

Company No : 369818-W

OPENSYS (M) BERHAD
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2008**

Company No: 369818-W

OPENSYS (M) BERHAD
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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Company No : 369818-W

OPENSYS (M) BERHAD
(Incorporated in Malaysia)

CORPORATE INFORMATION

Board of Directors	-	Mr. Tan Kee Chung Mr. Chee Hong Soon Mr. Tune Hee Hian Mr. Lee Swee Seng Mr. James Henry Stewart Mr. Tai Keat Chai
Audit Committee	-	Mr. James Henry Stewart Mr. Lee Swee Seng Mr. Tai Keat Chai
Company Secretaries	-	Ms. Lim Seck Wah (MAICSA 0799845) Ms. Kong Mei Kee (MAICSA 7039391)
Auditors	-	HLB Ler Lum (AF 0276) Chartered Accountants A member of HLB International
Country of Domicile	-	Malaysia
Registered Office	-	Level 15-2, Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
Business Office	-	Level 7, Menara Axis 2, Jalan 51A/223 46100 Petaling Jaya Selangor Darul Ehsan

Company No : 369818-W

OPENSYS (M) BERHAD
(Incorporated in Malaysia)

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 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company are :-

- (a) to provide solutions to the financial services industry in the areas of self-service machines and universal delivery systems and IT services such as systems integration, project management, software development, support services and training;
- (b) investment holdings; and
- (c) to develop, assemble, manufacture, sell, import, export, let out, hire, lease, finance, install, alter, maintain, service, repair or otherwise deal in all kinds of computers, self-service machines, software application solutions and provision of related services.

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

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

FINANCIAL RESULTS

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

DIVIDENDS

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

The Directors do not recommend any dividend for the current financial year ended 31 December 2008.

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OPENSYS (M) BERHAD
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DIRECTORS' REPORT - (Continued)

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who served on the Board of the Company since the date of the last Report and at the date of this Report are :-

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

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their interests in the share capital of the Company during the financial year were as follows :-

	----- Ordinary shares of RM0.10 each -----			
	Balance at 1.1.2008	Acquired	Disposed	Balance at 31.12.2008
	-----	-----	-----	-----
Tan Kee Chung	35,541,230	-	-	35,541,230
Chee Hong Soon	6,161,220	-	-	6,161,220
Tune Hee Hian	3,982,682	-	-	3,982,682

By virtue of the Directors' interests in the shares of the Company, Directors having interest in the shares of the Company are also deemed interested in the shares of the subsidiaries of the Company to the extent 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.

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OPENSYS (M) BERHAD
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DIRECTORS' REPORT - (Continued)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remunerations received or due and receivable by Directors as shown in the financial statements of the Group and of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

- (a) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts have been written off and that adequate allowance has been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records of the Group and of the Company in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this Report, the Directors are not aware of any circumstances :-

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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OPENSYS (M) BERHAD
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DIRECTORS' REPORT - (Continued)

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

The Directors state that :-

At the date of this Report, they are not aware of any circumstances not otherwise dealt with in this Report or the financial statements which would render any amount stated in the financial statements misleading.

In their opinion,

- (a) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this Report is made.

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OPENSYS (M) BERHAD
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DIRECTORS' REPORT - (Continued)

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

Dated : 8 April 2009
Kuala Lumpur

Chee Hong Soon

Company No : 369818-W

OPENSYS (M) BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, TAN KEE CHUNG and CHEE HONG SOON, being two of the Directors of OPENSYS (M) BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the results of the operations and cash flows for the financial year ended on that date.

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

Tan Kee Chung

Dated : 8 April 2009
Kuala Lumpur

Chee Hong Soon

STATUTORY DECLARATION

I, TAN KEE CHUNG, being the Director primarily responsible for the financial management of OPENSYS (M) BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Tan Kee Chung

Subscribed and solemnly declared by the
abovenamed TAN KEE CHUNG
at Kuala Lumpur on 8 April 2009

Before me :

Commissioner for Oaths

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 Balance Sheets of the Group and of the Company as at 31 December 2008, and the Income Statements, Statements of Changes in Equity and Cash Flow Statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 49.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
OPENSYS (M) BERHAD (Company No: 369818-W) - (Continued)

Opinion

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

Report on Other Legal and Regulatory Requirements

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for these purposes.
- c) The auditors' report on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Matters

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

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

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

Dated : 8 April 2009
Kuala Lumpur

Company No : 369818-W

OPENSYS (M) BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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

The notes set out on pages 17 to 49 form an integral part of these financial statements.

Company No : 369818-W

OPENSYS (M) BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2008

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

The notes set out on pages 17 to 49 form an integral part of these financial statements.

Company No : 369818-W

OPENSYS (M) BERHAD
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BALANCE SHEETS AS AT 31 DECEMBER 2008 - (Continued)

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

The notes set out on pages 17 to 49 form an integral part of these financial statements.

Company No : 369818-W

OPENSYS (M) BERHAD
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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

The notes set out on pages 17 to 49 form an integral part of these financial statements.

Company No : 369818-W

OPENSYS (M) BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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

The notes set out on pages 17 to 49 form an integral part of these financial statements.

Company No : 369818-W

OPENSYS (M) BERHAD
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CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash flows from operating activities				
Profit before tax	3,042,159	1,546,279	3,046,973	1,558,181
Adjustments for :-				
Amortisation of development expenditure	2,858,904	2,807,115	2,858,904	2,807,115
Bad debts written off	-	614	-	614
Depreciation	3,542,325	3,182,559	3,542,882	3,182,559
Gain on disposal of property, plant & equipment	(125)	(104,999)	(125)	(104,999)
Interest expenses	2,092,717	2,477,057	2,092,717	2,477,057
Interest income	(120,532)	(107,754)	(120,532)	(107,754)
Inventories written off	-	707,133	-	707,133
Operating profit before working capital changes	11,415,448	10,508,004	11,420,819	10,519,906
Decrease/(Increase) in inventories	1,008,368	(2,899,104)	1,008,368	(2,899,104)
Decrease in receivables	3,627,578	2,596,424	3,627,578	2,589,824
Increase in payables	1,707,212	699,259	1,706,655	698,209
Net changes in inter-company balances	-	-	(4,814)	(4,252)
Cash generated from operations	17,758,606	10,904,583	17,758,606	10,904,583
Interest paid	(2,092,717)	(2,477,057)	(2,092,717)	(2,477,057)
Interest received	120,532	107,754	120,532	107,754
Tax paid	(6,286)	(31,249)	(6,286)	(31,249)
Tax refund	-	70,630	-	70,630
Net cash from operating activities	15,780,135	8,574,661	15,780,135	8,574,661

The notes set out on pages 17 to 49 form an integral part of these financial statements.

Company No : 369818-W

OPENSYS (M) BERHAD
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CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 - (Continued)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash flows from investing activities				
Development expenditure paid	(3,438,517)	(2,710,611)	(3,438,517)	(2,710,611)
Purchase of property, plant & equipment	(382,902)	(2,732,889)	(382,902)	(2,732,889)
Proceeds from disposal of property, plant & equipment	140	104,999	140	104,999
Net cash used in investing activities	(3,821,279)	(5,338,501)	(3,821,279)	(5,338,501)
Cash flows from financing activities				
Placement of fixed deposit (Repayment of)/Proceeds from bankers' acceptance - net	(108,510)	(106,020)	(108,510)	(106,020)
Proceeds from issue of shares	(2,244,000)	6,570,000	(2,244,000)	6,570,000
Repayment of borrowings - net	-	107,000	-	107,000
Repayment of finance lease liabilities	(3,772,940)	(10,670,872)	(3,772,940)	(10,670,872)
Net cash used in financing activities	(2,137,743)	(1,774,661)	(2,137,743)	(1,774,661)
Net changes in cash and cash equivalents	(8,263,193)	(5,874,553)	(8,263,193)	(5,874,553)
Cash and cash equivalents brought forward	3,695,663	(2,638,393)	3,695,663	(2,638,393)
Cash and cash equivalents carried forward	(912,801)	1,725,592	(912,801)	1,725,592
	2,782,862	(912,801)	2,782,862	(912,801)

The notes set out on pages 17 to 49 form an integral part of these financial statements.

Company No : 369818-W

OPENSYS (M) BERHAD
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CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 - (Continued)

Group/Company	
2008	2007
RM	RM

NOTES TO THE CASH FLOW STATEMENTS

(a) Cash and cash equivalents comprise :-

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

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

Cash	382,902	2,732,889
Borrowings	2,250,000	3,112,500
Finance lease arrangement	790,021	3,244,364
	-----	-----
	3,422,923	9,089,753
	=====	=====

The notes set out on pages 17 to 49 form an integral part of these financial statements.

Company No : 369818-W

OPENSYS (M) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activities of the Company are :-

- (a) to provide solutions to the financial services industry in the areas of self-service machines and universal delivery systems and IT services such as systems integration, project management, software development, support services and training;
- (b) investment holdings; and
- (c) to develop, assemble, manufacture, sell, import, export, let out, hire, lease, finance, install, alter, maintain, service, repair or otherwise deal in all kinds of computers, self-service machines, software application solutions and provision of related services.

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

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

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

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

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

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

2. FINANCIAL RISK MANAGEMENT AND OBJECTIVES

The Group’s and the Company’s operations are subject to a variety of financial risks, including credit risk, foreign currency risk, interest rate risk, market risk, liquidity and cash flow risk.

OPENSYS (M) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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

(a) Credit risk

The Group and the Company are exposed to credit risk mainly from receivables. The Group and the Company extend credit to their customers based upon established credit evaluation and monitoring guidelines.

The maximum credit risks associated with recognised financial assets is the carrying amount shown in the Balance Sheet.

(b) Foreign currency risk

The Group and the Company are exposed to currency risk as a result of foreign currency transactions other than Ringgit Malaysia. However, the effect of the foreign currency risk is not significant as the majority of the Group's and the Company's transactions, assets and liabilities are denominated in Ringgit Malaysia.

(c) Interest rate risk

The Group's and the Company's income and operating cash flows are substantially independent of changes in market rates. Interest rate exposure arises from the Group's and the Company's borrowings and deposits with the licensed financial institutions. Both financial instruments are managed through the use of floating rate debt and long term tenure without speculative interest respectively.

(d) Market risk

The Group and the Company manage their exposure to fluctuation in prices of key products purchased used in their operations through floating price levels that the Group and the Company consider acceptable and enter into agreements with suppliers in order to establish determinable prices of key products used.

(e) Liquidity and cash flow risk

The Group and the Company practise prudent liquidity risk management policies and maintain sufficient levels of cash and credit facilities for working capital and contingent funding requirements.

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

The preparation of financial statements in conformity with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the Companies Act 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities (if any) at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3(b).

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

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

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

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

The adoption of the above FRSs did not result in substantial changes to the Group's and the Company's accounting policies.

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

(b) Significant accounting estimates and judgements

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

(i) Impairment of property, plant & equipment

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

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

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

(iii) Allowance for doubtful debts

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

(iv) Income taxes

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

(v) Deferred tax assets

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

(vi) Share based payments

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

(c) Property, plant & equipment and depreciation

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

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

Depreciation on property, plant & equipment is calculated on the straight line basis at rates required to write off the cost of the property, plant & equipment over their estimated useful lives.

The principal annual rates used are as follows :-

Computers	33.33%
Furniture & fittings	20%
Motor vehicles	16%
Renovations	10 - 20%
Signboard	10%
Telecommunication & office equipment	10 - 20%

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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

(d) Impairment of non-financial assets

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

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

An impairment loss is charged to the Income Statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the Income Statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the Income Statement, a reversal of that impairment loss is recognised as income in the Income Statement.

(e) Investment in subsidiaries and basis of consolidation

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

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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

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

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

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

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

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

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

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

OPENSYS (M) BERHAD
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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

(f) 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.

(g) Inventories

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

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

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

(h) Payables

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(i) Receivables

Receivables are stated at cost less any allowances for doubtful debts. Known bad debts are written off and doubtful debts are provided for based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

(j) Interest-bearing borrowings

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

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

(k) Finance leases

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

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the obligation to the lessor and the finance charge being written off to the Income Statement over the period of the lease in reducing amounts in relation to the outstanding obligations. The interest element of the finance charge is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

(l) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The specific recognition criteria for revenue are as follows :-

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyers.

(ii) Licensing software

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

(iii) Services rendered

Revenue is recognised when the services are rendered.

(iv) Interest income

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

(n) Income tax and deferred tax

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

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributable to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unabsorbed tax losses can be utilised.

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

(o) Employee benefits

(i) Short term employee benefits

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

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

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

(ii) Post-employment benefits

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

(iii) Equity compensation benefits

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

(p) Cash and cash equivalents

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

(q) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Financial instruments recognised on the Balance Sheet

The particular recognition method adopted for financial instruments recognised on Balance Sheet is disclosed in the individual accounting policy statement associated with each item.

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

(iii) Fair value estimation for disclosure purposes

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

4. REVENUE

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

5. FINANCE COSTS

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

6. PROFIT BEFORE TAX

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Profit before tax is stated after charging/(crediting) (other than those disclosed in Note 5) :-				
Auditors' remuneration				
- statutory	16,000	16,000	15,000	15,000
- others	6,300	29,525	6,300	29,525
Bad debt written off	-	614	-	614
Depreciation	448,909	408,038	448,909	408,038
Directors' remuneration				
- emoluments	870,860	323,800	870,860	323,800
- fees	77,500	78,000	77,500	78,000
- others	-	6,000	-	6,000
Lease rentals	32,400	32,400	32,400	32,400
Realised loss on foreign exchange	-	8,025	-	8,025
Rental of premises	518,135	430,628	518,135	430,628
Staff costs (excluding Directors' remuneration)				
- Salaries, wages & bonus	1,279,473	1,110,621	1,279,473	1,110,621
- Defined contribution plan	212,950	158,639	212,950	158,639
- Other employee benefits	524,340	683,724	524,340	683,724
Gain on disposal of property, plant & equipment	(125)	(104,999)	(125)	(104,999)
Interest income				
- fixed deposits	(108,510)	(106,011)	(108,510)	(106,011)
- other	(12,022)	(1,743)	(12,022)	(1,743)
	=====	=====	=====	=====

Included in the cost of sales are as follows :-

Bankers' acceptance/ Letter of credit interest	289,344	344,891	289,344	344,891
Cost of inventories	11,441,960	15,893,843	11,441,960	15,893,843
Depreciation	3,093,416	2,774,521	3,093,416	2,774,521
Development expenditure				
- amortisation	2,858,904	2,807,115	2,858,904	2,807,115
- charged to Income Statement	-	27,000	-	27,000

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Director's remuneration				
- emoluments	64,863	41,569	64,863	41,569
Inventories written off	-	707,133	-	707,133
Staff costs (excluding Director's remuneration)				
- Salaries, wages & bonus	2,395,668	1,373,556	2,395,668	1,373,556
- Defined contribution plan	290,268	167,052	290,268	167,052
- Other employee benefits	257,960	227,199	257,960	227,199
	=====	=====	=====	=====

7. DIRECTORS' REMUNERATION

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

	Fees RM	Salaries RM	Others* RM	Total RM
Executive Directors	-	723,792	432,679	1,156,471
Non executive Directors	72,000	-	5,500	77,500
	=====	=====	=====	=====

The number of Directors of the Group and of the Company whose total remuneration fall within the following bands for the financial year ended 31 December 2008 are as follows :-

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

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

8. INCOME TAX EXPENSE

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

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows :-

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

The Company has obtained approval from the Multimedia Development Corporation (MDC) as a Multimedia Super Corridor (MSC) company and has been granted Pioneer Status with full income tax exemption under the Promotion of Investment Act 1986 for a period of five years which commenced from 1 December 2003 and expired on 30 November 2008. The pioneer exempt income as at 31 December 2008 estimated at RM15,296,780 (2007: RM15,296,780) is subject to agreement by the Inland Revenue Board.

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

The unutilised capital allowances carried forward as at 31 December 2008 is estimated at RM Nil (2007: RM452,945). This is, however, subject to the confirmation by the Inland Revenue Board.

Subject to agreement with the Inland Revenue Board, the Company has exempt income estimated at RM50,666 (2007: RM50,666) pursuant to Section 12 of the Income Tax (Amendment) Act 1999, from which tax exempt dividends can be declared.

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

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

Based on the prevailing tax rate applicable to dividends and the estimated tax credits under Section 108 of the Income Tax Act 1967 and the tax exempt account balances as mentioned above, all of the unappropriated profits of the Company as at 31 December 2008 (2007: RM4,269,096) are available for distribution by way of dividends without additional tax liabilities being incurred. This is, however, subject to confirmation by the Inland Revenue Board.

9. EARNINGS PER SHARE (“EPS”)

	Group		Company	
	2008	2007	2008	2007
Basic EPS				
Profit for the financial year/ Profit attributable to equity holders (RM'000)	3,024	1,515	3,028	1,527
Weighted average number of shares in issue for basic EPS (‘000)	223,420	223,192	223,420	223,192
Basic EPS (sen)	1.35	0.68	1.35	0.68

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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

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

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

Company No : 369818-W

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

10. PROPERTY, PLANT & EQUIPMENT

Group/Company - 2008

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

Group/Company - 2007

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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

	Group/Company	
	2008 RM	2007 RM
Computers	183,111	80,715
Motor vehicles	933,913	483,473
Telecommunication & office equipment	319,221	5,591,266
	<u>1,436,245</u>	<u>6,155,454</u>

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

Income Statement	3,542,325	3,182,559
Development expenditure (Note 12)	255,843	242,853
	<u>3,798,168</u>	<u>3,425,412</u>

Security

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

	Group/Company	
	2008 RM	2007 RM
Telecommunication & office equipment	<u>23,302,103</u>	<u>17,490,097</u>

11. SUBSIDIARIES

	Company	
	2008 RM	2007 RM
(a) Investment in subsidiaries		
Unquoted shares - at cost	<u>2,000</u>	<u>2,000</u>

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

Name of Company -----	Principal Activities -----	Place of Incorporation -----	Effective Equity Interest	
			2008 %	2007 %
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	
	2008 RM	2007 RM
At beginning of the financial year	15,436,228	15,289,879
Capitalised during the financial year	3,694,360	2,953,464
Less : Amortisation during the financial year	(2,858,904)	(2,807,115)
	-----	-----
At end of the financial year	16,271,684	15,436,228
	=====	=====
Cost	23,235,398	23,740,285
Less : Accumulated amortisation	(6,963,714)	(8,304,057)
	-----	-----
Net book value	16,271,684	15,436,228
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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

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

13. FIXED DEPOSITS

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

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

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

14. INVENTORIES - at cost

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

15. TRADE RECEIVABLES

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

The Group's and the Company's normal credit term of trade receivables ranged from 30 days to 90 days (2007: 30 days to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

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

16. OTHER RECEIVABLES & PREPAYMENTS

	Group/Company	
	2008	2007
	RM	RM
Other receivables	232,779	232,139
Prepayments	1,775,476	1,376,809
	-----	-----
	2,008,255	1,608,948
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

17. SHARE CAPITAL

	Group/Company	
	2008	2007
	RM	RM
Authorised :-		
500,000,000 ordinary shares of RM0.10 each	50,000,000	50,000,000
	=====	=====
Issued and fully paid :-		
At beginning of the financial year		
- 223,420,000 (2007: 222,350,000)		
ordinary shares of RM0.10 each	22,342,000	22,235,000
Exercise of ESOS options		
- Nil (2007: 1,070,000)		
ordinary shares of RM0.10 each	-	107,000
	-----	-----
At end of the financial year		
- 223,420,000 (2007: 223,420,000)		
ordinary shares of RM0.10 each	22,342,000	22,342,000
	=====	=====

EMPLOYEES' SHARE OPTION SCHEME

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

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

- (i) The Option Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees or Executive Directors of the Company or its subsidiaries, to subscribe for new ordinary shares of RM0.10 each in the Company ("Shares") provided that no grant of options shall be made until the expiry of a period of 1 month after the Shares are listed on MESDAQ Market of Bursa Securities.

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

- (ii) Subject to the discretion of the Option Committee, eligible employees (including Executive Directors) who are employed by the Company or any of its subsidiaries, who are at least 18 years of age and whose employment is confirmed on the date of offer shall be eligible to participate in the ESOS.
- (iii) The total number of Shares to be issued under the ESOS shall not exceed in aggregate 30% of the issued and paid-up share capital of the Company at any time during the tenure of the ESOS.
- (iv) The aggregate allocation to Directors and senior management shall not exceed 50% of the total number of Shares to be issued under the ESOS. In addition, the allocation to an Executive Director and employee who, either singly or collectively through persons connected with the Director or employee, holds 20% or more of the issued and paid-up capital of the Company, must not exceed 10% of the total number of Shares to be issued under the ESOS.
- (v) The subscription price shall be fixed based on the weighted average market price of the Shares for the five market days immediately preceding the date of offer with a discount of not more than 10% (or such other pricing mechanism as may be permitted by the Securities Commission, Bursa Securities or any other relevant regulatory authorities from time to time) at the Option Committee's discretion, provided that the subscription price shall not be less than the par value of RM0.10 of the Shares.
- (vi) The Option Committee may, at any time and from time to time before or after an Option is granted, limit the exercise of the Option to a maximum number of new Shares and/or such percentage of the total new Shares comprised in the Option during such periods within the Option period and impose any other terms and conditions deemed appropriate by the Option Committee in its discretion including amending and/or varying any terms and conditions imposed earlier.
- (vii) All new Shares issued upon the exercise of the options granted under the ESOS will rank pari passu in all respects with the existing issued and paid-up Shares except that the new Shares so issued will not be entitled to any dividends, rights, allotments and/or distributions the entitlement of which is prior to the date of allotment of the new Shares.

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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

	Number of options
At 1 January 2008	34,810,000
Exercised	-
Granted	-
Lapsed	-

At 31 December 2008	34,810,000
	=====

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

Exercise period	Exercise price RM	Number of options
12.3.2004 to 29.1.2009	0.36	22,180,000
15.2.2006 to 29.1.2009	0.10	12,630,000

		34,810,000
		=====

18. SHARE PREMIUM

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

19. FINANCE LEASE LIABILITIES

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

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

20. BORROWINGS

	Group/Company	
	2008	2007
	RM	RM
Term loans		

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

The term loans are secured by :-

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

21. TRADE PAYABLES

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

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

22. OTHER PAYABLES & ACCRUALS

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

23. BANKERS' ACCEPTANCE AND BANK OVERDRAFTS

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

- (a) fixed deposits of RM3,549,820 (2007: RM3,441,310); and
- (b) joint and several guarantees by certain Directors of the Company.

The interest charges on the bankers' acceptance and bank overdrafts of the Group and of the Company during the financial year ranged from 5.2% to 8.8% (2007: 5.2% to 8.8%) per annum.

24. POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

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

25. SEGMENT INFORMATION

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

26. DEFERRED TAX

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

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

Key management personnel compensation

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

28. THE NEW OR REVISED FINANCIAL REPORTING STANDARDS

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

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

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

- (i) FRS 7 Financial Instruments : Disclosures (effective for accounting periods beginning on or after 1 January 2010)

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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

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

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

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

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

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

29. FINANCIAL INSTRUMENTS

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

30. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

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

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