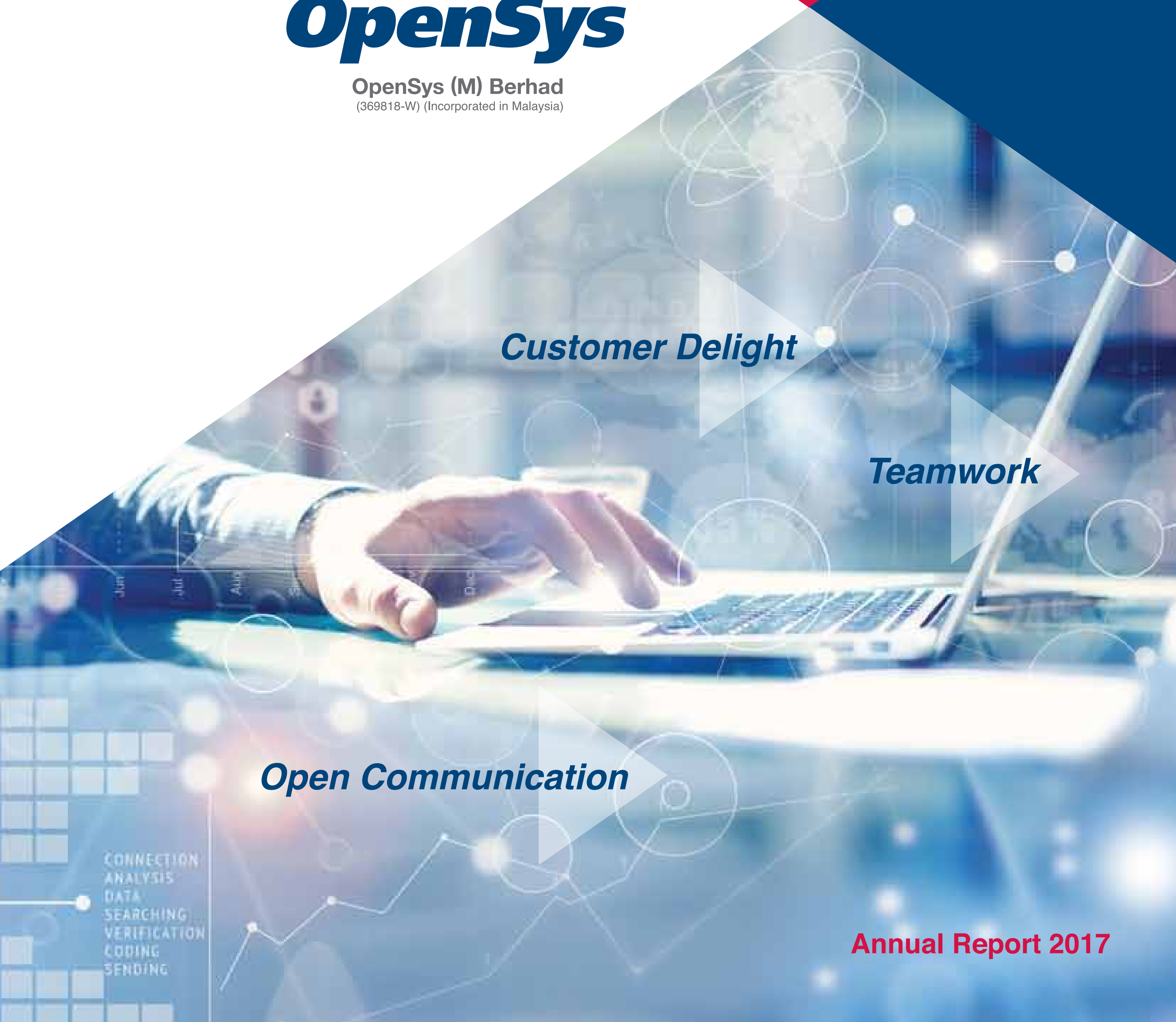
Progressing Towards the Future...
with a Difference

OpenSys

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



Customer Delight

Teamwork

Open Communication

Annual Report 2017

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-second Annual General Meeting of the Company will be held at Latitude 2 & 3, Level 1, Hotel Armada Petaling Jaya, Lot 6, Lorong Utara C, Seksyen 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Monday, 14 May 2018 at 3.00 p.m. for the following purposes:-

AGENDA
AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and the Auditors thereon. *(Please refer to Note 1.)*

2. To approve the payment of Directors' fees and benefits payable up to RM164,500 for the period from 1 June 2018 until the conclusion of the next Annual General Meeting of the Company. **(ORDINARY RESOLUTION 1)**

3. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:-
   i) Tune Hee Hian — Article 98 **(ORDINARY RESOLUTION 2)**
   ii) Datuk Ng Bee Ken — Article 98 **(ORDINARY RESOLUTION 3)**

4. To re-appoint Messrs. HLB Ler Lum as Auditors and to authorise the Board of Directors to fix their remuneration. **(ORDINARY RESOLUTION 4)**

AS SPECIAL BUSINESS

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

5. **ORDINARY RESOLUTION**
   AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

   "THAT, subject always to the Companies Act 2016 ("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 Sections 75 and 76 of the Act, to allot 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 allotted pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of submission to the authority, 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 ("Bursa Securities") for the listing of and quotation of the additional shares so allotted." **(ORDINARY RESOLUTION 5)**

6. **AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES**

   "THAT, subject always to the Companies Act 2016 ("the Act"), the provisions of the Memorandum and Articles of Association of the Company, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations as it may be amended, modified or re-enacted from time to time, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

6. **AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES (cont'd)**

   (i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;

   (ii) the maximum fund to be allocated by the Company for the purpose of purchasing such number of ordinary shares shall not exceed the retained earnings of the Company. As at the latest financial year ended 31 December 2017, the audited retained earnings of the Company stood at RM21,594,566.00; and

   (iii) the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:

      (a) the conclusion of the next AGM at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

      (b) the expiration of the period within which the next AGM after that date is required by law to be held; or

      (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting, whichever occurs first.

AND THAT upon completion of the purchase(s) of the ordinary shares of the Company, the Directors of the Company be and are hereby authorised to deal with the ordinary shares so purchased in the following manners:-

   (i) to cancel the ordinary shares so purchased; or

   (ii) To retain the ordinary shares so purchased as treasury shares for distribution as dividend to shareholders and/or resell on Bursa Securities or subsequently cancelled; or

   (iii) To retain part of the ordinary shares so purchased as treasury shares and cancel the remainder; or

   (iv) In any other manner prescribed by the Act, rules, regulations and orders made to the Act, the ACE Market Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force.

AND THAT the Board of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise or to effect the aforesaid share buy-back with full powers to assent to any conditions, modifications, variations, and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things (including executing all documents) as the Board may deem fit and expedient in the best interest of the Company." **(ORDINARY RESOLUTION 6)**

7. **RETENTION OF MR. JAMES HENRY STEWART AS INDEPENDENT DIRECTOR**

   "THAT Mr. James Henry Stewart is hereby retained as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance." **(ORDINARY RESOLUTION 7)**

8. To transact any other business which may properly be transacted at an Annual General Meeting for which due notice shall have been given.

By Order of the Board

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

Dated this 20th day of April 2018
Kuala Lumpur

Notes:

1. *The Audited Financial Statements are for discussion only as the Company's Articles of Association provides that the audited financial statements are to be laid in the general meeting.*

2. *For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 8 May 2018. Only a depositor whose name appears on the Record of Depositors as at 8 May 2018 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote in his/her stead.*

3. *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. All voting will be conducted by way of poll.*

4. (i) *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.*

   (ii) *Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*

5. *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.*

6. *If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorized.*

7. *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.*

8. *Explanatory notes on Special Business*

   8.1 *The proposed Ordinary Resolution 5, if passed, will give the Directors of the Company the flexibility to allot new shares in the Company up to an amount not exceeding in total 10% of the total number of issued shares 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 allotment of new shares, the Directors, under certain circumstance when the opportunity arises, would have to convene a general meeting to approve the allotment of new shares even though the number involved may be less than 10% of the total number of issued shares.

   In order to avoid any delay and costs involved in convening a general meeting to approve such allotment of shares, it is thus considered appropriate that the Directors be empowered to allot shares in the Company, up to any amount not exceeding in total 10% of the total number of issued shares of the Company at the time of submission, 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 24 May 2017.

   8.2 *The explanatory notes of the proposed Ordinary Resolution 6 are set out in the Share Buy-Back Statement dated 20 April 2018.*

   8.3 *The proposed Ordinary Resolution 7, if passed, will allow the Director, Mr. James Henry Stewart who has served the Company for a cumulative period of more than 9 years, to continue to act as Independent Non-Executive Director of the Company. The Board supports the re-appointment of Mr. James Henry Stewart as Independent Director for:-*

   i) *He understands the business nature and office culture*
   ii) *He provides the Board valuable advice and insight*
   iii) *He actively participates in Board deliberations and decision making in an objective manner*
   iv) *He upholds independent decision and challenges the management objectively.*

Profile of Directors

JAMES HENRY STEWART
(Canadian, Male, Aged 84)

James Henry Stewart was appointed as Independent Non-Executive Director of OpenSys on 6 November 2003. He was appointed as Chairman of the Board on 12 April 2012. He is a member of the Audit Committee and the Chairman of the Nomination Committee and Remuneration Committee.

He has more than 40 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.

TAN KEE CHUNG
(Malaysian, Male, Aged 59)

Tan Kee Chung was appointed as Executive Director of OpenSys on 7 December 1995. He is a co-founder and the President and Chief Executive Officer of OpenSys.

He is responsible for the management of the business operations of the Company, business development and strategic planning.

He obtained his Bachelor of Science degree in Computer Science from the University of Brighton, United Kingdom in 1982 and he was also a Johor State Government Scholar. He has more than 30 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.

Sitting from left to right: Tune Hee Hian, James Henry Stewart, Tan Kee Chung
Standing from left to right: Datuk Ng Bee Ken, Dato' Abdul Manap bin Abd Wahab, Chee Hong Soon

CHEE HONG SOON

(Malaysian, Male, Aged 58)

Chee Hong Soon 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 cofounding OpenSys, he worked as a regional Enterprise Systems Consultant in AT&T GIS from 1990 to 1995 and Senior Systems Engineer in NCR from 1983 to 1989.

TUNE HEE HIAN

(Malaysian, Male, Aged 59)

Tune Hee Hian was appointed as Executive Director of OpenSys on 9 January 1996. He is a Senior Vice President of Business Development 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 Universiti 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.

Note: All the above-named Directors of the Company have no family relationship with any director or major shareholder of the Company; and have not been convicted of any offences within the past five (5) years (other than traffic offences, if any) and do not have any conflict of interest with the Company.

DATUK NG BEE KEN

(Malaysian, Male, Aged 64)

Datuk Ng Bee Ken 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 specializes 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, Talam Transform Bhd and Yong Tai Bhd.

DATO' ABDUL MANAP BIN ABD WAHAB

(Malaysian, Male, Aged 61)

Dato' Abdul Manap Bin Abd Wahab was appointed as Independent Non-Executive Director and Chairman of Audit Committee of OpenSys on 31 October 2013. He is also a member of the Nomination Committee and Remuneration Committee.

He graduated with a Diploma in Accountancy from Universiti Teknologi MARA (UiTM) in 1978. In 1980, he obtained his Bachelor in Business Administration from Ohio University, United States of America. In 1993, he graduated with a Masters in Business Administration (Finance) from the University of Hull, UK. He started his career in 1980 with Malayan Banking Berhad ("Maybank") and served in various capacities throughout his tenure. He was the Head of Group Retail Marketing of Maybank before he left in 2002. From 2003 to 2004, he gave lectures, training and services as an independent consultant. He joined Bank Muamalat Malaysia Berhad as the Chief Executive Officer from 2005 to 2008. During that same period, he was also the President of the Association of Islamic Banks Malaysia. Throughout his banking tenure, he also served as a Director in Malaysian Electronic Payment System Sdn. Bhd. ("MEPS") and MEPS Currency Management Sdn. Bhd. He also sat on the audit committee of MEPS and served as a member of Program Development Panel in the International Centre for Education in Islamic Finance (INCEIF). He is also an Independent Non-Executive Director of Bermaz Auto Berhad.

Senior Management

Back row from left to right

Tham Kok Cheng
(Senior Vice President - Business Process Re-engineering)

Tune Hee Hian
(Senior Vice President - Business Development)

Leong Yoke Wai
(Senior Vice President - Hardware Development & Integration)

Tan Kee Chung
(President / CEO)

Koh Lea Cheong
(Senior Vice President - Business Process Outsourcing)

Eric Lim Swee Keah
(Chief Operating Officer)

Chee Hong Soon
(Chief Financial Officer)

Front row from left to right

Luke Sebastian
(Senior Vise President - Customer Support)

Wong Siew Pooi
(Senior Vice President - Software Development & Integration / Cheque Processing Outsourcing)

Senior Management (cont'd)

TAN KEE CHUNG
(President and CEO)
(Malaysian, Male, Aged 59)

As detailed on page 5 - Profile of Directors in this Annual Report.

CHEE HONG SOON
(Chief Financial Officer)
(Malaysian, Male, Aged 58)

As detailed on page 6 - Profile of Directors in this Annual Report.

TUNE HEE HIAN
(Senior Vice President - Business Development)
(Malaysian, Male, Aged 59)

As detailed on page 6 - Profile of Directors in this Annual Report.

ERIC LIM SWEE KEAH
(Chief Operating Officer)
(Malaysian, Male, Aged 53)

Eric Lim holds a Bachelor Degree in Computer Science. He has over 27 years of working experience in sales, marketing and management. He was promoted to his current position on 1 April 2017.

LUKE SEBASTIAN
(Senior Vice President - Customer Support)
(Malaysian, Male, Aged 39)

Luke Sebastian holds a Bachelor in Computing (Honours) Degree. He has over 17 years of working experience in software application and self-service software design, development and support. He was promoted to his current position on 1 January 2017.

KOH LEA CHEONG
(Senior Vice President - Business Process Outsourcing)
(Malaysian, Male, Aged 51)

Koh Lea Cheong obtained a First Class Honours Degree in Applied Science. He has over 25 years of working experience in software application design, development and support. He was promoted to his current position on 1 January 2015.

LEONG YOKE WAI
(Senior Vice President - Hardware Development & Integration)
(Malaysian, Male, Aged 59)

Leong Yoke Wai holds a Bachelor of Computer Science Degree. He has over 33 years of working experience in self-service device software design, development and support and network configuration and support. He was appointed to his current position on 1 January 2015.

THAM KOK CHENG
(Senior Vice President - Business Process Re-engineering)
(Malaysian, Male, Aged 65)

Tham Kok Cheng holds a Master's Certificate in Commercial Project Management. He has 40 years of working experience in many areas of Information Technology including application software design, development and support and project management. He was appointed to his current position on 1 January 2018.

WONG SIEW POOI
(Senior Vice President - Software Development & Integration/ Cheque Processing Outsourcing)
(Malaysian, Female, Aged 43)

Wong Siew Pooi holds a Bachelor of Computer Science Degree. She has over 18 years of working experience in software application design, development and support. She was promoted to her current position in 1 January 2015.

Senior Management (cont'd)

Back row from left to right

Nor Shahrizah Mohd Zawawi
(Vice President - Project Management Office)

Heng Ken Wei
(Vice President - Centre of Technology)

Hon Tian Yang
(Vice President - Systems & Network Support)

Winnie Ong Poh Hong
(Vice President - Finance & Administration)

Ooi Hock Ang
(Vice President - Business Process Re-engineering / Quality Assurance)

Front row

Denis Koay Kar Hwa
(Vice President - Sales)

Not present

Shiyamala A/P Joeganathan
(Vice President - Software Development & Integration)

Senior Management (cont'd)

DENIS KOAY KAR HWA

(Vice President - Sales)

(Malaysian, Male, Aged 38)

Denis Koay Kar Hwa holds a Bachelor of Science in Computing Degree. He has over 14 years of working experience in sales and marketing of Information Technology products. He was appointed to his current position on 1 January 2017.

HENG KEN WEI

(Vice President - Centre of Technology)

(Malaysian, Male, Aged 42)

Heng Ken Wei holds a Bachelor of Information Technology Degree. He has over 17 years of working experience in software application design, development and support. He was promoted to his current position on 1 January 2015.

HON TIAN YANG

(Vice President - Systems & Network Support)

(Malaysian, Male, Aged 41)

Hon Tian Yang holds a Bachelor of Computer Science Degree. He has over 16 years of working experience in systems design, configuration and support and network design, configuration and support. He was promoted to his current positon on 1 January 2015.

NOR SHARIZAH MOHAMMED ZAWAWI

(Vice President - Project Management Office)

(Malaysian, Female, Aged 44)

Nor Shahrizah holds a Bachelor of Science in Information Systems Degree. She has over 17 years of working experience in software development and project management. She was promoted to her current position on 1 January 2015.

OOI HOCK ANG

(Vice President - Business Process Re-engineering / Quality Assurance)

(Malaysian, Male, Aged 47)

Ooi Hock Ang holds a Bachelor of Computer Science (Honours) Degree. He has over 21 years of working experience in software development and support and project management. He was appointed to his current position on 1 January 2018.

WINNIE ONG POH HONG

(Vice President - Finance & Administration)

(Malaysian, Female, Aged 41)

Winnie Ong holds a Degree in Accounting. She has over 19 years of working experience in the field of accounting. She was promoted to her current position on 1 January 2017.

SHIYAMALA JOEGANATHAN

(Vice President - Software Development & Integration)

(Malaysian, Female, Aged 41)

Shiyamala Joeganathan holds a Bachelor of Computer Science (Honours) Degree. She has over 17 years of working experience in application software design, development and support. She was promoted to her current position on 1 January 2015.

Note: None of the Senior Management staff holds directorship in public companies or public listed companies. None of the Senior Management staff has family relationship with any Director and/or major shareholder of the Company. None of the Senior Management staff has any conflict of interest with the Company. None of the Senior Management staff has been convicted for offences within the past 5 years or was publicly sanctioned or imposed with penalty by the relevant regulatory bodies during the financial year.

Corporate Information

BOARD OF DIRECTORS

James Henry Stewart
- *Chairman, Independent Non-Executive Director*

Tan Kee Chung
- *Executive Director and Chief Executive Officer*

Chee Hong Soon
- *Executive Director*

Tune Hee Hian
- *Executive Director*

Datuk Ng Bee Ken
- *Independent Non-Executive Director*

Dato' Abdul Manap Bin Abd Wahab
- *Independent Non-Executive Director*

COMPANY SECRETARIES

Lim Seck Wah *(MAICSA 0799845)*
Kong Mei Kee *(MAICSA 7039391)*

AUDIT COMMITTEE

1) Dato' Abdul Manap Bin Abd Wahab *(Chairman)*
2) James Henry Stewart
3) Datuk Ng Bee Ken

NOMINATION COMMITTEE

1) James Henry Stewart *(Chairman)*
2) Datuk Ng Bee Ken
3) Dato' Abdul Manap Bin Abd Wahab

REMUNERATION COMMITTEE

1) James Henry Stewart *(Chairman)*
2) Datuk Ng Bee Ken
3) Dato' Abdul Manap Bin Abd Wahab
   (appointed as member on 22 November 2017)
4) Tan Kee Chung
   (ceased as member on 22 November 2017)

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 26, Tower A
Pinnacle PJ
Jalan Utara C
46200 Petaling Jaya, Selangor
Tel: 03-7932 7888
Fax: 03-7932 7878
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 (AF0276)
A member of HLB International
B-7-7, 7th Floor
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: 03-2161 2113
Fax: 03-2161 2119

PRINCIPAL BANKERS

Hong Leong Bank Berhad (97141-X)
Malayan Banking Berhad (3813-K)
Public Bank Berhad (6463-H)

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
ACE Market
Stock Code: 0040

Management Discussion & Analysis

The march towards a cashless society, it seems, is unstoppable.

Virtual payments are fast displacing cash. Fewer Nordic banks are using cash in their branches. India recently scrapped 86 percent of its banknotes. South Korea plans to stop minting coins by 2020. Young people especially, as well as the better off and better educated, are increasingly at ease in making payments via cards or mobile phones.

Perhaps the most famous example is that of beggars in China's big cities holding up signs with quick response (QR) codes to collect alms. With loose change becoming a rarity, charitable passers-by can make donations with their mobile phones through Alipay or WeChat Pay.

But wait!

In other advanced economies, including Austria, Germany, Japan, Singapore and Switzerland, cash is still king and shows no sign of abdicating. Globally, 85 percent of all payments are still made in cash [(1)] "The cashless society, as appealing as it may sound, is probably just as elusive as the much vaunted paperless office", according to Yves Mersch, a member of the European Central Bank's executive board.

In tech-savvy Singapore, where almost everyone has a mobile phone, nine out of 10 people, still prefer to pay for everyday transactions the old-fashioned way – with cash. According to interviews conducted by Bloomberg in September 2017, some of the reasons why Singaporeans prefer cash are because it is more convenient than swiping a bank card or in case when they can use digital devices, machines sometimes break down and cannot process a payment.

In Japan, cash in circulation as a percentage of GDP increased to 20 percent in 2017 from 13.5 percent in 2000 and in the United States, it gained to 8.1 percent from 6.0 percent. In the Eurozone, it rose to 10.7 percent from 5.1 percent in 2002.

Similarly in Malaysia, most people have a relatively high dependence on cash for payment transactions. Last year, cash in circulation (CIC) grew 11.5 percent year on year to RM85.46 billion. Meanwhile, CIC per GDP, a measure of a country's reliance on cash for transactions, expanded from 6.62 percent to 6.95 percent. [(2)]

One of main reasons why cash remains hugely popular is because cash is the only legal tender in every country in the world, with the exception of Sweden. Cash is accepted practicably by all traders, whereas there is no obligation to accept electronic payments. As interest rates fall – and even go negative in some places – cash is increasingly used as a store of value. Cash is the only payment instrument that guarantees the user's privacy and anonymity, while all electronic transactions are traceable.

In OpenSys, we believe that the migration of cash to digital payments will be a gradual process – an evolution rather than a revolution. We also believe that cash, cards and mobile payments will continue to coexist for many years to come although we will see more and more micro payments being made by mobile phones.

Based on our big data of approximately 500 bill payment kiosks deployed at the branches of six major telcos and utility companies nationwide over the last 18 months, we noticed that cash booked over 65 percent or 11.0 million of the total number of payment transactions worth RM1.86 billion. In contrast, credit and debit cards managed 21 percent or 3.7 million transactions worth RM1.24 billion, while cheques recorded 14 percent or 2.3 million transactions worth RM13.43 billion. It is pertinent to note that payment by cheques are mostly made by corporate customers hence the absolute amount collected via cheques significantly dwarfed that of cash or credit and debit cards.

Due to the complementary relationship between cash and digital payments, the ubiquitous automated teller machine (ATM) – which celebrated its golden 50th anniversary last year – is still ranked as the No. 1 self-service channel and interactive touchpoint with a bank, even among millennials and smartphone users. From its inaugural installation at Barclays Bank in North London in June 1967, the ATM can now be found everywhere – from the most modern cities to the loneliest outposts, including a mountaintop in the Himalayas.

Globally, the number of ATMs is growing by 280 units per day and the total number of ATMs installed is projected to reach 4.0 million by 2021[(3)] Even in China, where non-cash payment hit a penetration rate of 42.2 percent as at end 2016 – fuelled by growth in mobile payments – the number of ATMs grew 44.1 percent year-on-year to reach a total of 840,800 units in 2015. The compound average growth rate (CAGR) of ATMs in China is 27.2 percent from 2007-2015. It is projected that China will have 1.5 million units of ATMs by 2020 [(4)]

As the number of ATMs increase, they have also stepped up in sophistication to keep up with modern times. Today's ATMs are a far cry from that first installed ATM at Barclays Bank. In addition to dispensing cash, today's advanced machines can accept cash and cheques; issue prepaid cards, stamps and lottery tickets; grant loans and take payments of almost any kind; calculate and convert one nation's currency into another; remit money to a relative halfway around the world; and most impressively, perform these functions with better than 99 percent reliability.

In the foreseeable future, ATMs will continue to evolve and remain relevant by adopting mobile technologies to cater to millenials and Gen Z. There are already ATMs today that allow customers to perform cardless ATM withdrawals using their mobile phones. Not long from now, customers will sign into ATMs using their fingerprints, pictures of eyes or faces, or voice recognition that are stored on their mobile phones, which will then transmit a code to the ATMs to do the necessary banking transactions.

It would not be inaccurate to consider the ATM as the original "Fintech" disruptor because before it came along, the banks were very traditional and dependent on a lot of human resource to operate. The ATM basically transformed the "brick-and-mortar" bank branch by automating cash withdrawals so that human resources can be redeployed more efficiently to assist and educate customers on the banks' products and services.

While the ATM provides many upsides to banks as well as their customers, the downside is that it is expensive to set up and operate an ATM infrastructure. In addition to high capital expenditure in hardware, software and network, the cost of cash represents the largest single segment of operating expenses for ATMs.

To mitigate the high cost of cash, the technology trend in recent years is to merge the separate functions of cash-dispensing or cash-deposit into dual-function machines called cash recycling machines (CRM). CRMs can accept cash from depositors and dispense them to withdrawers so that the cash is essentially "recycled" – resulting in lower cost of ownership in the area of unused cash float, cash maintenance, cash handling and space rental. Besides savings of 25-30 percent in capital expenditure and operational cost, CRMs also provide better service levels to the banks' customers because they have higher uptimes due to the automatic replenishment of cash in the machines.

OpenSys technology partner in the CRM market is OKI Electric Japan. OKI invented and pioneered the use of cash recycling technology more than thirty years' ago in 1982. Due to its first mover advantage, OKI is currently one of the leading suppliers of CRMs in Japan, China, India, Indonesia, Russia, South Korea, Taiwan and Brazil.

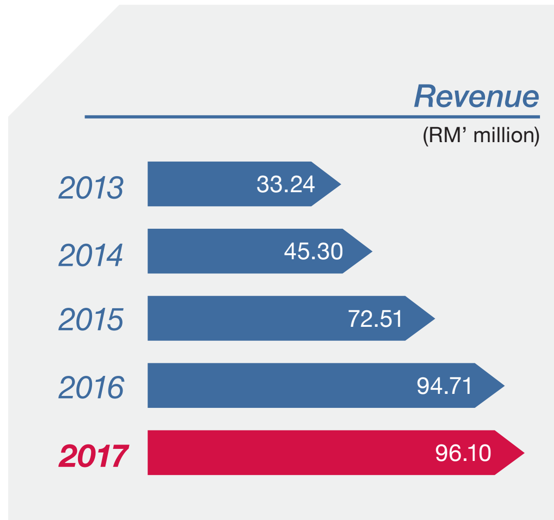
Since we introduced our CRMs into the marketplace in 2014, we have hitherto installed over 2,500 CRMs in Malaysia – making us the industry leader with a market share of approximately 80 percent. Our critical success factors can be attributed to having a superior cash recycling technology, better software applications and more reliable after-sale support vis-à-vis our competitors.

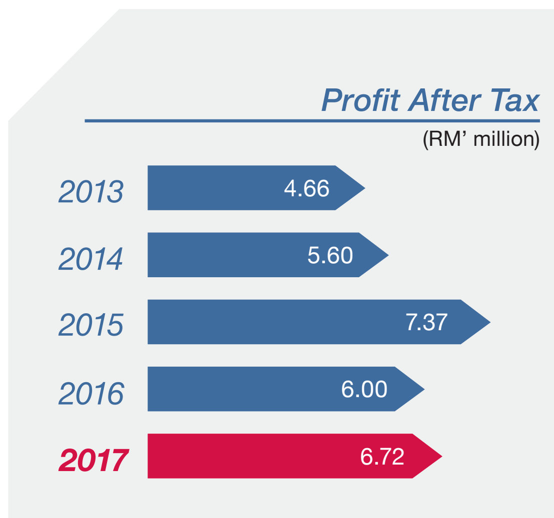
Besides our CRM success, OpenSys provides business process outsourcing (BPO) for bill payment kiosks to utility, insurance and telecommunication companies in Malaysia. Our bill payment kiosks allow customers to use cash, cheques, credit or debit cards to pay for bills, reload prepaid cards and renew insurance policies.

OpenSys is also the leading supplier of cheque-deposit machines and image-based cheque processing systems in Malaysia. Our image-based cheque processing system uses cheque scanners and software applications to capture cheque images and data at bank branches and send them to the central bank for cheque clearing and settlement. This paperless process saves the banking industry hundreds of millions of ringgit per year.

OpenSys has four business revenue models, namely (i) outright sales, (ii) software services, (iii) outsourcing services and (iv) maintenance services. In outright sales, our CRMs and cheque deposit machines are sold directly to the financial institutions. In software services, we provide software development services to our customers when they need modification to their application software due to changes in their business or regulatory requirements. In outsourcing services, we provide bill payment kiosks to utility, insurance and telecommunication companies over a contract period of 3-5 years. The customers pay a rental for the machines plus a click charge for each transaction. In maintenance services, the banks pay us an annual maintenance fee of 10-12 percent based on the selling price of the machines that we sold to them. In return, we service and repair the machines to ensure high availability and optimum uptime. It is important to note that all our customers are blue chip companies. Due to the size of these companies, the collection risk for our trade receivables is very low.

For the financial year ended 31 December 2017, our revenue marginally increased 1.5 percent to RM96.10 million from a corresponding period in 2016 largely due to robust sales of CRMs and more transaction volume from our outsourcing business. Meanwhile, our profit after tax rose 11.8 percent to RM6.72 million as compared to the year before.





Moving forward [5], there is a huge latent demand for CRMs in Malaysia. Most banks are now fully aware of the technological and cost benefits of CRMs compared with ATMs or cash deposit machines (CDMs). Most of them are planning to replace their ATMs or CDMs with CRMs when their equipment reaches the end of their life-span, which are typically 8 to 10 years. In addition to obsolescence, other factors such as end of vendor support for software operating systems, regulatory changes and compliance to international standards, may shorten the replacement cycle for ATMs and CDMs.

Management Discussion & Analysis (cont'd)

Currently, the total number of ATMs and CDMs in Malaysia is approximately 17,500 units with an annual growth rate of about 5 percent. Over the last 4 years, the penetration rate of CRMs has increased to approximately 20 percent of the total installed base, largely due to the efforts of OpenSys. If the banks in Malaysia start to install CRMs at their new branches, or replace their older ATMs and CDMs with CRMs, OpenSys is in a prime position to profit from it. Considering that we have an excellent track record, we are optimistic that we will continue to win more market share than our competition.

Our outsourcing business in providing bill payment kiosks to utility, insurance and telecommunication companies continues to remain strong. Not unlike banks, these institutions are transforming their branches to be leaner, friendlier and more efficient by pushing mundane tasks to self-service kiosks. In doing so, they can free up their valuable human resources to perform more sales and marketing related activities with their customers. The companies that are currently using our bill payment kiosks are progressively installing more machines as time progresses.

In the near future, we will be introducing new solutions in Fintech – which is a broad buzzword for businesses that leverage new technology to deliver financial services that are cheaper, faster and more convenient to customers by reducing the use of intermediaries between producers and consumers. We have been keeping a watchful eye over this exciting area over the last two years by doing a lot of research and development to ensure that we can take advantage of the paradigm shift when it happens.

Our Fintech strategy is to work closely with financial institutions to "disrupt" themselves before they get disrupted and to navigate the dreaded "tipping point" of business cycles. It is our belief that despite the scaremongering, Fintech would eventually be just another product(s) that will be offered by your favourite bank that leverages modern technology. An Uber-like or Airbnb-like disruption by startup companies is unlikely to happen because the banking industry is ultimately based on trust, and requires regulatory oversight to protect the consumer.

Our continued commitment to new product development allows us to be more responsive to changes in technology, industry standards and customer expectations while mitigating any effects of product obsolescence. The carrying book value of our development expenditure for the year ended 31 December 2017 is RM0.18million.

We currently own one floor of office property at Pinnacle PJ and another three-storey shop office property at Putra Heights with an estimated value of RM10.0 million and RM3.0 million respectively. The property at Pinnacle PJ is used as our corporate headquarters whereas the property at Putra Heights is mainly used for the assembly of our cheque deposit machines and CRMs.

With regard to creating value for our esteemed shareholders, we have consistently paid semi-annual dividends to our shareholders for the last 7.5 years since July 2010. In October 2015, we gave a bonus issue of 74.47 million new ordinary shares on the basis of one bonus share for every three existing OpenSys shares to our shareholders. The next dividend payment is on 18 April 2018. As our cashflow is particularly healthy, we are confident that our dividend plan is sustainable subject to unforeseen circumstances that might be beyond our control.

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 their dedication and commitment to grow with our Company, without which our success would not be possible.

Notes:
(1) International Monetary Fund, June 2017
(2) The Edge Malaysia, August 2017
(3) ATM Marketplace –"ATM Future Trends 2017"
(4) China Automated Teller Machine (ATM) Industry Report, 2016-2020
(5) Forward-looking statements are based on our current beliefs, expectations and assumptions, which may not prove to be accurate, and involve a number of known and unknown risks and uncertainties, many of which are out of OpenSys' control. Forward-looking statements are not guarantees of future performance, and there are a number of important factors that could cause actual outcomes and results to differ materially from the results contemplated by such forward-looking statements.

Audit Committee Report

The principal 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

Dato' Abdul Manap Bin Abd Wahab - Independent Non-Executive Director

Members

James Henry Stewart	- Independent Non-Executive Director
Datuk Ng Bee Ken	- Independent Non-Executive Director

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

MEMBERSHIP

The Audit Committee shall be appointed by the Board of Directors among themselves 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 members 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 maybe 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 Nomination Committee annually. However, the appointment terminates when a member ceases to be a Director.

The Terms of Reference of the Audit Committee is made publicly available on the Company's website at www.myopensys.com in line with Rule 15.11 of AMLR.

MEETINGS AND ATTENDANCE

The Audit 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 Audit Committee.

The Audit Committee shall whenever deemed necessary, to meet the external auditors and internal auditors without the presence of executive board members and management staff to encourage the auditors to voice out any issue of concern arising from their course of audit.

There were four (4) Audit Committee meetings held during the year 2017.

Record of attendance for meetings held during the financial year ended 31 December 2017 is as follows:-

Audit Committee Members	Attendance
Dato' Abdul Manap Bin Abd Wahab (Chairman)	4/4
James Henry Stewart	4/4
Datuk Ng Bee Ken	4/4

The Company Secretary attended all the Audit Committee meetings.

In carrying out its duties, the Audit Committee reported to and updated the Board on any significant issues of concerns and where appropriate, made necessary recommendations to the Board. The Company Secretary was responsible to record all proceedings and minutes of all meetings of the Audit Committee.

SUMMARY WORK OF THE AUDIT COMMITTEE DURING THE YEAR

The work of the Audit Committee during the financial year ended 31 December 2017 is 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;
- assess the integrity, capability and professionalism of the external auditors and review the scope of audit service and their proposed fee;
- review the internal auditors' scope of work;
- to follow up with the internal auditors on any irregularity and findings;
- private session with both the internal and external auditors on any findings which require the Committee's attention; and
- review the internal control policy and internal control system.

To ensure that the external auditors' independence is not impaired, the Audit Engagement Partner in charge of the Company is rotated every 5 years. Internally, the external auditors conduct an Independent Partner Engagement quality control review in order to preserve their independence and integrity. The external auditors had also provided written assurance to the Audit Committee they had been independent throughout the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

SUMMARY WORK OF THE AUDIT COMMITTEE DURING THE YEAR (cont'd)

The Audit Committee has reviewed the performance of the external auditors based on the following criteria:-

- quality of engagement team;
- quality of interaction and communication; and
- independence, objectivity and professionalism.

Based on the review, the Audit Committee found that the external auditors have performed professionally and is independent. The Audit Committee recommended the external auditors' reappointment to the Board to be proposed for shareholders' approval at the next Annual General Meeting.

INTERNAL AUDIT FUNCTIONS

The Company 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 fee (inclusive of government tax) paid to the professional firm in respect of the internal audit function for the financial year ended 31 December 2017 was RM27,323.62.

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 following areas:-

i). Property, Plant & Equipment Management
ii). Manufacturing & Assembly
iii). Purchase System
iv). Payment System
v). Follow-up review on Management Control System, Cash and Bank Management, Accounts Receivables, Payment System and Accounts Payables.

There were no significant issues in the internal control system during the period under review.

Corporate Governance Overview Statement

The Board of Directors of OpenSys (M) Berhad ("the Company") ("the Board") remains committed towards governing, guiding and monitoring the direction of the Company with the objective of enhancing long term sustainable value creation aligned to the interests of shareholders and other stakeholders. The Board strives and advocates good corporate governance and views this as a fundamental part of discharging its roles and responsibilities.

The Board is fully committed to the principles and recommendations of the Malaysian Code on Corporate Governance which took effect on 26 April 2017 ("MCCG" or "the Code"). This Statement is prepared in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("AMLR") and it is to be read together with the Corporate Governance Report 2017 of the Company which is available on the Company's website at www.myopensys.com.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

Roles and Responsibilities of the Board

The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:-

- reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;
- overseeing the conduct of the Group's business and evaluating whether or not its businesses are being properly managed;
- identify principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- ensuring that all candidates appointed to senior management positions are of sufficient calibre, including the orderly succession of senior management personnel;
- overseeing the development and implementation of a shareholder communications policy, including an investor relations programme for the Company; and
- reviewing the adequacy and integrity of the Group's internal control and management information systems.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee, to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

Code of Ethics

The Board has formulated the Code of Ethics to enhance the standard of corporate governance and behaviour with a view to achieve the following objectives:-

- To establish standard of ethical conduct for directors based on acceptable belief and values that one upholds.
- To uphold the spirit of social responsibility and accountability of the Company in line with the legislations, regulations and guidelines governing it.

Whistle Blowing Policy

The Board recognizes the importance to put in place a Whistle Blowing Policy, which provides an avenue for employees to make good-faith disclosure and report instances of unethical, unlawful or undesirable conduct without fear of reprisal. The Board will take necessary steps to formalize its Whistle Blowing Policy.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Roles and Responsibilities of the Board (cont'd)

Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration. Accordingly, the Board ensures that the Company takes into account of sustainability, the environment, social and governance elements in its business operations.

Supply of, and Access to, Information

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.

Good practices have been observed for timely dissemination of meeting agenda, including the relevant Board and Board Committee papers to all Directors prior to the Board and Board Committee meetings, to give effect to Board decisions and to deal with matters arising from such meetings. The Executive Directors and/or other relevant Board members furnish comprehensive explanation on pertinent issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making.

In addition, the Board members are updated on the Company's activities and its operations on a regular basis. All Directors have unrestricted access to all information of the Company, Company Secretary's advice and from other professional advice to enable them to discharge their duties and responsibilities.

Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to the Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in furtherance of their duties.

The Board is supported by suitably qualified, experienced and competent Company Secretaries. The Company Secretaries are responsible for ensuring that the Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board are complied with. The Company Secretary is also responsible for the secretarial functions such as compliance with all statutory and regulatory requirements, providing corporate advisory to the Board, recording the proceedings of all Board meetings and Board Committee meetings and proper maintenance of secretarial records.

During the financial year under review, the Board consisted of six (6) members, comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors. This composition fulfils the requirements as set out under the AMLR which stipulate that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be Independent. The profile of each Director is set out in this Annual Report. The Directors, with their differing backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance; accounting and audit; corporate affairs; and marketing and operations.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Roles and Responsibilities of the Board (cont'd)

Nomination Committee

A Nomination Committee has been established, with specific terms of reference, by the Board, comprising exclusively Independent Non-Executive Directors as follows:-

Chairman

1. James Henry Stewart	- Independent Non-Executive Director

Members

2. Datuk Ng Bee Ken	- Independent Non-Executive Director
3. Dato' Abdul Manap Bin Abd Wahab	- Independent Non-Executive Director

The Terms of Reference of the Nomination Committee is made publicly available on the Company's website at www.myopensys.com.

The Nomination Committee is primarily responsible for sourcing and recommending the right candidate to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including Non-Executive Directors.

The final decision on the appointment of a candidate recommended by Nomination Committee rests with the whole Board. The Board is entitled to the services of the Company Secretary who would ensure that the process and procedure on appointments are properly observed and adhered to the Code and AMLR.

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.

At the forthcoming Annual General Meeting, Mr. Tune Hee Hian and Datuk Ng Bee Ken will retire by rotation pursuant to Article 98. Mr. James Henry Stewart is seeking to be retained as Independent Non-Executive Director pursuant to the Code. All of them being eligible offer themselves for re-election.

During the financial year, the Nomination Committee has assessed the balance composition of Board members based on merits, Directors' contribution and Board effectiveness.

The Nomination Committee concluded that each Board member is competent and committed in discharging his duty and responsibility. Non-Executive Directors are independent in rendering their opinion and decision. All assessments and evaluations carried out by the Nomination Committee were properly documented.

The Board acknowledges the recommendations of the Code on the establishment of a gender diversity policy. There is no plan by the Board to implement a gender diversity policy or target, as the Board adheres to the practice of non-discrimination of any form, whether based on age, race, religion or gender, throughout the Group. This includes the selection of Board members. The Company believes in, and provides equal opportunity to candidates with merit.

The Board is of the view that the suitability of a candidate for the Board is dependent on the candidate's competency, skills, experience, expertise, character, time commitment, integrity and other qualities in meeting the needs of the Company, regardless of gender.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Roles and Responsibilities of the Board (cont'd)

Remuneration Committee

A Remuneration Committee has been established by the Board, comprising a majority of Independent Non-Executive Directors as follows:

1. James Henry Stewart	Chairman (Independent Non-Executive Director)
2. Datuk Ng Bee Ken	Member (Independent Non-Executive Director)
3. Dato' Abdul Manap Bin Abd Wahab	Member (Independent Non-Executive Director) (appointed as member on 22 November 2017)
4. Tan Kee Chung	Member (Executive Director and Chief Executive Officer) (ceased as member on 22 November 2017)

The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration are sufficient to attract and retain Directors of quality required to manage the business of the Group. The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned. In all instances, the deliberations are conducted, with the Directors concerned abstaining from discussions on their individual remuneration. During the financial year under review, the Committee met once attended by all members.

Directors' Remuneration

Details of Directors' remuneration for the financial year ended 31 December 2017 are as follows:-

	Fees (RM)	Salaries & Bonus* (RM)	Company Meeting Allowances (RM)	Benefits-in-kind (RM)	Total (RM)
Executive Directors					
Tan Kee Chung					
Chee Hong Soon					
Tune Hee Hian		2,086,701		36,250	2,122,951
Non-executive Directors					
James Henry Stewart	60,000		2,000		62,000
Datuk Ng Bee Ken	48,000		2,000		50,000
Dato' Abdul Manap Bin Abd Wahab	48,000		2,000		50,000
Total	156,000	2,086,701	6,000	36,250	2,284,951

* The Salaries and Bonus includes employer's contribution to the Employees Provident Fund (EPF).

No fees, salaries, bonuses, allowances, or benefits were paid to the both Executive and Non-Executive Directors in the subsidiaries of the Company.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Independence of the Board

The roles of the Chairman and the Chief Executive Officer are separated with a clear division of responsibilities between them to ensure balance of power and authority. In adherence with corporate governance best practice, the Chairman, Mr. James Henry Stewart is an unrelated non-executive independent director.

The Chairman is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. As the Chief Executive Officer, supported by fellow Executive Directors, he implements the Group's strategies, policies and decision adopted by the Board and oversees the operations and business development of the Group.

The Independent Non-Executive Directors deliberate every pertinent matter objectively. They give independent views, advice and judgment on interests, not only of the Group, but also of shareholders and stakeholders. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

The Board operates in an open environment in which opinions and information are freely exchanged and in these circumstances any concerns need not be focused on a single director as all members of the Board fulfill this role individually and collectively.

The Company does not have term limits for both Executive Directors and Independent Non-Executive Directors as the Board believes that continued contribution by Directors provides benefits to the Board and the Group as a whole. The integrity of Independent Director is not compromised by the long period of serving.

The Board recognizes the importance of establishing criteria on independence to be used in the annual assessment of its Independent Non-Executive Directors. In accordance with the Code, the Board must justify and seek shareholders' approval in the event it retains an independent director, a person who has served in that capacity for more than nine (9) years.

The Nomination Committee has reviewed and assessed the independence of the Independent Director, namely, Mr. James Henry Stewart who has served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, and recommended him to continue as Independent Non-Executive Director of the Company based on the following justifications:-

i. He understands the business nature and office culture
ii. He provides the Board valuable advice and insight
iii. He actively participates in Board deliberations and decision making in an objective manner
iv. He upholds independent decision and challenge the management objectively

Following an assessment conducted by the Board through the Nomination Committee, the Board opined that the independence of director cannot be assessed based on the quantitative aspect as stated in AMLR, but the true independence emanates from intellectual honesty, manifested through a genuine commitment to serve the best interests of the Company.

The Independent Director still can continue to remain objective and independence in expressing his respective view and participates in deliberation and decision making of the Board and the Board Committees. The Board is further of the view that the length of service of the Independent Director on the Board does not in any way interfere with his independent judgment and ability to act in the best interest of the Group. Hence, based on the recommendation by the Nomination Committee, the Board recommends that Mr. James Henry Stewart continues to be designated as Independent Non-Executive Director of the Company.

Mr. James Henry Stewart had abstained from deliberation in regards to his continue of office as Independent Director.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Independence of the Board (cont'd)

Board Meetings

The Board ordinarily meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers which are prepared by the Management provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, the relevant reports and Board papers are furnished to the Directors and Board Committee members well before the meeting to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues.

The Chairman of the Audit Committee informs the Directors at each Board meeting of any salient matters noted by the Audit Committee and which require the Board's attention or direction. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings.

There were four (4) Board meetings held during the financial year ended 31 December 2017, with details of Directors' attendance set out below:-

Board Of Directors	Attendance
James Henry Stewart	4/4
Tan Kee Chung	4/4
Chee Hong Soon	4/4
Tune Hee Hian	4/4
Datuk Ng Bee Ken	4/4
Dato' Abdul Manap Bin Abd Wahab	4/4

The Directors observe the recommendation of the Code that they are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment. To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, they must not hold directorships at more than five (5) public listed companies and must be able to commit sufficient time to the Company.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings.

The Board is mindful of the importance for its members to undergo continuous training to be apprised on changes to regulatory requirements and the impact such regulatory requirements have on the Group.

All the Directors of the Company have attended the Mandatory Accreditation Programme within the stipulated timeframe required in AMLR.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Independence of the Board (cont'd)

Directors' Training

Board Members have attended pertinent training on areas relevant to the Group business management, human resource and tax issue as follows:-

	Director	Training attended
(a)	James Henry Stewart	• Release of The Malaysian Code on Corporate Governance
(b)	Dato' Abdul Manap Bin Abd Wahab	• Securities Commission Malaysia's Conversation with Audit Committees
(c)	Chee Hong Soon	• Islamic Fintech Dialogue 2017
		• 12th Advent MS Tax & Business Management Seminar
(d)	Tune Hee Hian	• Islamic Fintech Dialogue 2017

The other Directors were unable to attend any formal training during the financial year under review due to their busy schedule. Throughout the year, all Directors regularly received updates and briefings, particularly from the Company Secretary, internal and external auditors on changes in regulatory. They continue to remain updated on industrial practice, business environment, IT products and knowledge.

The external auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review.

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising wholly Independent Non-Executive Directors, with Dato' Abdul Manap Bin Abd Wahab as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report of this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Malaysia and the annual statutory financial statements.

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act 2016 approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the results and cash flows of the Group for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2017 the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 2016.

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

In assessing the independence of external auditors, the Audit Committee requires written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

During the financial year under review, the Management has a process in place to identify and evaluate the related business risks. The issues on risks were discussed by the Management with the Chief Executive Officer who would articulate risks associated with projects and investment, including any risk exposure that the Group faced in its operations. It is a continuous process and the Management meets on ad hoc basis to update the monitoring and risk mitigation process.

The internal audit function of the Group is outsourced to an independent professional firm, whose work is performed with impartially, proficiency and due professional care, and in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, Incorporated, which sets out professional standards on internal audit. It undertakes regular reviews of the adequacy and effectiveness of the Group's system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices. The Internal Audit reports directly to the Audit Committee. Further details on the internal audit function can be seen in the Audit Committee Report and the Statement on Risk Management and Internal Control in this Annual Report.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. On this basis, the Board will not only comply with the disclosure requirements as stipulated in the AMLR, but also instruct the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

The Company also maintains a corporate website, www.myopensys.com to disseminate information and enhance its investor relations. All timely disclosure, material information and announcements made to Bursa Malaysia are published on the website after the same are released by the Company.

The Annual General Meeting ("AGM"), which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. At the last AGM, a question and answer session was held where the Chairman invited shareholders to raise questions with responses from the Board.

The Notice of AGM is circulated before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Shareholders are invited to ask questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group's operations in general. All the resolutions set out in the Notice of the last AGM were put to vote by show of hands and duly passed. The outcome of AGM was announced to Bursa Malaysia on the same meeting day.

With effect from 1 July 2016, Rule 8.31A of AMLR provides that all resolutions set out in the notice of any general meeting shall be voted by poll where every one share has one vote. It also provides that a scrutineer independent of the polling process shall be appointed to validate the votes cast.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

The Board recognises the importance of being transparent and accountable to the Company's investors and, as such, has various channels to maintain communication with them. The various channels of communications are through the quarterly announcements on financial results to Bursa Malaysia, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group's website at where shareholders can access pertinent information concerning the Group.

The Board recognises that there are always opportunities for improvement in its corporate governance activities in order for the Group to continue to create trust and confidence amongst stakeholders.

The Board is satisfied that this Corporate Governance Overview Statement provides the information necessary to enable shareholders to evaluate how the Code has been applied and obligation are fulfilled under the Code and AMLR of Bursa Securities throughout 2017.

Additional Compliance Information

1. Audit Fee and Non-Audit Fee

Details of statutory audit, audit-related and non-audit fees paid/payable in the financial year ended 31 December 2017 to the external auditors are set out below:-

	Fees paid/payable to HLB LER LUM (RM)		
Description	**Company**	**Subsidiary**	**Total**
Audit Fees	28,500	2,000	30,500
Non-Audit Fees	9,000	-	9,000
Total	**37,500**	**2,000**	**39,500**

2. Utilisation of Proceeds

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

3. Corporate Social Responsibilities ("CSR")

In January 2017, the Company donated RM1,000.00 to the Malaysian Mental Health Association (MMHA). This donation is in aid of MMHA in promoting mental health in the community, in helping raise the standard of treatment, prevention and research in the field of mental health and in aid of providing rehabilitative services for the mentally ill.

The Company contributed RM2,000.00 to United Voice Self-Advocacy Society of Persons with Learning Disabilities Selangor & Kuala Lumpur fund raising event in March 2017. United Voice pioneered self-advocacy movement in Malaysia to reduce the isolation of people with learning disabilities and give them tools and experience to take greater control over their own lives and be integrated in the community. The members of United Voice include persons with Down Syndrome, Autism, Attention Deficit Disorder, Global Developmental Delay and other specific learning disabilities.

In April 2017, the Company contributed RM2,500.00 to the Rotary Club of Bernam Valley towards their Early Autism Awareness through their Sundown Holi 2017 event. The aim of this event is to bring awareness and educate the public on Autism.

The Company provided at sponsorship of RM32,860.00 in August 2017 to the Malaysian AEON Foundation for their Charity Gala Dinner. The Foundation contributes to various organizations, deserving individuals, schools, education support, medical expenses and disaster relief for the welfare of the underprivileged and the mentally or physically challenged persons.

In October 2017, the Company contributed RM2,000.00 to the Tunku Abdul Rahman University College (TARC) Education Foundation Scholarship Fund. This contribution benefits many needy students in completing their studies and in achieving their ambitions.

In 2017, the Company continued its scholarship to two deserving Bumiputra students pursuing full time studies in Computer Science at local universities amounting to RM11,500.00. The scholarships provide the students with financial assistance for their university fees and living expenses.

4. Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries involving the Directors and/or major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2017 or since the end of previous financial year.

Statement on Risk Management and Internal Control

Introduction

Pursuant to Rule 15.26(b) of the AMLR, the Board of Directors is pleased to make a statement on the state of the internal controls and risk management of the Group which has been prepared in accordance with the AMLR and with reference to the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Responsibilities of the Board

The Board acknowledges its responsibility for maintaining sound systems of internal control and risk management and for reviewing the effectiveness, adequacy and integrity of the system to ensure shareholders' interests and the Group's assets are safeguarded. The systems of internal control cover financial controls, operational controls, compliance controls, and risk management. The Board also acknowledges that a sound system of internal control reduces, but cannot eliminate, the risk of failure to achieve business objectives. Accordingly, a sound system of internal control therefore provides reasonable, but not absolute, assurance against material misstatement, fraud and loss. Due to the ever changing business environment and conditions, the effectiveness of an internal control system may vary over time.

Risk Management

The Board acknowledged that all areas of the Group's business activities involve some degree of risks that may affect the successful achievement of the Group's business objectives and recognises that effective risk management is part of good business management practice.

The Executive Directors together with the management pursues a continuous process of identifying, assessing and managing key business, operational and financial risks that affect the operations and business objectives of the Group. During the periodic management meetings, issues faced by the Group are discussed and action plans formulated to ensure significant risks are appropriately addressed. Significant risks of the Group are highlighted to the Board during the scheduled meetings.

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 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.

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 functions for the financial year ended 31 December 2017 was RM27,323.62 (inclusive of government tax and disbursements).

Review of statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in this Annual Report of the Group for the financial year ended 31 December 2017, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and 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 and risk management incorporated by the Group is adequate and effective. 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.

The Board has received assurance from the CEO and CFO that the Group's risk management and internal control system, in all material aspects, is operating adequately and effectively. The Board is satisfied that for the financial year under review, there were no material losses, deficiencies or errors arising from any inadequacy or failure of the Group's system of internal control.

This Statement was approved by the Board of Directors.

FINANCIAL STATEMENTS

Directors' Report

The Directors hereby submit their Report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

DIRECTORS

The Directors who served on the Board of the Company during the financial year until the date of this Report are :-

Tan Kee Chung
Chee Hong Soon
Tune Hee Hian
James Henry Stewart
Datuk Ng Bee Ken
Dato'Abdul Manap Bin Abd Wahab

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 year	6,715,209	6,724,795

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

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 the benefits included in the aggregate amount of remuneration 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.

DIRECTORS' INTERESTS IN SHARES

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 :-

	Number of ordinary shares			
	Balance at 1.1.2017	Acquired	Disposed	Balance at 31.12.2017
Direct interests				
Tan Kee Chung	62,921,640	433,455	-	63,355,095
Chee Hong Soon	8,214,960	-	-	8,214,960
Tune Hee Hian	3,976,909	-	-	3,976,909
Indirect interests				
Tan Kee Chung	1,072,455[(1)]	-	(1,072,455)	-
Chee Hong Soon	533,333[(2)]	-	(533,333)	-
Tune Hee Hian	1,333,333[(3)]	-	-	1,333,333

(1) Deemed interests by virtue of interests held by Omtiara Sdn. Bhd. and Sislogik (M) Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

(2) Deemed interests by virtue of interests held by Sislogik (M) Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

(3) Deemed interests by virtue of interests held by his spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

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.

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 2017 :-	
Tax exempt interim dividend of 0.5 sen per ordinary share, paid on 19 April 2017	1,489,466
Tax exempt interim dividend of 0.5 sen per ordinary share, paid on 16 October 2017	1,489,465
	2,978,931

The first interim tax-exempt dividend of 0.5 sen per ordinary share amounting to RM1,489,465 was declared on 26 February 2018 and will be paid on 18 April 2018 in respect of the year ending 31 December 2018.

The Board of Directors does not recommend any final dividend for the current financial year ended 31 December 2017.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 7 to the Financial Statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were prepared, 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 including the values of current assets have been written down to an amount which the current assets might be expected so to realise.

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

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

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

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

The Directors state that :-

At the date of this Report, they are not aware of any circumstances not otherwise dealt with in this Report or the financial statements 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.

SUBSIDIARIES

Details of subsidiaries are set out in Note 11 to the Financial Statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 6 to the Financial Statements.

AUDITORS

The auditors, Messrs. HLB Ler Lum, Chartered Accountants, have expressed their willingness to accept re-appointment as auditors.

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

Tan Kee Chung

Chee Hong Soon

Dated : 9th April 2018
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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of their financial performance and cash flows for the year then ended.

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

Tan Kee Chung

Chee Hong Soon

Dated : 9th April 2018
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 9th April 2018

Before me :

Commissioner for Oaths

Independent Auditors' Report to the Members of Opensys (M) Berhad (Company No: 369818-W)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of OpenSys (M) Berhad, which comprise the Statements of Financial Position as at 31 December 2017 of the Group and of the Company, and the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Company for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies, as set out on pages 42 to 83.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

(Refer to Note 3(r) and 4 to the Financial Statements)

Given the nature of the trading of machines and services rendered operations of the Group, we identified revenue recognition as an area of audit focus. We identified revenue recognition as a key audit matter because there was a risk that revenue might be overstated because of the pressure on the Group to achieve performance targets. Therefore, we specifically focused our audit efforts to determine the possibility of overstatement of revenue to assess whether the transactions were recorded in the correct accounting period.

How our audit address this matter

Our audit procedures for revenue recognition included evaluating and testing the internal controls relating to revenue recognition. We performed substantive tests to verify the revenue recognised. We performed analytical procedures on the trend of revenue recognised to identify any abnormalities. Cut-off test was performed by inspecting documents which evidenced the delivery of goods to customers, time of services rendered to the customers and the credit notes issued after the year end.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditors' Report (cont'd) to the Members of Opensys (M) Berhad (Company No: 369818-W)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report (cont'd) to the Members of Opensys (M) Berhad (Company No: 369818-W)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 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
AF 0276
Chartered Accountants

DATO' LER CHENG CHYE
00871/03/2019 J
Chartered Accountant

Dated : 9th April 2018
Kuala Lumpur

Statements of Profit or Loss and Other Comprehensive Income
for the Financial Year ended 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Revenue	4	96,104,352	94,706,381	96,104,352	94,706,381
Cost of sales		(72,628,291)	(74,676,191)	(72,628,291)	(74,676,191)
Gross profit		23,476,061	20,030,190	23,476,061	20,030,190
Other operating income		405,133	383,103	405,133	383,103
Selling & distribution costs		(828,098)	(1,097,039)	(828,098)	(1,097,039)
Administration expenses		(6,189,603)	(5,429,975)	(6,180,017)	(5,429,975)
Other operating expenses		(3,260,151)	(3,004,515)	(3,260,151)	(3,004,515)
Research & development expenses		(2,334,248)	(2,512,578)	(2,334,248)	(2,512,578)
Finance costs	5	(1,303,132)	(481,351)	(1,303,132)	(481,351)
Profit before tax	6	9,965,962	7,887,835	9,975,548	7,887,835
Income tax expense	8	(3,250,753)	(1,883,955)	(3,250,753)	(1,883,955)
Profit for the year and total comprehensive income for the year		6,715,209	6,003,880	6,724,795	6,003,880
Total comprehensive income attributable to owners of the parent		6,715,209	6,003,880	6,724,795	6,003,880
Earnings per ordinary share Basic (Sen)	9	2.25	2.02	2.26	2.02

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position
as at 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
Non-current assets					
Property, plant & equipment	10	41,849,697	33,635,885	41,849,697	33,635,885
Investment in subsidiaries	11	-	-	-	-
Development expenditure	12	182,730	339,355	182,730	339,355
Fixed deposits	13	7,591,008	5,396,832	7,591,008	5,396,832
		49,623,435	39,372,072	49,623,435	39,372,072
Current assets					
Inventories	14	9,017,372	14,216,857	9,017,372	14,216,857
Trade receivables	15	19,841,882	15,828,462	19,841,882	15,828,462
Other receivable, deposits & prepayments	16	1,903,707	5,885,886	1,903,707	5,885,886
Amount due from subsidiaries	11	-	-	16,261	-
Income tax assets		-	524,653	-	524,653
Short term investment	17	2,992,739	100,650	2,992,739	100,650
Cash & bank balances		8,716,905	8,726,803	8,709,927	8,726,803
		42,472,605	45,283,311	42,481,888	45,283,311
Total assets		92,096,040	84,655,383	92,105,323	84,655,383

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position (cont'd) as at 31 December 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	18	29,789,202	29,789,202	29,789,202	29,789,202
Retained earnings		21,583,283	17,847,005	21,594,566	17,848,702
Total equity		51,372,485	47,636,207	51,383,768	47,637,904
Non-current liabilities					
Finance lease liabilities	19	5,238,937	1,571,326	5,238,937	1,571,326
Term loans	20	7,452,660	7,901,212	7,452,660	7,901,212
Deferred tax liabilities	21	2,861,000	2,567,000	2,861,000	2,567,000
		15,552,597	12,039,538	15,552,597	12,039,538
Current liabilities					
Trade payables	22	7,537,849	15,153,357	7,537,849	15,153,357
Other payables & accruals	23	10,035,247	5,819,353	10,033,247	5,817,656
Finance lease liabilities	19	4,237,066	2,389,175	4,237,066	2,389,175
Term loans	20	447,614	427,714	447,614	427,714
Bankers' acceptance	24	2,465,836	970,000	2,465,836	970,000
Post-employment benefit obligations	25	225,246	220,039	225,246	220,039
Income tax liabilities		222,100	-	222,100	-
		25,170,958	24,979,638	25,168,958	24,977,941
Total liabilities		40,723,555	37,019,176	40,721,555	37,017,479
Total equity and liabilities		92,096,040	84,655,383	92,105,323	84,655,383

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity
for the Financial Year ended 31 December 2017

	Attributable to owners of parent		
		Distributable	
	Share capital RM	Retained earnings RM	Total equity RM
Balance at 1 January 2016	29,789,202	14,822,056	44,611,258
Profit for the year, representing total comprehensive income for the year	-	6,003,880	6,003,880
Dividend paid	-	(2,978,931)	(2,978,931)
Balance at 31 December 2016	29,789,202	17,847,005	47,636,207
Profit for the year, representing total comprehensive income for the year	-	6,715,209	6,715,209
Dividend paid	-	(2,978,931)	(2,978,931)
Balance at 31 December 2017	29,789,202	21,583,283	51,372,485

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Equity
for the Financial Year ended 31 December 2017

	Attributable to owners of parent		
		Distributable	
	Share capital RM	Retained earnings RM	Total equity RM
Balance at 1 January 2016	29,789,202	14,823,753	44,612,955
Profit for the year, representing total comprehensive income for the year	-	6,003,880	6,003,880
Dividend paid	-	(2,978,931)	(2,978,931)
Balance at 31 December 2016	29,789,202	17,848,702	47,637,904
Profit for the year, representing total comprehensive income for the year	-	6,724,795	6,724,795
Dividend paid	-	(2,978,931)	(2,978,931)
Balance at 31 December 2017	29,789,202	21,594,566	51,383,768

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows

for the Financial Year ended 31 December 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from operating activities				
Profit before tax	9,965,962	7,887,835	9,975,548	7,887,835
Adjustments for :-				
Amortisation	156,625	156,626	156,625	156,626
Depreciation	5,964,904	5,619,649	5,964,904	5,619,649
Development expenditure written off	-	243,738	-	243,738
Loss/(Gain) on disposal of property, plant & equipment	14,270	(353)	14,270	(353)
Impairment loss on amount due from subsidiaries	-	-	4,638	9,224
Interest expenses	1,303,132	511,180	1,303,132	511,180
Interest income	(335,380)	(366,578)	(335,380)	(366,578)
Inventories written off	57,594	96,106	57,594	96,106
Unrealised foreign exchange loss				
Property, plant & equipment	84,646	-	84,646	-
written off	177,684	517,598	177,684	517,598
Operating profit before working capital changes	17,389,437	14,665,801	17,403,661	14,675,025
Changes in working capital:-				
Inventories	5,316,507	(7,123,248)	5,316,507	(7,123,248)
Receivables	(31,241)	(11,777,137)	(31,241)	(11,777,137)
Payables	(3,394,407)	14,578,795	(3,394,408)	14,578,795
Related parties balances	-	-	(21,201)	(9,224)
Cash generated from operations	19,280,296	10,344,211	19,273,318	10,344,211
Interest paid	(1,303,132)	(715,910)	(1,303,132)	(715,910)
Interest received	335,380	366,578	335,380	366,578
Income tax paid	(2,210,000)	(3,506,134)	(2,210,000)	(3,506,134)
Net cash from operating activities	16,102,544	6,488,745	16,095,566	6,488,745

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows (cont'd) for the Financial Year ended 31 December 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from investing activities				
Purchase of property, plant & equipment	(6,096,086)	(2,745,411)	(6,096,086)	(2,745,411)
Proceeds from disposal of Property, plant & equipment	5,697	400	5,697	400
Net cash used in investing activities	(6,090,389)	(2,745,011)	(6,090,389)	(2,745,011)
Cash flows from financing activities				
Dividend paid	(2,978,931)	(2,978,931)	(2,978,931)	(2,978,931)
(Placement)/Withdrawal of short term investment	(2,892,089)	8,046,366	(2,892,089)	8,046,366
Placement of fixed deposit	(2,194,176)	(168,609)	(2,194,176)	(168,609)
Proceeds from bankers' acceptance	14,678,848	2,778,000	14,678,848	2,778,000
Repayment of bankers' acceptance	(13,183,012)	(3,250,000)	(13,183,012)	(3,250,000)
Repayment of borrowings	(428,652)	(683,480)	(428,652)	(683,480)
Proceeds from finance lease liabilities	1,945,103	-	1,945,103	-
Repayment from finance lease liabilities	(4,884,498)	(2,900,189)	(4,884,498)	(2,900,189)
Net cash (used in)/from financing activities	(9,937,407)	843,157	(9,937,407)	843,157
Net changes in cash and cash equivalents	74,748	4,586,891	67,770	4,586,891
Effects of exchange rate changes	(84,646)	-	(84,646)	-
Cash and cash equivalents brought forward	8,726,803	4,139,912	8,726,803	4,139,912
Cash and cash equivalents carried forward	8,716,905	8,726,803	8,709,927	8,726,803

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows (cont'd)
for the Financial Year ended 31 December 2017

NOTES TO THE STATEMENTS OF CASH FLOWS

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
(a) Cash and cash equivalents comprise :-				
Fixed deposits	7,591,008	5,396,832	7,591,008	5,396,832
Cash & bank balances	8,716,905	8,726,803	8,709,927	8,726,803
	16,307,913	14,123,635	16,300,935	14,123,635
Less : Fixed deposits under lien	(7,591,008)	(5,396,832)	(7,591,008)	(5,396,832)
	8,716,905	8,726,803	8,709,927	8,726,803

	Group/Company	
	2017 RM	**2016 RM**
(b) Analysis of acquisition of property, plant & equipment :-		
Cash	6,096,086	2,745,411
Borrowings	-	2,717,750
Capitalisation of borrowing costs	-	204,730
Finance lease arrangement	8,454,897	-
Transfer from inventories	254,091	4,637,397
	14,805,074	10,305,288

The accompanying accounting policies and explanatory notes form an integral part of 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 26, Tower A
Pinnacle PJ, Jalan Utara C
46200 Petaling Jaya
Selangor Darul Ehsan

2. FINANCIAL RISK MANAGEMENT AND OBJECTIVES

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

(a) Credit risk

The Group is exposed to credit risk mainly from receivables. The Group extends credit to its 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.

As at reporting date, 77.9% (2016: 79.6%) of the Company's trade receivables were due from three (2016: three) major customers.

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

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures mainly arising from purchases that are denominated in a currency other than the functional currency of Company, primarily RM. The foreign currency in which these transactions are denominated are mainly US Dollar, Euro and Japanese Yen.

Approximately 77.4% (2016: 88.3%) of the Group's purchases are denominated in the foreign currency of the Group. The currency exposure of trade receivable and trade payable at the reporting date are disclosed in the respective notes to the financial statements.

The Group does not enter into any financial instrument to hedge the movement in the foreign currency exchange rates as at reporting date.

Sensitivity analysis for foreign currency risk

The effect of the foreign currency risk is not significant as the majority of the Group's assets and liabilities are denominated in Ringgit Malaysia. As such, no sensitivity analysis has been conducted as at the reporting date.

(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 expense applicable for the Group's entire loans and borrowings would result in approximately 0.97% (2016: 0.4%) 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

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

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

(e) Liquidity and cash flow risk (cont'd)

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	More than five years RM	Total RM
Group				
31 December 2017				
Financial liabilities:				
Payables	14,413,236	-	-	14,413,236
Borrowings	8,003,880	8,674,575	6,592,837	23,271,292
Total	22,417,116	8,674,575	6,592,837	37,684,528
31 December 2016				
Financial liabilities:				
Payables	20,045,448	-	-	20,045,448
Borrowings	4,328,681	4,853,359	7,398,654	16,580,694
Total	24,374,129	4,853,359	7,398,654	36,626,142
Company				
31 December 2017				
Financial liabilities:				
Payables	14,411,236	-	-	14,411,236
Borrowings	8,003,880	8,674,575	6,592,837	23,271,292
Total	22,415,116	8,674,575	6,592,837	37,682,528
31 December 2016				
Financial liabilities:				
Payables	20,043,751	-	-	20,043,751
Borrowings	4,328,681	4,853,359	7,398,654	16,580,694
Total	24,372,432	4,853,359	7,398,654	36,624,445

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The preparation of financial statements in conformity with MFRSs and the Companies Act 2016 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(b) of the Financial Statements.

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

The financial statements have been prepared on the historical cost basis other than as disclosed in the significant accounting policies below.

MFRSs, Amendments to MFRSs and Issues Committee ("IC") Interpretations

(i) Adoption of new and revised MFRSs

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous year, except as follows:

Amendments to MFRS 107	Statement of Cash Flows: Disclosure Initiative
Amendments to MFRS 112	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRSs 2014-2016 Cycle

The adoption of the above pronouncements did not have any impact on the financial statements of the Group and of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

(ii) Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Amendments to Standards and IC Interpretations have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective and have not been adopted by the Group and the Company:

Effective for financial periods beginning on or after 1 January 2018

Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases

Effective date deferred

Amendments to MFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. The Group and Company are in the process of assessing the financial effect of these pronouncements upon their initial application.

(b) Significant accounting estimates and judgments

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(i) Impairment of property, plant & equipment (cont'd)

The management has evaluated such estimates and is confident that no allowance for impairment is necessary.

The Group and the Company follow its accounting policy set out in Note 3(d) in determining when property, plant and equipment are considered impaired.

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

The Group's business is fairly capital intensive. The depreciation charges form a significant component of total costs of profit or loss. The Group reviews the residual values and useful lives of property, plant & equipment at each reporting 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 depreciation charge would results in approximately 4.4% (2016: 4.7%) variance in the Group's profit for the financial year.

(iii) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset is 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.

(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 profit or loss during the financial year in which they are incurred.

Assets under construction are stated at cost and are not depreciated. Upon completion, assets under construction are transferred to categories of property, plant and equipment depending on nature of assets and depreciation commences when they are ready for their intended used.

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 :-

Freehold and leasehold building	2%
Computers	33.33%
Furniture & fittings	20%
Motor vehicles	16%
Renovations	10 - 20%
ESM equipment	10%
Office equipment	20%
Reworkable parts	8.33% - 12.5%

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Property, plant & equipment and depreciation (cont'd)

Residual value, useful life and depreciation method of assets are reviewed at each reporting date 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 or loss.

(d) Impairment of non-financial assets

The carrying amounts of assets, other than inventories, are reviewed at each reporting 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 or 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 or 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 or loss, a reversal of that impairment loss is recognised as income in profit or loss.

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group controls an investee if and only if the Group has all the following:-

- Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Basis of consolidation (cont'd)

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:-

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income.

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(g) Investment in subsidiaries

A subsidiary is an entity over which the Group has all the following:-

- Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(h) Development expenditure

The cost of development expenditure comprises purchase, direct labour, other direct costs and an appropriate proportion of depreciation.

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 useful life of 5 years once the project is commercialized. 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 policy for the recognition and measurement of impairment losses is in accordance with Note 3(d).

(i) 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.

When the financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables. The Group and the Company do not have any held-to-maturity financial assets and available-for-sale financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling.

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. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(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 or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(j) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

<u>Trade and other receivables and other financial assets carried at amortised cost</u>

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 brackets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Trade and other receivables and other financial assets carried at amortised cost (cont'd)

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.

(k) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into and the definitions of a financial liability.

Financial liabilities within the scope of MFRS139, are recognized in the Statements of Financial Position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilites.

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 subsequently 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 or loss over the period of the borrowing using the effective interest method.

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

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Inventories

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

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:-

- Consumables and parts: purchase costs on a weighted average cost basis.
- Finished goods and work in progress: costs of direct materials and other costs incurred based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

(m) Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds. Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

(n) Leases

(i) Finance leases - the Group as lessee

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

The asset is treated as if they had been purchased and the corresponding capital cost is shown as an obligation. 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 profit or loss over the period of the lease in reducing amounts in a constant rate in relation to the outstanding obligations.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating leases - the Group as lessee

Leases of assets where significant portion of the risks and rewards of ownership retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the lease period.

When an operating lease is terminated before the lease period expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Leases (cont'd)

(iii) Operating leases - the Group as lessor

Assets leased out under operating leases are included in the property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the profit or loss on the straight-line basis over the lease term.

(o) Advance billing

Advance billing represents the billing in advance to customer and transfer of asset from customer in respect of services which are yet to be provided. Such amounts are recorded as liabilities in the Statements of Financial Position and are only recognised in the profit or loss upon the rendering of services to customers.

(p) Share capital

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs.

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 or 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 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 reporting 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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 or 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.

4. REVENUE

	Group/Company	
	2017 RM	2016 RM
Sale of goods	57,735,566	60,652,109
Software solution & services rendered	38,368,786	34,054,272
	96,104,352	94,706,381

5. FINANCE COSTS

	Group/Company	
	2017 RM	2016 RM
Bank overdraft interest	377	-
Banker acceptance interest	244,772	-
Lease interest	708,762	374,665
Term loan interest	349,221	311,416
	1,303,132	686,081
Less: interest capitalised	-	(204,730)
	1,303,132	481,351

6. PROFIT BEFORE TAX

Profit before tax is stated after charging/(crediting) (other than those disclosed in Note 4 & 5) :-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration				
- statutory	30,500	29,100	28,500	27,500
- others	9,000	8,500	9,000	8,500
Impairment loss on amount due from subsidiaries	-	-	4,638	9,224

	Group/Company	
	2017 RM	2016 RM
Depreciation	1,604,178	1,427,529
Directors' remuneration		
- emoluments	1,547,200	1,435,404
- fees	156,000	138,000
Loss/(Gain) on disposal of property, plant & equipment	14,270	(353)
Interest income		
- fixed deposits	(197,564)	(169,174)
- other	(137,816)	(197,404)
Lease rentals	12,600	12,550
Property, plant & equipment written off	39,291	517,598
Rental of premises	772,606	761,552
Realised gain on foreign exchange	(10,909)	(16,172)
Unrealised loss on foreign exchange	84,646	-
Staff costs (excluding Directors' remuneration)		
- Salaries, wages, bonus & others	3,011,591	2,798,738
- Defined contribution plan expense	248,560	205,777

6. PROFIT BEFORE TAX (cont'd)

	Group/Company	
	2017 RM	2016 RM
Included in the cost of sales are as follows :-		
Bankers' acceptance/Letter of credit interest	-	29,829
Cost of inventories	51,240,598	54,943,824
Depreciation	4,360,726	4,192,120
Director's emoluments	545,501	512,952
Inventories written off	57,594	96,106
Property, plant & equipment written off	138,393	-
Staff costs (excluding Director's emoluments)		
- Salaries, wages, bonus & others	9,532,114	9,161,392
- Defined contribution plan expense	1,136,316	1,033,425

	Group/Company	
	2017 RM	2016 RM
Included in the research & development expenses are as follows :-		
Amortisation of development expenditure	156,625	156,626
Development expenditure written off	-	243,738
Staff costs (excluding Director's emoluments)		
- Salaries, wages, bonus & others	1,961,277	1,877,930
- Defined contribution plan expense	216,345	234,284

7. DIRECTORS' REMUNERATION

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

	Fees RM	Salaries RM	Others RM	BIK* RM	Total RM
2017					
Executive Directors	-	871,128	1,215,573	36,250	2,122,951
Non executive Directors	156,000	-	6,000	-	162,000
2016					
Executive Directors	-	859,908	1,082,448	51,250	1,993,606
Non executive Directors	138,000	-	6,000	-	144,000

*Benefits-in-kind

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 are as follows :-

Range of remuneration	2017 Group/Company No. of Directors Executive	2017 Group/Company No. of Directors Non executive	2016 Group/Company No. of Directors Executive	2016 Group/Company No. of Directors Non executive
Below RM50,001	-	2	-	2
RM50,001 – RM300,000	-	1	-	1
RM300,001 – RM400,000	-	-	-	-
RM400,001 – RM500,000	-	-	-	-
RM500,001 – RM600,000	2	-	2	-
RM600,001 – RM700,000	-	-	-	-
RM700,001 – RM800,000	-	-	-	-
RM800,001 – RM900,000	-	-	-	-
RM900,001 – RM1,000,000	1	-	1	-
Above RM1,000,000	-	-	-	-

Included in the remuneration of Directors of the Group and of the Company is contribution to a defined contribution plan expense amounting to RM333,203 (2016: RM310,153) charged to profit or loss.

8. INCOME TAX EXPENSE

	Group/Company 2017 RM	Group/Company 2016 RM
Malaysian income tax based on results for the financial year		
- Current tax	2,649,105	2,075,353
- Under-provision in prior financial years	307,648	62,602
	2,956,753	2,137,955
Deferred tax (Note 21)		
- Origination and reversal of temporary differences	(177,000)	(205,000)
- Under/(Over) provision in prior financial years	471,000	(49,000)
	294,000	(254,000)
	3,250,753	1,883,955

8. INCOME TAX EXPENSE (cont'd)

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

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Profit before tax	9,965,962	7,887,835	9,975,548	7,887,835
Income tax using Malaysian tax rate of 24% (2016: 24%)	2,391,831	1,893,080	2,394,131	1,893,080
Income not subject to tax	(33,040)	(47,377)	(33,076)	(47,377)
Non-deductible expenses	113,314	24,650	111,050	24,650
Under-provision of income tax in prior years	307,648	62,602	307,648	62,602
Under/(Over)-provision of deferred tax in prior years	471,000	(49,000)	471,000	(49,000)
	3,250,753	1,883,955	3,250,753	1,883,955

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 RM3,438,124 (2016: RM6,417,055) and RM50,666 (2016: RM50,666) respectively, from which tax exempt dividends can be declared.

9. EARNINGS PER SHARE ("EPS")

Basic earnings per ordinary share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Basic EPS				
Profit attributable to owners of the parent (RM'000)	6,715	6,004	6,725	6,004
Weighted average number of shares in issue for basic EPS ('000)	297,892	297,892	297,892	297,892
Basic EPS (sen)	2.25	2.02	2.26	2.02

10. PROPERTY, PLANT & EQUIPMENT

Group/Company – 2017

	Computers RM	Furniture & fittings RM	Motor vehicles RM	Renovations RM	ESM equipment RM	Office equipment RM	Building RM	Work in progress RM	Reworkable parts RM	Total RM
Cost										
At 1.1.2017	4,936,766	1,101,160	2,709,509	1,023,018	43,349,397	990,294	11,261,567	-	3,557,284	68,928,995
Additions	451,189	87,467	537,636	91,150	10,587,589	331,977	-	1,991,800	726,266	14,805,074
Disposal	(105,010)	(8,215)	-	-	-	(43,440)	-	-	-	(156,665)
Transfer	-	-	-	-	(88,777)	-	-	-	88,777	-
Reclassified to inventories	-	-	-	-	(530,371)	(5,260)	-	-	(171,380)	(707,011)
Written off	(80,864)	(12,823)	-	(81,722)	(5,067,632)	(18,477)	-	-	-	(5,261,518)
At 31.12.2017	5,202,081	1,167,589	3,247,145	1,032,446	48,250,206	1,255,094	11,261,567	1,991,800	4,200,947	77,608,875
Accumulated Depreciation										
At 1.1.2017	3,975,842	979,049	1,070,597	678,924	27,508,452	665,918	245,413	-	168,915	35,293,110
Charge for the financial year	660,196	54,865	336,601	63,345	4,039,734	133,748	225,231	-	451,184	5,964,904
Disposals	(105,000)	(4,980)	-	-	-	(26,718)	-	-	-	(136,698)
Transfer	-	-	-	-	(37,550)	-	-	-	37,550	-
Reclassified to inventories	-	-	-	-	(230,486)	(3,484)	-	-	(44,334)	(278,304)
Written off	(80,852)	(8,420)	-	(53,820)	(4,927,239)	(13,503)	-	-	-	(5,083,834)
At 31.12.2017	4,450,186	1,020,514	1,407,198	688,449	26,352,911	755,961	470,644	-	613,315	35,759,178
Net Book Value										
At 31.12.2017	751,895	147,075	1,839,947	343,997	21,897,295	499,133	10,790,923	1,991,800	3,587,632	41,849,697

Group/Company - 2016

	Computers RM	Furniture & fittings RM	Motor vehicles RM	Renovations RM	ESM equipment RM	Office equipment RM	Building RM	Work in progress RM	Reworkable parts RM	Total RM
Cost										
At 1.1.2016	4,843,881	1,082,774	2,709,509	1,001,808	49,065,581	964,455	3,000,000	5,339,088	-	68,007,096
Additions	338,592	18,386	-	21,210	3,377,045	31,884	-	2,922,479	3,595,692	10,305,288
Disposal	(215,772)	-	-	-	-	(6,045)	-	-	-	(221,817)
Transfer	-	-	-	-	-	-	8,261,567	(8,261,567)	-	-
Written off	(29,935)	-	-	-	(9,093,229)	-	-	-	(38,408)	(9,161,572)
At 31.12.2016	4,936,766	1,101,160	2,709,509	1,023,018	43,349,397	990,294	11,261,567	-	3,557,284	68,928,995
Accumulated Depreciation										
At 1.1.2016	3,495,259	915,021	785,869	614,053	31,996,247	547,756	185,000	-	-	38,539,205
Charge for the financial year	726,254	64,028	284,728	64,871	4,124,649	124,191	60,413	-	170,515	5,619,649
Disposals	(215,741)	-	-	-	-	(6,029)	-	-	-	(221,770)
Transfer	-	-	-	-	-	-	-	-	-	-
Written off	(29,930)	-	-	-	(8,612,444)	-	-	-	(1,600)	(8,643,974)
At 31.12.2016	3,975,842	979,049	1,070,597	678,924	27,508,452	665,918	245,413	-	168,915	35,293,110
Net Book Value										
At 31.12.2016	960,924	122,111	1,638,912	344,094	15,840,945	324,376	11,016,154	-	3,388,369	33,635,885

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

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

	Group/Company	
	2017 RM	2016 RM
Computers	79,380	350,122
Motor vehicles	1,634,778	1,599,591
Furniture & fittings	-	22,493
Renovations	-	5,643
ESM equipment	10,153,265	3,702,276
Office equipment	40,285	96,273
	11,907,708	5,776,398

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

	Group/Company	
	2017 RM	2016 RM
Profit or loss	5,964,904	5,619,649

Security

The carrying amount of the property, plant & equipment that have been charged to financial institutions for facilities granted to the Group and the Company are as follows :-

	Group/Company	
	2017 RM	2016 RM
Building	10,790,923	11,016,154

Capitalisation of borrowing costs

The Group's and the Company's work in progress includes borrowing costs arising from bank loans borrowed specifically for the purchase of property which is currently under construction. During the financial year, the borrowing costs capitalised amounted to RM Nil (2016: RM204,730).

11. SUBSIDIARIES

(a) Investment in subsidiaries

	Company	
	2017 RM	2016 RM
Unquoted shares - at cost	2,000	2,000
Less: Accumulated impairment losses	(2,000)	(2,000)
	-	-

The Group had the following subsidiaries at 31 December 2017 and 31 December 2016. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares and incorporated in Malaysia. The country of incorporation is also their place of principal place of business.

Name of Company	Principal Activities	Proportion of ordinary shares held by the parent/group (%)	Proportion of ordinary shares held by non-controlling interest (%)
OpenSys Technologies Sdn. Bhd.	Dormant	100	-
OpenSys Engineering Sdn. Bhd.	Dormant	100	-

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company further does not have any shareholdings in the preference shares of subsidiary undertakings included in the group.

There was no accumulated non-controlling interest as at 31 December 2017 (2016: Nil).

There were no changes during the year (2016: Nil) in the Group's ownership interest in its subsidiaries.

(b) Amount due from subsidiaries

	Company	
	2017 RM	2016 RM
Amount due from subsidiaries	87,737	66,838
Less: Accumulated impairment losses		
At beginning of the financial year	(66,838)	(57,614)
Impairment losses	(4,638)	(9,224)
At end of the financial year	(71,476)	(66,838)
Carrying amount at end of financial year	16,261	-

The amount due from subsidiaries pertained mainly to advances and payments on behalf. The outstanding amounts were unsecured, interest free and payable on demand.

12. DEVELOPMENT EXPENDITURE

This is mainly in respect of expenditure incurred for the development and design of ESM equipment and software development.

	Group/Company	
	2017 RM	2016 RM
At beginning of the financial year	783,128	1,026,866
Written off	-	(243,738)
At end of the financial year	783,128	783,128

	Group/Company	
	2017 RM	2016 RM
Cost	783,128	783,128
Less: Accumulated amortisation	(600,398)	(443,773)
Net book value	182,730	339,355

13. FIXED DEPOSITS

The fixed deposits have been pledged to licensed banks for banking facilities granted to the Group and the Company.

The interest rate of deposits of the Group and of the Company as at reporting date ranged from 2.9% to 3.25% (2016: 3.1% to 3.2%) per annum.

Deposits of the Group and the Company have maturity of 365 days (2016: 366 days).

14. INVENTORIES - at cost

	Group/Company	
	2017 RM	2016 RM
Consumables and parts	2,142,606	1,500,519
Assembly components	3,045,214	4,967,168
Finished goods	3,829,552	7,749,170
	9,017,372	14,216,857

15. TRADE RECEIVABLES

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

	Group/Company	
	2017 RM	2016 RM
Not past due and not impaired	19,403,958	15,697,983
Past due but not impaired (0 – 120 days)	437,924	130,479
Total trade receivables, net	19,841,882	15,828,462

The normal credit term of the Group and of the Company granted to trade receivables ranged from 30 days to 90 days (2016: 30 days to 90 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

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

The Group's and the Company's historical experience in collection of trade receivable falls within the recorded allowances. Trade receivables that are past due but not impaired are creditworthy receivables with good payment records with the Group and the Company.

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

	Group/Company	
	2017 RM	2016 RM
Ringgit Malaysia	19,704,400	15,529,392
US Dollar	137,482	299,070
	19,841,882	15,828,462

16. OTHER RECEIVABLE, DEPOSITS & PREPAYMENTS

	Group/Company	
	2017 RM	2016 RM
Other receivable	493,250	424,338
Deposits	265,217	270,777
Prepayments	1,145,240	5,190,771
	1,903,707	5,885,886

Included in the prepayments are advanced payments made for purchase of inventories amounting RM173,035 (2016: RM4,551,114).

17. SHORT TERM INVESTMENTS

	Group/Company	
	2017 RM	2016 RM
Financial assets at fair value through profit or loss		
- unquoted unit trusts in Malaysia	2,992,739	100,650

The fair value of all unit trusts is based on their net assets value as at the end of the reporting period.

18. SHARE CAPITAL

	Group/Company			
	2017		2016	
	Number of share Unit	Amount RM	Number of share Unit	Amount RM
Authorised :-				
Ordinary shares of RM0.10 each	-	-	500,000,000	50,000,000
Issued and fully paid :-				
Ordinary shares with no par value (2016: par value of RM0.10 each)				
At the beginning of the year/At the end of the year	297,892,019	29,789,202	297,892,019	29,789,202

The new Companies Act 2016 which came into operation 31 January 2017 abolished the concept of authorised share capital and par value of share capital.

The holders of ordinary share are entitled to receive dividends as and when declared by the Company. All ordinary share carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

19. FINANCE LEASE LIABILITIES

	Group/Company	
	2017 RM	2016 RM
Minimum lease payments :-		
Repayable not later than 1 year	4,742,408	2,563,045
Repayable later than 1 year and not later than 2 years	4,152,009	946,616
Repayable later than 2 years and not later than 5 years	1,340,022	724,199
	10,234,439	4,233,860
Less : Finance charges	(758,436)	(273,359)
Present value of minimum lease payments	9,476,003	3,960,501

19. FINANCE LEASE LIABILITIES (cont'd)

	Group/Company	
	2017	**2016**
	RM	**RM**
Breakdown of present value of minimum lease payments :-		
Repayable not later than 1 year	4,237,066	2,389,175
Repayable later than 1 year and not later than 2 years	3,929,484	886,728
Repayable later than 2 years and not later than 5 years	1,309,453	684,598
	9,476,003	3,960,501
Represented by :-		
Current	4,237,066	2,389,175
Non-current	5,238,937	1,571,326
	9,476,003	3,960,501

The finance lease liabilities of the Group and of the Company carried interest at the reporting date which ranged from 4.35% to 8.38% (2016: 4.35% to 8.38%) per annum.

20. TERM LOANS

	Group/Company	
	2017	**2016**
	RM	**RM**
Repayable not later than 1 year	447,614	427,714
Repayable later than 1 year and not later than 2 years	468,270	447,441
Repayable later than 2 years and not later than 5 years	1,538,506	1,470,070
Repayable later than 5 years	5,445,884	5,983,701
	7,900,274	8,328,926
Represented by :-		
Current	447,614	427,714
Non-current	7,452,660	7,901,212
	7,900,274	8,328,926

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

The effective interest rate of term loans of the Group and of the Company at the reporting date is 4.52% (2016: 4.52%) per annum.

The term loans are secured by :-

(a) a fixed and floating debenture charge over all the present and future assets and undertakings of the Company;
(b) a pledge of fixed deposit amounting to RM0.8 million; and
(c) a fixed charge over the buildings.

21. DEFERRED TAX LIABILITIES

	Group/Company	
	2017 RM	2016 RM
At beginning of the financial year	2,567,000	2,821,000
Recognised in profit or loss (Note 8)	294,000	(254,000)
At end of the financial year	2,861,000	2,567,000

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting are shown in the Statements of Financial Position :-

	Group/Company	
	2017 RM	2016 RM
Deferred tax liabilities		
Property, plant & equipment		
- capital allowances in excess of depreciation	2,817,200	2,485,555
Development expenditure	43,800	81,445
	2,861,000	2,567,000

22. TRADE PAYABLES

The normal credit terms of trade payables granted to the Group and the Company vary from 30 days to 90 days (2016: 30 days to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

23. OTHER PAYABLES & ACCRUALS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	871,672	606,647	871,672	606,647
Accruals - others	2,907,605	1,477,086	2,905,605	1,475,389
Accruals - staff costs	2,870,864	2,588,319	2,870,864	2,588,319
Advance billing	3,385,106	1,147,301	3,385,106	1,147,301
	10,035,247	5,819,353	10,033,247	5,817,656

24. BANKERS' ACCEPTANCE

The bankers' acceptance are secured by fixed deposits of RM7,411,482 (2016: RM5,278,256).

The interest charges on the bankers' acceptance of the Group and of the Company during the financial year ranged from 4.49% to 6.89% (2016: 4.8% to 5.4%) per annum.

25. POST-EMPLOYMENT BENEFIT OBLIGATIONS

	Group/Company	
	2017 RM	2016 RM
Defined contribution plan - current	225,246	220,039

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.

26. OPERATING SEGMENTS

The Group is organised into the following main business segments :-

(i) Efficient Service Machine ("ESM")

Included purchasing, manufacturing and distributing of ESM machines.

(ii) Software Solution and Services ("SSS")

Included sale of licencing software and rental of ESM machines.

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker ("CODM") (i.e. the Group's Chief Executive Officer, Chief Financial Officer and Senior VP of Business Development) that are used to make strategic decisions.

The geographical segment information is not presented as the Group's activities are carried out predominantly in Malaysia.

Segment assets and segment liabilities

Segment assets and segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Chief Executive Offices. Hence no disclosure is made on segment assets and liabilities.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant & equipment and development expenditure.

26. OPERATING SEGMENTS (cont'd)

The segment information provided to the CODM for the reportable segments is as follows :-

	Efficient Service Machine (ESM) RM	Software Solution and Services RM	Total RM
2017			
External revenue	57,735,566	38,368,786	96,104,352
Intersegment transactions	-	-	-
Total revenue	57,735,566	38,368,786	96,104,352
Segment results	6,988,988	16,487,073	23,476,061
Unallocated other income			405,133
Unallocated operating expenses			(13,915,232)
Profit before tax			9,965,962
2016			
External revenue	60,652,109	34,054,272	94,706,381
Intersegment transactions	-	-	-
Total revenue	60,652,109	34,054,272	94,706,381
Segment results	6,269,811	13,760,379	20,030,190
Unallocated other income			383,103
Unallocated operating expenses			(12,525,458)
Profit before tax			7,887,835

Major customers

There are two (2016: four) major customers with revenue equal or more than 10 per cent of the Group's total revenue.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(a) 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.

The Directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms and conditions negotiated and agreed by the related parties.

28. CAPITAL MANAGEMENT

The Group and the Company 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 and the Company monitors and reviews its capital structure based on its business and operating requirements. There were no changes in the Group's and the Company's approach to capital management during the financial year.

The Group and the Company monitors capital using a gearing ratio, which is net debt divided by total capital. The Group and the Company included within net debt, total financial liabilities less fixed deposits, cash and cash equivalents. Capital includes equity attributable to the owners.

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables	7,537,849	15,153,357	7,537,849	15,153,357
Other payables & accruals	6,650,141	4,672,052	6,648,141	4,670,355
Finance lease liabilities	9,476,003	3,960,501	9,476,003	3,960,501
Term loans	7,900,274	8,328,926	7,900,274	8,328,926
Bankers' acceptance	2,465,836	970,000	2,465,836	970,000
Post-employment benefit obligations	225,246	220,039	225,246	220,039
Less: Fixed deposits	(7,591,008)	(5,396,832)	(7,591,008)	(5,396,832)
Less: Short term investment	(2,992,739)	(100,650)	(2,992,739)	(100,650)
Less: Cash & bank balances	(8,716,905)	(8,726,803)	(8,709,927)	(8,726,803)
Net debt	14,954,697	19,080,590	14,959,675	19,078,893
Equity attributable to owners of parent	51,372,485	47,636,207	51,383,768	47,637,904
Debt to equity ratio	0.29	0.40	0.29	0.40

Under the requirement of Bursa Malaysia Guidance Notes 3, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital. The Company has complied with this requirement.

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

	Loans and receivable		FVTPL		Total	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM
Group **Financial Assets**						
Non-current						
Fixed deposits	7,591,008	5,396,832	-	-	7,591,008	5,396,832
Current						
Trade and other receivables	20,600,349	16,523,577	-	-	20,600,349	16,523,577
Short term investments	-	-	2,992,739	100,650	2,992,739	100,650
Cash and bank balances	8,716,905	8,726,803	-	-	8,716,905	8,726,803
Total	36,908,262	30,647,212	2,992,739	100,650	39,901,001	30,747,862
Company **Financial Assets**						
Non-current						
Fixed deposits	7,591,008	5,396,832	-	-	7,591,008	5,396,832
Current						
Trade and other receivables	20,600,349	16,523,577	-	-	20,600,349	16,523,577
Short term investments	-	-	2,992,739	100,650	2,992,739	100,650
Cash and bank balances	8,709,927	8,726,803	-	-	8,709,927	8,726,803
Total	36,901,284	30,647,212	2,992,739	100,650	39,894,023	30,747,862

29. FINANCIAL INSTRUMENTS (cont'd)

	Other financial liabilities at amortised cost	
	2017 RM	**2016 RM**
Group		
Financial Liabilities		
Non-current		
Borrowings	12,691,597	9,472,538
Current		
Borrowings	7,150,516	3,786,889
Trade and other payables	14,413,236	20,045,448
Total	34,255,349	33,304,875
Company		
Financial Liabilities		
Non-current		
Borrowings	12,691,597	9,472,538
Current		
Borrowings	7,150,516	3,786,889
Trade and other payables	14,411,236	20,043,751
Total	34,253,349	33,303,178

(b) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's and the Company's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

(c) Fair value hierarchy

The fair value measurement hierarchies used to measure financial assets carried at fair value in the Statements of Financial Position as at 31 December 2017 are as follows:

i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

iii) Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

29. FINANCIAL INSTRUMENTS (cont'd)

The Group and the Company do not have any financial instruments carried at fair value other than the short term investments.

The Group and the Company do not have any financial instruments classified as Level 2 and Level 3 as at 31 December 2017.

30. DIVIDENDS

	Group/Company			
	2017		2016	
	Gross dividend per share (sen)	Amount of dividend, net of tax RM	Gross dividend per share (sen)	Amount of dividend, net of tax RM
Dividend paid in respect of :-				
(a) Financial year ended 31 December 2017				
- first interim , tax exempt	0.5	1,489,466	-	-
- second interim , tax exempt	0.5	1,489,465	-	-
(b) Financial year ended 31 December 2016				
- first interim , tax exempt	-	-	0.5	1,489,466
- second interim , tax exempt	-	-	0.5	1,489,465
Dividend recognised as distribution to ordinary equity holders of the Company	1.0	2,978,931	1.0	2,978,931

The Board of Directors does not propose any final dividend in respect of the year ended 31 December 2017.

31. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) Capital commitments

	2017 RM	2016 RM
Contracted but not provided for	466,148	-

The above commitments relate to purchase of property, plant and equipment.

31. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS (cont'd)

(b) Operating lease arrangements

The Group as lessee

The future minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are analysed as follows :-

	Group/Company	
	2017 RM	2016 RM
Not later than 1 year	263,374	674,146
Later than 1 year and not later than 5 years	40,529	105,585
Later than 1 year and not later than 5 years	303,903	779,731

The Group as lessor

The future minimum lease receivables under non-cancellable operating leases contracted for as at the reporting date but not recognised as assets are analysed as follows :-

	Group/Company	
	2017 RM	2016 RM
Not later than 1 year	10,109,560	12,453,300
Later than 1 year and not later than 5 years	8,243,937	17,766,984
	18,353,497	30,220,284

32. 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 9th April 2018.

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. : 03-2692 4271

Email : info@megacorp.com.my

List of Properties

A summary of the Group's properties as at 31 December 2017 is as follows:

Location	Approximate Built-up Area (square feet)	Brief Description and Existing Use	Tenure/Date of Expiry of Leasehold Land	Date of Acquisition/ Revaluation	Age of Building (years)	Net Book Value as at 31.12.2017 (RM'000)
No. 1, 1-1 & 1-2, Jalan Putra Mahkota 7/7B, Seksyen 7, Putra Heights, 47650 Subang Jaya, Selangor Darul Ehsan.	9,059	3 storey shop-office building for own use	Freehold	26 July 2012	10.5	2,695
Level 26, Tower A, Pinnacle Petaling Jaya, Jalan Utara, Seksyen 52, 46100 Petaling Jaya, Selangor Darul Ehsan.	9,163	Office unit for own use	Leasehold for 99 years expiring on 15 January 2102	22 May 2013	1 (Completed in December 2016)	8,096

Analysis of Shareholdings
as at 30 March 2018

Issued and Paid-Up Capital	: RM29,789,201.90 divided into 297,892,019 ordinary shares.
Class of Shares	: There is only one class of shares in the Company.
Voting Rights	: One vote per share.

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	Total Holdings	%
Less Than 100 Shares	460	21,556	0.01
100 To 1,000 Shares	368	205,011	0.07
1,001 To 10,000 Shares	1,577	9,264,459	3.11
10,001 To 100,000 Shares	1,985	67,902,900	22.79
100,001 To Less Than 5% Of Issued Shares	312	157,142,998	52.75
5% And Above Of Issued Shares	1	63,355,095	21.27
Total	**4,703**	**297,892,019**	**100.00**

SUBSTANTIAL SHAREHOLDERS

		Direct Interest		Deemed Interest	
No.	Shareholder	Shares	%	Shares	%
1.	Tan Kee Chung	63,355,095	21.27	-	-

DIRECTORS' SHAREHOLDINGS

		Direct Interest		Deemed Interest	
No.	Shareholder	Shares	%	Shares	%
1.	Tan Kee Chung	63,355,095	21.27	-	-
2.	Chee Hong Soon	8,214,960	2.76	-	-
3.	Tune Hee Hian	3,976,909	1.34	1,333,333***	0.45
4.	James Henry Stewart	90,600	0.03	-	-

*** Deemed interests by virtue of interests held by his spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	No. Of Shares Held	%
1.	Tan Kee Chung	63,355,095	21.27
2.	HSBC Nominees (Tempatan) Sdn Bhd For RHB Small Cap Opportunity Unit Trust	9,065,000	3.04
3.	Chee Hong Soon	8,214,960	2.76
4.	Haw Wan Chong	6,113,842	2.05
5.	Tan Gaik Keow	5,310,242	1.78
6.	Koh Lea Cheong	5,110,142	1.72
7.	Lim Swee Keah	4,576,909	1.54
8.	Goh Siew Tee	4,031,857	1.35
9.	Ooi Sing Hwat	4,000,000	1.34
10.	Tune Hee Hian	3,976,909	1.34
11.	Leong Yoke Wai	2,896,900	0.97
12.	Maybank Nominees (Tempatan) Sdn Bhd For Ooi Boon Chai	2,699,800	0.91
13.	AllianceGroup Nominees (Tempatan) Sdn Bhd For Kong Kok Choy	2,000,004	0.67
14.	Low Suet Cheng	1,928,842	0.65
15.	Soong Sor Pow	1,915,000	0.64
16.	Tham Kok Cheng	1,812,765	0.61
17.	Chin Wai Fong	1,700,000	0.57
18.	HSBC Nominees (Tempatan) Sdn Bhd For RHB Growth And Income Focus Trust	1,645,000	0.55
19.	Leong Yoke Wai	1,522,509	0.51
20.	AllianceGroup Nominees (Tempatan) Sdn Bhd For Wong Tet Fui	1,467,500	0.49
21.	Kenanga Nominees (Tempatan) Sdn Bhd For Soh Chaw Hoe	1,432,000	0.48
22.	HSBC Nominees (Tempatan) Sdn Bhd For RHB Emerging Opportunity Unit Trust	1,400,000	0.47
23.	Hee Ken Yong	1,395,000	0.47
24.	AllianceGroup Nominees (Tempatan) Sdn Bhd For Chua Siam Keong	1,367,000	0.46
25.	Tsen Kui Lan @ Margaret Tsen	1,335,000	0.45
26.	Liew Swee Lian	1,333,333	0.45
27.	Chuah Tai Eu	1,300,000	0.44
28.	Lim Kok Lye	1,260,000	0.42
29.	Chuan Boon Kang	1,223,600	0.41
30.	Tee So Guat	1,200,000	0.40

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 Twenty-second Annual General Meeting of the Company to be held at Latitude 2 & 3, Level 1, Hotel Armada Petaling Jaya, Lot 6, Lorong Utara C, Seksyen 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Monday, 14 May 2018 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 and benefits		
Ordinary Resolution 2	To re-elect the director, Mr. Tune Hee Hian		
Ordinary Resolution 3	To re-elect the director, Datuk Ng Bee Ken		
Ordinary Resolution 4	To re-appoint the retiring auditors, Messrs. HLB Ler Lum		
Ordinary Resolution 5	Authority to allot shares		
Ordinary Resolution 6	Proposed authority for Share Buy-Back		
Ordinary Resolution 7	Retention of Mr. James Henry Stewart as Independent Director		

(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).

As witness my hand this______________day of____________________________2018.

____
Signature/Common Seal

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

Notes:

1. *For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 8 May 2018. Only a depositor whose name appears on the Record of Depositors as at 8 May 2018 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote in his/her stead.*
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. All voting will be conducted by way of poll.*
3. *Where a member appoints two (2) proxies to attend at the same meeting, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*
4. *(i) 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.*

   (ii) Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
5. *If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorized.*
6. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 15-2, 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

www.**myopensys**.com

OpenSys (M) Berhad

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

Annual Report 2017