

**OPENSYS (M) BERHAD (“OPENSYS” OR THE “COMPANY”)
RESEARCH REPORT
For the 12-month financial period from 1 January 2008 to 31 December 2008**

1. FINANCIAL HIGHLIGHTS

Summary of audited financial results for Opensys and its subsidiaries (“OpenSys Group”) for the past four (4) financial years ended (“FYE”) 31 December 2007 and the unaudited financial results for the 12-month period ended 31 December 2008 are set out below:-

	< ----- Audited results for FYE 31 December----- >				<-Unaudited-> 12-month period ended 31 December 2008 ⁽²⁾
	2004 ⁽¹⁾ RM'000	2005 ⁽¹⁾ RM'000	2006 ⁽¹⁾ RM'000	2007 ⁽¹⁾ RM'000	RM'000
Revenue	20,318	20,269	26,693	32,306	34,553
Profit before tax (“PBT”)	528	402	756	1,546	3,053
PBT margin (%)	2.60	1.98	2.83	4.79	8.84
Profit after tax (“PAT”)	559	405	756	1,515	3,017
Weighted average no. of ordinary shares of RM0.10 each (“Shares”) ('000)	219,592	221,800	222,167	223,192	223,420
Gross earnings per share (“EPS”) (sen)	0.24	0.18	0.34	0.69	1.37
Net EPS (sen)	0.25	0.18	0.34	0.68	1.35

Notes:-

⁽¹⁾ *Extracted from OpenSys’ annual reports for the respective years.*

⁽²⁾ *Extracted from the unaudited financial statements for the 12-month financial period ended 31 December 2008.*

For the 12-month period ended 31 December 2008, the OpenSys Group recorded revenue of RM34.553 million, contributed mainly from the Business Process Outsourcing (“BPO”) of RM12.623 million (36.53%) and sales of its Efficient Service Machines (“ESM”) of RM13.028 million (37.70%).

For the the 12-month period ended 31 December 2008, the OpenSys Group’s PBT and PAT were RM3.053 million and RM3.017 million, respectively. The significantly higher PBT margin of 8.84% was due to higher gross margin generated from the outsourcing of equipment (under BPO), higher sales of Cheque Truncation and Collection System (“CTCS”) solutions and maintenance services compared to the previous year.

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2. INDUSTRY OUTLOOK

Overview of the Manufacturing and Services Industry

The Government’s multi billion Ringgit effort to boost the development of the nation’s broadband infrastructure especially in the major cities and populated areas is expected to spur greater growth for the information and communication technology (“ICT”) industry in the country.

Currently, much effort is being placed in accelerating the nation’s broadband internet penetration level through heavy capital expenditure in building the high-speed wired and wireless communication lines and network infrastructure. This in turn will allow e-businesses and various digital multimedia applications to thrive.

Efforts are also being taken in enhancing ICT human capital and R&D activities. The Government, while itself a major consumer and user of ICT, is strongly encouraging the use of ICT by businesses, industry and also home users. All these measures are expected to help drive the growth of the ICT industry and the industrial electronics sub-sector.

As at 31 December 2008, a total of 2,236 companies were granted MSC Status by the Multimedia Development Corporation Sdn Bhd. The 2,236 companies are grouped into 6 main technologies namely creative multimedia, internet-based business, shared services and outsourcing, application software and mobility embedded hardware & software, and institutions of higher learning & incubators.

The MSC Malaysia Annual Impact Survey 2008 indicates the total operating expenditure of companies which participated in the survey amounted to RM10.4 billion. This is an increase of 37% compared with RM7.6 billion reported in the 2007 MSC Malaysia Impact Survey. Total sales of these companies were reported at RM17.1 billion.

For 2008, domestic investments amounted to RM2.5 billion while foreign investments totalled RM1.8 billion. The banking industry attracted the largest amount of investments in the financial services subsector with RM3.9 billion, followed by the insurance (RM259.5 million) and capital markets (RM93.2 million). Foreign investments under the Islamic Banking category amounted to RM1.6 billion as a result of participation by investors from Kuwait and Bahrain in the Malaysian financial services sector.

Investments in the services sector for the period January-September 2008 amounted to RM39.0 billion compared with RM66.2 billion for the whole of 2007. The Government is looking at liberalising the services sector in stages so that it can achieve its potential as a major contributor to investments and economic growth in the future.

The global economic slowdown and waning investor confidence is expected to affect foreign direct investment (“FDI”) flows in the coming years. In this context, Malaysia will face a more challenging task in attracting FDI as well as domestic investments into the manufacturing and services sectors.

Malaysia’s expanding economic and business links with other developing economies particularly the People’s Republic of China, India and the Middle East is expected to help reduce the impact of the global economic slowdown in developed countries. The preferential access accorded under the ASEAN Free Trade Area (AFTA) is also expected to boost business and economic activities within this region and this will provide opportunities for foreign and domestic investors to tap into the vast regional market.

(Source : Performance of the Manufacturing and Services Sectors 2008 in Malaysia, Malaysian Industrial Development Authority)

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3. FUTURE PROSPECTS

OpenSys' strong focus on the financial services industry has brought to market, powerful application software for the banks and insurance companies that enhances the productivity of their tellers, agents and intermediaries. These proven software expedite the processing of insurance policies and claims as well as cheque and credit card bill payments, enabling financial institutions to offer a wider array of products and services, and to provide a convenient and delightful experience to customers.

Cheque Truncation and Collection System (CTCS)

Bank Negara Malaysia (“BNM”) implemented the first phase of CTCS for all banks in the Klang Valley in June 2008. CTCS allows the banks to clear cheques by using the electronic image of the cheques and minimises the physical movement of paper cheques and converts cheques and standing instructions into electronic fund transfer instruments. OpenSys' CTCS solution is currently used by five (5) major banks in Malaysia. The Board of Directors of OpenSys (“Board”) is confident that revenue contributions from this segment will continue to increase as more banks adopt OpenSys' flexible and robust CTCS solution.

Business Process Outsourcing (BPO)

Under Company's BPO model, OpenSys' self-service terminals are configured into an application-on-demand self-service kiosk. Since its introduction in 2003, there has been a surge in interest in this outsourcing model with an increasing adoption rate.

By utilising these self-service kiosks, insurance and tele-communication companies are able to quickly improved customer service, lower the cost of delivering services and generate fee-based income without having to manage the kiosks. This enables Opensys' clients to focus on their core business instead of spending valuable time and resource in managing this self-service channel.

For year 2009, OpenSys will continue to develop this business segment and introduce it do other service base businesses.

4. BUSINESS DEVELOPMENT MILESTONES AND FINANCIAL IMPACT

As stated in the Prospectus of OpenSys dated 8 January 2004, the three-pronged strategy adopted by OpenSys to achieve its business objectives and to maintain its competitive strengths is as follows:

- (i) Developing and marketing products to respond to industry trends and customer demands by capitalising on its strengths in product development and its knowledge of the financial services industry;
- (ii) Developing complementary products and services for financial institutions and small medium enterprises to give it the opportunity to market its products and services to each group; and
- (iii) Increasing its marketing and sales channels world-wide by building an international network of distributors and resellers.

For the 12-month financial period ended 31 December 2008, OpenSys installed 320 non-cash-dispensing self-service kiosks out of an order book of 541 units, bringing the cumulative number of machines installed to approximately 1,800 units.

Currently, OpenSys has 21 service centres in Malaysia to service and support its banking, insurance and tele-communication clients. With these service centres, OpenSys can better control the service levels with its customers, streamline logistics and inventory cost. OpenSys' BPO solution for the

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telecommunication and insurance industries has also grown significantly resulting in steady income and recurring cash flow from these outsourcing operations.

The key business strategies as mentioned in the business development plan have been generally carried out as planned and are expected to contribute positively to the future financial performance of the OpenSys Group.

The financial impact of the progress of the business development plan on the consolidated net assets (“NA”) of the OpenSys Group are set out below:-

	Audited financial statements for		Unaudited 12-
	FYE 31 December	2007	month period
	2006		ended 31 December
			2008
NA (RM '000)	31,197	32,819	35,836
No. of Shares ('000)	222,350	223,420	223,420
NA per share (RM)	0.14	0.15	0.16

5. PRODUCT DEVELOPMENT AND R&D

OpenSys with its product development team members of more than 25 years experience, plans to continue to enhance its existing products and services to maintain its market leadership position and introduce new products that allow its customers to enhance their service offerings at a lower operational cost.

Currently, the Company is actively researching in the area of cheque fraud and detection. While BNM's CTCS implementation saves the banking industry hundreds of millions of ringgit each year, the fact that CTCS is largely unmanned may entice fraudsters to challenge the cheque clearing and settlement process. To pre-empt possible cheque frauds, the Company is researching a fraud detection solution that detects the tampering of physical cheques by using advance cryptographic algorithm software to secure cheques issued by banks with digitally encoded-printing. The Company is also researching advanced optical scanning technologies to detect alteration to cheques.

OpenSys invested an average of approximately 10% of its revenue in R&D for each of the past three (3) financial years ended 31 December 2008. The total R&D expenses incurred by the OpenSys Group for the 12-month financial period up to 31 December 2008 amounted to RM2.859 million. Apart from salary cost and initial capital expenditure on software and computers, there are no major capital outlays attributable to R&D activities. Future allocation of research and development expenditure will be dependent on the time cost of its research and development staff.

The Board is of the view that the allocation for R&D is in the normal course of business which will not have any major financial impact on the OpenSys Group. Upon completion, the OpenSys Group's R&D activities are expected to result in the enhancement of its products and to increase sales to existing and new customers. Thus, the OpenSys Group's future revenue is expected to improve.

6. FINANCIAL FORECAST

Not applicable.

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7. UTILISATION OF PROCEEDS

Not applicable.

8. LIST OF TEN (10) LARGEST SHAREHOLDERS AS AT 30 JANUARY 2009

The ten (10) largest securities account holders having the largest number of securities according to the Record of Depositors are as follows:-

No.	Name	No. of shares	%
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	9,198,093	4.12
5.	MAA Credit Sdn Bhd for Omtiara 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.	Leong Yoke Wai	3,997,282	1.79
9.	Tune Hee Hian	3,982,682	1.78
10.	Koh Lea Cheong	3,982,682	1.78