amendment to FRS 2 Share-based Payment	1 July 2010
• Amendment to FRS 2 Share-based Payment Group Cash-settled Share-based Payment Transactions	1 January 2011
• Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
• Amendment to FRS 7 Financial Instruments: Disclosures Improving Disclosures about Financial Instruments	1 January 2011
• Amendment to FRS 132 Financial Instruments: Presentation	1 March 2010
• Amendment to FRS 138 Intangible Assets	1 July 2010
• IC Interpretation 4 Determining Whether an Arrangement contains a Lease	1 January 2011
• IC Interpretation 12 Service Concession Arrangements	1 July 2010
• IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
• IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
• IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
• IC Interpretation 18 Transfer of Assets from Customers	1 January 2011
• IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
• Amendment to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
• Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement	1 July 2011

FRS 1, FRS 3, Amendments to FRS 1, Amendments to FRS 2, Amendment to FRS 5, IC Int 12, IC Int 15, IC Int 16, IC Int 17, IC Int 18, IC Int 19, Amendment to IC Int 9 and Amendment to IC Int 14 are not relevant to the Group's and the Company's operations.

The new FRS, Amendments to FRS and IC Interpretations above are not expected to have significant impact on the financial statements of the Group and the Company.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings at the balance sheet date approximate fair values, which is due to the relatively short term nature of these financial instruments, other than as disclosed below :-

Group/Company

	2010		2009	
	Carrying amount RM	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Finance lease liabilities	1,432,033	1,252,488	2,486,077	2,173,325
Term loans	1,392,360	1,214,814	3,498,550	3,091,090

32. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed corporations pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed corporations to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained earnings of the Group and the Company as at the balance sheet date, into realised and unrealised profits, pursuant to the directive, is as follows :-

	Group	**Company**
	2010 RM	**2009 RM**
Realised	12,773,515	12,800,695
Unrealised		
- Deferred tax liabilities	(1,800,000)	(1,800,000)
	10,973,515	11,000,695

33. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 22 April 2011.

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

ANALYSIS OF SHAREHOLDINGS

AS AT 20 APRIL 2011

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
- 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 To 1,000 Shares	279	190,998	0.09
1,001 To 10,000 Shares	1305	7,823,352	3.50
10,001 To 100,000 Shares	915	33,165,100	14.84
100,001 To Less Than 5% Of Issued Shares	170	110,155,160	49.30
5% And Above Of Issued Shares	3	72,085,240	32.26
Total	2675	223,420,000	100.00

SUBSTANTIAL SHAREHOLDERS

		Direct Interest		Deemed Interest	
No.	**Shareholder**	**Shares**	**%**	**Shares**	**%**
1.	Tan Kee Chung	35,541,230	15.91	4,804,342*	2.15
2.	Commerce Technology Ventures Sdn Bhd	21,544,010	9.64	-	-
3.	Skyline Yield Sdn Bhd	15,000,000	6.71	-	-
Total		72,085,240	32.26	4,804,342	2.15

* 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

		Direct Interest		Deemed Interest	
No.	**Shareholder**	**Shares**	**%**	**Shares**	**%**
1.	Tan Kee Chung	35,541,230	15.91	4,804,342*	2.15
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	5,204,342	2.33

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

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

ANALYSIS OF SHAREHOLDINGS

AS AT 20 APRIL 2011

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.	Amsec Nominees (Tempatan) Sdn Bhd For Avenue Serimas Sdn Bhd	8,808,661	3.94
6.	Chee Hong Soon	6,161,220	2.76
7.	Omtiara Sdn Bhd	4,404,342	1.97
8.	Lim Swee Keah	3,982,682	1.78
9.	Koh Lea Cheong	3,982,682	1.78
10.	Tan Gaik Keow	3,982,682	1.78
11.	Tune Hee Hian	3,982,682	1.78
12.	Commerce Asset Ventures Sdn Bhd	3,551,903	1.59
13.	Haw Wan Chong	3,516,082	1.57
14.	Leong Yoke Wai	2,997,282	1.34
15.	Low Suet Cheng	2,927,682	1.31
16.	Mayban Nominees (Tempatan) Sdn Bhd For Gan Cheong Poon	2,600,000	1.16
17.	Citigroup Nominees (Tempatan) Sdn Bhd For Ang Kooi Phing	2,422,700	1.08
18.	Tee So Guat	1,660,000	0.74
19.	Goh Siew Tee	1,405,800	0.63
20.	Soong Sor Pow	1,360,000	0.61
21.	Khoo Ah Chaw	1,033,300	0.46
22.	Mayban Nominees (Tempatan) Sdn Bhd For Soh Chaw Hoe	1,000,000	0.45
23.	Leong Yoke Wai	1,000,000	0.45
24.	Chuah Tai Eu	975,000	0.44
25.	Tham Kok Cheng	959,574	0.43
26.	Lim Kah Heng	933,000	0.42
27.	Lee Poh Yong	930,000	0.42
28.	Siow Yun Fatt	852,800	0.38
29.	Choi Swee Cheng	835,100	0.37
30.	Low Swee Seng	780,000	0.35
	Total	148,348,507	66.40

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

Number 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 Fifteenth Annual General Meeting of the Company to be held at Arcadia 1 & 2, Level 3, Hotel Armada, Lorong Utara C, Seksyen 52, 46200 Petaling Jaya, Selangor Darul Ehasn on Wednesday, 15th June 2011 at 3.00 p.m. and at every adjournment thereof to vote as indicated below:-

		FOR	**AGAINST**
Ordinary Resolution 1	To approve the payment of Directors' Fees for year 2010		
Ordinary Resolution 2	To approve the increase in Directors' Fees for year 2011		
Ordinary Resolution 3	To re-elect the director, Mr. Tan Kee Chung		
Ordinary Resolution 4	To re-elect the director, Mr. Chee Hong Soon		
Ordinary Resolution 5	To re-elect the director, Mr. Ng Bee Ken		
Ordinary Resolution 6	To re-elect the director, Mr. James Henry Stewart		
Ordinary Resolution 7	To re-appoint the retiring auditors, HLB Ler Lum		
Ordinary Resolution 8	Authority to issue shares		
Special Resolution 1	Proposed amendment to the Articles of Association.		

(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 ____________________2011

____
Signature/Common Seal

*** Strike out whichever is not desired.**

NOTES:

1. *A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.*
2. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.*
3. *Where a member appoint two (2) proxies to attend at the same meeting, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*
4. *If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorized.*
5. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 15-2, Bangunan 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.*

Fold this flap for sealing

Tearing line

2nd fold here

AFFIX
STAMP

Company Secretary
Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

1st fold here