

11. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

LER LUM & CO. AF 0276

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ACCOUNTANTS' REPORT

29 DEC 2003

The Board of Directors
OpenSys (M) Berhad
Level 23, Tower 2,
PETRONAS Twin Towers
Kuala Lumpur City Centre,
50088 Kuala Lumpur

Dear Sirs,

1. INTRODUCTION

This report has been prepared by Messrs. Ler Lum & Co, an approved company auditor for inclusion in Section 11 of this Prospectus to be dated **08 JAN 2004** in connection with the Public Issue of 53,000,000 new ordinary shares of RM0.10 each in OpenSys (M) Berhad (*formerly known as OpenSys (M) Sdn Bhd*) ("OpenSys" or the "Company") by way of private placement at an issue price of RM0.24 per share in conjunction with the listing of and quotation for the entire issued and paid-up share capital of OpenSys on the MESDAQ Market of the Kuala Lumpur Stock Exchange.

2. GENERAL INFORMATION

2.1 Background

The Company was incorporated on 7 December 1995 in Malaysia under the Companies Act, 1965 as a private limited company under the name of OpenSys (M) Sdn Bhd. The Company converted to a public limited company on 3 August 2000 under the name of OpenSys (M) Berhad. The Company subsequently re-converted to a private limited company on 14 December 2000 and changed its name to OpenSys (M) Sdn Bhd. On 9 May 2003, the Company has again converted to a public limited company and assumed its present name.

2.2 Restructuring and Listing Exercise

In conjunction with, and as part of the listing of and quotation of the entire issued and fully paid-up share capital of OpenSys on the MESDAQ Market, OpenSys will undertake the following schemes, which had been approved by the Kuala Lumpur Stock Exchange ("KLSE") and Securities Commission:

2.2.1 Bonus Issue

Bonus issue of 86,533,350 new ordinary shares of RM0.10 each in OpenSys ("OpenSys Shares") credited as fully paid-up on the basis of approximately 1.05 OpenSys Shares for every one (1) OpenSys Share held.

11. ACCOUNTANTS' REPORT (Cont'd)

2.2.2 Public Issue

Public Issue of 53,000,000 new OpenSys Shares at an issue price of RM0.24 for each OpenSys Share to the Malaysian public and identified investors by way of private placement.

2.2.3 Employees Share Scheme

The employees share scheme, involving transfers by Sislogik (M) Sdn Bhd ("Sislogik"), of up to 6,161,235 OpenSys Shares held by Sislogik, to employees of the Company (save for the employees who are also Promoters) at the absolute discretion of the directors of Sislogik.

2.2.4 Listing

Listing of and quotation for the Company's entire enlarged issue and paid-up share capital comprising 221,800,000 OpenSys Shares on the MESDAQ Market.

2.2.5 Employees Share Option Scheme ("ESOS")

The employee share option scheme of up to 30% of the issued and paid-up share capital of the Company at the time of the offer, to eligible Executive Directors and employees of the Company.

2.2 Principal Activities

The principal activities of the Company are to provide solutions to the financial services industry in the areas of self-service machines and universal delivery systems and information technology services such as systems integration, project management, software development, support services and training.

2.3 Share Capital

As at the date of this Report, the Company has an authorised share capital of RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each and its issued and paid-up share capital is RM16,880,000 comprising 168,800,000 ordinary shares of RM0.10 each.

11. ACCOUNTANTS' REPORT (Cont'd)

Details of the changes in the issued and paid-up share capital of the Company since the date of its incorporation are as follows:

Date of allotment	No. of ordinary shares	Par Value (RM)	Consideration	Total issued and paid-up share capital (RM)
7 December 1995	2	1.00	Cash	2
6 January 1996	99,998	1.00	Cash	100,000
12 April 1999	400,000	1.00	Bonus Issue (4 : 1)	500,000
2 June 2000	2,500,000	1.00	Bonus Issue (5 : 1)	3,000,000
30 June 2000	315,000	1.00	Cash	3,315,000
14 July 2000	3,911,665	1.00	Bonus Issue (1.18 : 1)	7,226,665
28 July 2000 *	72,266,650	0.10	Share split from RM1.00 to RM0.10	7,226,665
18 October 2001	10,000,000	0.10	Cash	8,226,665
14 November 2003	86,533,350	0.10	Bonus Issue (1.05 : 1)	16,880,000

Note:

* The ordinary shares of the Company of RM1.00 each were split into 72,266,650 ordinary shares of RM0.10 each on 28 July 2000.

Upon completion of the Public Issue of 53,000,000 OpenSys Shares, the issued and paid-up capital of the Company will increase to RM22,180,000 comprising 221,800,000 OpenSys Shares.

As at the date of this Report, the Company does not have any subsidiary or associated company.

3. FINANCIAL STATEMENTS

This report is prepared on a basis consistent with the accounting policies normally adopted by the Company and in accordance with applicable approved accounting standards of the Malaysian Accounting Standards Board.

These financial statements are the responsibilities of the Company's directors.

11. ACCOUNTANTS' REPORT *(Cont'd)*

4. AUDITORS

We have been appointed to act as auditors of the Company from the date of its incorporation to the financial year ended 31 December 2000. Thereafter, we have resigned as auditors for the financial year ended 31 December 2001. Subsequently, we have been re-appointed as auditors for the financial year ended 31 December 2002.

The financial statements for the five (5) financial years ended 31 December 2002 and the seven (7) months ended 31 July 2003 have been reported on without any qualification.

5. BASIS OF PRESENTATION

This report is prepared on a basis consistent with the accounting policies normally adopted by the Company and in accordance with applicable approved accounting standards of the Malaysian Accounting Standards Board. The financial statements included in this Report are based on the audited financial statements for the respective years. Certain comparative figures for the five (5) financial years ended 31 December 2002 have been restated to conform to the new policies and the correction of fundamental errors in respect of capitalised development expenditure.

11. ACCOUNTANTS' REPORT (Cont'd)

6. SUMMARY OF RESULTS

We set out below the summary of audited financial results of the Company based on the audited financial statements of the Company for the past five (5) financial years ended 31 December 2002 and the seven (7) months financial period ended 31 July 2003 which have been restated^(x) to conform with the applicable newly approved accounting standards in Malaysia and the correction of fundamental errors in respect of capitalised development expenditure:

	<----- Financial year ended 31 December ----->					Seven (7) months financial period ended
	1998 RM 000	1999 RM 000	2000 RM 000	2001 RM 000	2002 RM 000	31.7.2003 RM 000
Revenue	4,775	7,336	11,246	20,036	21,989	13,544
Earnings Before Interest, Tax, Depreciation and Amortisation	1,126	2,069	3,289	6,025	3,382	1,476
Depreciation and amortisation	(133)	(268)	(431)	(2,924)	(1,808)	(1,253)
Interest expense	(24)	(9)	(31)	(70)	(335)	(259)
Interest income	64	51	71	60	108	63
Profit before tax	1,033	1,843	2,898	3,091	1,347	27
Taxation ^(vii)	(282)	29	(20)	(17)	(76)	(20)
Profit after tax	751	1,872	2,878	3,074	1,271	7
Weighted average number of ordinary shares in issue (000)*	134,070 ⁽ⁱ⁾	134,070 ⁽ⁱⁱ⁾	137,616 ⁽ⁱⁱⁱ⁾	152,303 ^(iv)	168,800 ^(v)	168,800 ^(vi)
Gross EPS ^(viii) (sen)	0.77	1.37	2.11	2.03	0.80	0.02
Net EPS ^(viii) (sen)	0.56	1.40	2.09	2.02	0.75	-.**

Notes:

* For illustrative purposes, it is assumed that the shares split of RM1.00 per share to RM0.10 per share has been effected since the date of incorporation of OpenSys.

** Negligible.

(i) The weighted average number of shares for the financial year ended 31 December 1998 represents the weighted average number of shares in issue after adjustments for the bonus shares arising from the 4 for 1 bonus issue in the financial year ended 31 December 1999, the bonus shares arising from the 5 for 1 bonus issue and the bonus shares arising from the 1.18 for 1 bonus issue in the financial year ended 31 December 2000, the issuance of 10,000,000 OpenSys Shares in the financial year ended 31 December 2001 and the bonus shares arising from the 1.05 for 1 bonus issue as stated in 2.2.1.

11. ACCOUNTANTS' REPORT (Cont'd)

- (ii) *The weighted average number of shares for the financial year ended 31 December 1999 represents the weighted average number of shares in issue after adjustments for the bonus shares arising from the 5 for 1 bonus issue and the bonus shares arising from the 1.18 for 1 bonus issue in the financial year ended 31 December 2000, the issuance of 10,000,000 OpenSys Shares in the financial year ended 31 December 2001 and the bonus shares arising from the 1.05 for 1 bonus issue as stated in 2.2.1.*
- (iii) *The weighted average number of shares for the financial year ended 31 December 2000 represents the weighted average number of shares in issue after adjustments for the issuance of 10,000,000 OpenSys Shares in the financial year ended 31 December 2001 and the bonus shares arising from the 1.05 for 1 bonus issue as stated in 2.2.1.*
- (iv) *The weighted average number of shares for the financial year ended 31 December 2001 represents the weighted average number of shares in issue after adjustments for the bonus shares arising from the 1.05 for 1 bonus issue as stated in 2.2.1.*
- (v) *The weighted average number of shares for the financial year ended 31 December 2002 represents the weighted average number of shares in issue after adjustments for the bonus shares arising from the 1.05 for 1 bonus issue as stated in 2.2.1.*
- (vi) *The weighted average number of shares for the seven (7) months financial period ended 31 July 2003 represents the weighted average number of shares in issue after adjustments for the bonus shares arising from the 1.05 for 1 bonus issue as stated in 2.2.1.*
- (vii) *OpenSys is granted pioneer status and is exempted from income tax on its qualifying activities. The provision for taxation is in respect of interest income only.*
- (viii) *The gross EPS and net EPS have been calculated by dividing the PBT and PAT respectively for the financial years/ period by the weighted average number of ordinary shares in issue.*
- (ix) *There were no extraordinary items or exceptional items in respect of all the financial years/ period under review.*
- (x) *The restatement comprises the prior year adjustments as set out below:*
- *Increase of approximately RM613,000 for revenue, increase of approximately RM550,000 for cost of sales and operating expenses and increase of approximately RM63,000 each for PBT and PAT for the financial year ended 31 December 1999;*
 - *Increase of approximately RM695,000 for revenue, increase of approximately RM1,359,000 for cost of sales and operating expenses and decrease of approximately RM664,000 each for PBT and PAT for the financial year ended 31 December 2000; and*
 - *Increase of approximately RM2,036,000 for cost of sales, administration and operating expenses and decrease of approximately RM2,036,000 each for PBT and PAT for the financial year ended 31 December 2001.*

Commentaries:**31 December 1998**

The revenue of the Company for the financial year ended 31 December 1998 was recorded at RM4.78 million mainly from the provision of the support services and system integration services. The increase in revenue and profit after tax from RM2.83 million and RM0.34 million in the financial year ended 1997 to RM4.78 million and RM0.75 million in the financial year ended 1998 respectively were mainly due to the Company having successfully secured several service contracts from both local and overseas customers.

In November 1998, the Company was awarded MSC status by the Multimedia Development Corporation Sdn Bhd (MDC). Subsequently, the Company had been awarded pioneer status by the Ministry of International Trade and Industry (MITI) for an initial period of 5 years commencing from 1 December 1998. The pioneer status, which is renewable for another 5-year period, had granted the Company 100% tax exemption for income arising from the pioneer business activities.

11. ACCOUNTANTS' REPORT (Cont'd)

31 December 1999

The revenue of the Company increased substantially from RM4.78 million in the financial year ended 1998 to RM7.34 million in the financial year ended 1999, representing an increase of RM2.56 million or 53.6%, which was mainly attributed to the increased contribution from the provision of services from RM4.63 million in the financial year ended 1998 to RM7.17 million in the financial year ended 1999.

The business income of the Company was non-taxable as the Company is a pioneer status company. No provision for taxation had also been made in respect of interest income earned in accordance with the waiver granted under the Income Tax (Amendment) Act, 1999.

Included in taxation for the financial year ended 1999 was an over-provision for taxation for the financial year ended 1998 amounting to RM0.02 million which was due to tax exemption granted on the pioneer business income as a result of the pioneer status being obtained.

31 December 2000

Following the increase in revenue derived from the provision of system implementation services, the total revenue of the Company increased substantially from RM7.34 million in the financial year ended 1999 to RM11.25 million in the financial year ended 2000. This represents a growth of 53.3% in revenue. Consequently, the profit before tax had also registered a growth of 57.6% from RM1.84 million in the financial year ended 1999 to RM2.90 million in the financial year ended 2000.

The provision for taxation had been made in respect of interest income earned.

31 December 2001

The substantial increase in revenue from RM11.25 million in the financial year ended 2000 to RM20.04 million in the financial year ended 2001 was mainly due to the commencement of the sale of ESMs (which includes sales of ESMs to its appointed distributors amounting to RM5.0 million) which had contributed revenue of RM9.80 million representing 48.9% of the total revenue for the financial year ended 2001 and the increase in revenue derived from software licences of RM2.08 million in tandem with the increase in sale of ESMs. As the Company had successfully developed the ESMs, the focus of business had moved on to the marketing and selling of ESMs and consequently the revenue generated from provision of services declined by 30% in the financial year ended 2001.

The commencement of sale of ESM in the financial year ended 2001 also resulted in the increase in administrative expenses such as rental and staff cost.

11. ACCOUNTANTS' REPORT (Cont'd)

31 December 2002

The Company achieved a moderate growth in revenue of approximately 10% in the financial year ended 2002. This was attributed to the increase in sale of ESMs (which includes sales of ESMs to its appointed distributors amounting to RM11.84 million) by RM4.06 million mitigated by the drop in sale of software licences and provision of services of RM0.61 million and RM1.50 million respectively mainly due to the focus of OpenSys to sell ESMs.

The sale of ESMs to its appointed overseas distributors amounting to RM7.23 million had largely contributed to the increase in the sale of ESMs representing 52.2% of the total sale of ESMs while the remaining RM4.61 million representing 33.3% of the total sale of ESMs were sold to its appointed local distributors.

Despite the increase of revenue from RM20.036 million in the financial year ended 2001 to RM21.989 million in the financial year ended 2002, PBT decreased from RM3.091 million in the financial year ended 2001 to RM1.347 million in the financial year ended 2002. This is mainly due to the reworking activities carried out by the Company to improve the quality of ESMs which had resulted in higher cost of sales being incurred. However, the Company does not expect any reworking activities to be carried out in the subsequent years.

Included in taxation for the financial year ended 2002 was an under-provision for taxation for the financial year ended 1998 mainly due to certain expenses which were not allowable for tax purposes.

Seven (7) months period ended 31 July 2003

Sale of ESMs represented 87.4% of the total sales of the Company. However, revenue from overseas has been adversely affected in the first five (5) months of the financial year ending 2003 by the global travel restrictions imposed arising from the Severe Acute Respiratory Syndrome ("SARS") outbreak and the aftermath of the Middle-East conflict whereby many employees of OpenSys were unable to travel overseas while some travelling plans to perform pre-sale work involving customisation, integration and testing were either cancelled or postponed which inadvertently delay the conclusion of sales.

The profit for the seven (7) months ended 30 July 2003 decreased as the Company continue to focus on Touch ESM resulting in lower contribution from other products/services which carry a higher profit margin. However, the Directors believe that the results for the financial year ending 2003 will be satisfactory with the sales of Touch ESM back on track.

7. DIVIDENDS

The Company has not declared any dividend from the date of incorporation to the seven (7) months period ended 31 July 2003 except for the dividend of 300% tax exempt in respect of the financial year ended 31 December 1999 which was paid on 23 December 1999.

11. ACCOUNTANTS' REPORT (Cont'd)

8. SUMMARISED BALANCE SHEETS

The audited balance sheets of the Company for the past five (5) financial years as at 31 December 2002 and for the seven (7) months as at 31 July 2003 after making such adjustments⁽ⁱ⁾ and reclassifications that we considered necessary are as follows:

	<----- As at 31 December ----->					As at
	1998	1999	2000	2001	2002	31.7.2003
	RM 000	RM 000	RM 000	RM 000	RM 000	RM 000
Property, plant and equipment	520	702	1,213	2,559	2,013	1,558
Development expenditure	-	684	2,457	3,972	6,988	8,412
Current assets	1,607	2,722	5,465	16,525	25,255	30,487
Current liabilities	(732)	(1,036)	(682)	(7,207)	(17,209)	(23,486)
Net current assets	875	1,686	4,783	9,318	8,046	7,001
	<u>1,395</u>	<u>3,072</u>	<u>8,453</u>	<u>15,849</u>	<u>17,047</u>	<u>16,971</u>
Financed by:						
Share capital	100	500	7,227	8,227	8,227	8,227
Share premium	-	-	-	3,397	3,397	3,397
Retained profits	1,249	2,572	922	3,996	5,267	5,274
Shareholders' funds	<u>1,349</u>	<u>3,072</u>	<u>8,149</u>	<u>15,620</u>	<u>16,891</u>	<u>16,898</u>
Long term liabilities	46	-	304	229	156	73
	<u>1,395</u>	<u>3,072</u>	<u>8,453</u>	<u>15,849</u>	<u>17,047</u>	<u>16,971</u>
No of shares in issue*	1,000	5,000	72,270	82,270	82,270	82,270
NTA (RM'000)	1,349	2,388	5,692	11,648	9,903	8,486
NTA per share (sen)	134.90	47.76	7.88	14.16	12.04	10.31

Notes:

- * For illustrative purposes, it is assumed that the shares split of RM1.00 per share to RM0.10 per share has been effected since the date of incorporation of OpenSys.
- (i) The adjustments include the prior year adjustments to conform with the applicable newly approved accounting standards in Malaysia and the correction of fundamental errors in respect of capitalised development expenditure as set out below:
- Increase of approximately RM63,000 each for development expenditure and retained profits for the financial year ended 31 December 1999;
 - Decrease of approximately RM447,000 for development expenditure, increase of approximately RM114,000 for other debtors, deposits and prepayments, increase of approximately RM267,000 for other creditors and accruals and decrease of approximately RM600,000 for retained profits for the financial year ended 31 December 2000; and
 - Decrease of approximately RM2,079,000 for development expenditure, decrease of approximately RM101,000 for other creditors and accruals and decrease of approximately RM1,978,000 for retained profits for the financial year ended 31 December 2001.

11. ACCOUNTANTS' REPORT (Cont'd)

9. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of the Company set out below are based on the audited financial statements of Company as at 31 July 2003.

	Notes	RM 000
PROPERTY, PLANT AND EQUIPMENT	10.2	<u>1,558</u>
DEVELOPMENT EXPENDITURE	10.3	<u>8,412</u>
CURRENT ASSETS		
Inventories	10.4	3,153
Trade debtors		22,372
Other debtors, deposits and prepayments	10.5	1,220
Fixed deposits, cash and bank balances	10.6	<u>3,742</u>
		<u>30,487</u>
LESS : CURRENT LIABILITIES		
Trade creditors		11,129
Other creditors and accruals		4,217
Amount due to director	10.7	2,544
Hire purchase creditors	10.8	40
Bankers acceptance	10.9	3,217
Bank overdrafts	10.9	2,337
Provision for taxation		2
		<u>23,486</u>
NET CURRENT ASSETS		7,001
		<u>16,971</u>
FINANCED BY:		
SHARE CAPITAL	10.10	8,227
SHARE PREMIUM		3,397
RETAINED PROFITS		5,274
SHAREHOLDERS' FUNDS		<u>16,898</u>
LONG TERM LIABILITIES		
Hire purchase creditors	10.8	73
		<u>16,971</u>
NTA per ordinary share (sen)	10.11	10.31

11. ACCOUNTANTS' REPORT (Cont'd)

10. NOTES TO STATEMENT OF ASSETS AND LIABILITIES

10.1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Company have been prepared under the historical cost convention (unless stated otherwise in the significant accounting policies below) and comply with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia.

The new accounting standards adopted in these financial statements are as follows:

MASB 22	Segment Reporting
MASB 23	Impairment of Assets
MASB 24	Financial Instruments : Disclosure and Presentation
MASB 25	Income Taxes
MASB 27	Borrowing Costs

There are no changes in accounting policy that affect net profit or shareholders' equity.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

The principal annual rates used are as follows:

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

(c) Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed to the Income Statement as and when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete the development. The expenditure capitalised includes the cost of direct labour and an appropriate proportion of overheads. Other development expenditure is expensed to the Income Statement as and when incurred.

11. ACCOUNTANTS' REPORT (Cont'd)

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. The capitalised development expenditure is amortised over a period of 5 years on the straight line basis.

(d) Income tax

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

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

Deferred tax is provided for using the liability method in respect of all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and their attributable amounts for tax purposes.

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

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories cost is determined on the first-in first-out method.

Cost of inventories comprises the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

(f) Bad and doubtful debts

Known bad debts are written off and doubtful debts are provided for based on estimates of possible losses which may arise from non-collection of certain debtor accounts.

(g) Trade and other creditors

Creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

(h) Borrowings

Interest-bearing borrowings are recognised based on the proceeds received, net of transactions costs incurred.

11. ACCOUNTANTS' REPORT (Cont'd)

(i) Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its assets other than inventories and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the Income Statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the Income Statement, a reversal of that impairment loss is recognised as income in the Income Statement.

(j) Hire purchase commitments

Assets acquired through hire purchase which in substance transfer the risks and benefits of ownership are capitalised at the value equivalent to the principal sum of the total hire purchase payables. The interest element of hire purchase is charged to the Income Statement over the period of the respective agreements.

(k) Operating leases

Operating lease payments are recognised as an expense in the Income Statement by applying a straight line basis to reflect a more representative of the time pattern of the Company's benefit over the lease period.

(l) Employee leave entitlement

In previous years, a provision was made for the estimated liability for unconsumed leave as a result of services rendered by employees up to the balance sheet date. With effect from 1 January 2002, the provision is no longer required to be made. Following the adoption of this policy, the amounts for comparative years have been restated and prior years adjustments have been made.

(m) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables, payables, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item, where applicable.

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(n) Foreign currency transactions

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates ruling at the date of transaction. Foreign currency monetary items at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences are included in the Income Statement.

The exchange rates (Ringgit Malaysia per unit of foreign currency used) ruling at balance sheet date are as follows:

	2003 RM	2002 RM
1 US Dollar	3.770	3.800
1 Euro	4.296	4.110

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to 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) Services rendered

Revenue is recognised when services are rendered.

(iii) Licensing software

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

(iv) Interest income

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

(p) Retirement benefits

The Company has no pension plans other than the mandatory contributions to the Employees Provident Fund.

(q) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of Cash Flow Statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

11. ACCOUNTANTS' REPORT (Cont'd)

10.2 PROPERTY, PLANT AND EQUIPMENT

	----- Cost ----->				
	Balance as at 1.1.2003	Additions	Disposals	Written off	Balance as at 31.7.2003
	RM 000	RM 000	RM 000	RM 000	RM 000
Computers	1,917	60	(5)	-	1,972
Furniture and fittings	548	-	-	-	548
Motor vehicles	746	-	(161)	-	585
Renovations	498	-	-	-	498
Signboard	6	-	-	-	6
Telecommunication and office equipment	751	46	-	-	797
	4,466	106	(166)	-	4,406

	----- Accumulated Depreciation ----->				
	Balance as at 1.1.2003	Charge for the period	Disposals	Written off	Balance as at 31.7.2003
	RM 000	RM 000	RM 000	RM 000	RM 000
Computers	1,498	229	(1)	-	1,726
Furniture and fittings	267	56	-	-	323
Motor vehicles	332	56	(58)	-	330
Renovations	129	29	-	-	158
Signboard	2	1	-	-	3
Telecommunication and office equipment	225	83	-	-	308
	2,453	454	(59)	-	2,848

**Net Book Value
at 31.7.2003**

RM 000

Computers	246
Furniture and fittings	225
Motor vehicles	255
Renovations	340
Signboard	3
Telecommunication and office equipment	489
	----- 1,558 =====

Motor vehicles with net book value of RM205,000 have been acquired under hire purchase instalment plan.

11. ACCOUNTANTS' REPORT (Cont'd)

10.3 DEVELOPMENT EXPENDITURE

	RM 000
At beginning of the period	6,988
Additions during the period	2,450
Charged to Income Statement	(1,026)

At end of the period	8,412
	=====

Current charges in the cost of development expenditure include:

Depreciation	227
Director's emoluments	184
Staff costs (excluding directors' emoluments)	1,793
Rental of premises	247
	=====

10.4 INVENTORIES - AT COST

	RM 000
Assembly components	1,544
Finished goods	1,609

	3,153
	=====

10.5 OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	RM 000
Other debtors	196
Deposits	312
Prepayments	712

	1,220
	=====

10.6 FIXED DEPOSITS, CASH AND BANK BALANCES

Included in fixed deposits is an amount of RM3,546,000 pledged to licensed banks for banking facilities granted to the Company.

10.7 AMOUNT DUE TO DIRECTOR

The amount due to director pertains to advances received (31.12.2002: RM2,300,000) which is interest free, unsecured and repayable not later than 31 December 2004.

11. ACCOUNTANTS' REPORT (Cont'd)

10.8 HIRE PURCHASE CREDITORS

	RM 000
Hire purchase creditors	124
Less : Hire purchase interest in suspense	(11)

	113
	=====
Repayable within one year	40
Repayable after one year	73

	113
	=====

10.9 BANKERS ACCEPTANCE AND BANK OVERDRAFTS

The bankers acceptance and bank overdrafts are secured by:

- (i) fixed deposits of RM3,546,000; and
- (ii) joint and several guarantees by certain directors of the Company.

The interest charges on the bankers acceptance and bank overdrafts during the period ranged between 3.3% to 7.0% per annum.

10.10 SHARE CAPITAL

	RM 000
Authorised:	
500,000,000 ordinary shares of RM0.10 each	50,000
	=====
Issued and fully paid:	
168,800,000 ordinary shares of RM0.10 each	16,880
	=====

10.11 NET TANGIBLE ASSETS COVER

Based on the statement of assets and liabilities of the Company as at 31 July 2003, the proforma net tangible assets ("NTA") and enlarged ordinary share capital are derived as follows:

(i) Proforma NTA	RM 000
Audited net tangible assets as at 31 July 2003	16,898
Less : Development expenditure	(8,412)

Adjusted net tangible assets	8,486
Add: Proceeds from Public Issue	12,720
Less: Estimated listing expenses*	(1,500)

Proforma NTA	19,706
	=====

11. ACCOUNTANTS' REPORT (Cont'd)

(ii) Share Capital	No of Ordinary Shares (000)
Total number of ordinary shares of RM0.10 each	
As at 31 July 2003	82,267
Add: Bonus Issue	86,533

	168,800
Add: Private Placement	53,000

Enlarged share capital	221,800
	=====
 NTA per ordinary share (sen)	 8.88
	=====

Note:

- * The total estimated expenses for the listing of and quotation for the Company's enlarged issued and paid-up share capital on the MESDAQ Market is RM1,500,000 of which RM668,680 has been accounted for in the audited financial statements of OpenSys as at 31 July 2003.

11. ACCOUNTANTS' REPORT (Cont'd)

11. CASH FLOW STATEMENT

We set out below the cash flow statement of the Company based on the audited financial statements for the seven (7) months ended 31 July 2003:

	RM 000
Cash flows from operating activities	
Profit before taxation	27
Adjustments for:	
Depreciation	227
Development expenditure	1,026
Loss on disposal of property, plant and equipment	5
Interest expenses	259
Interest income	(63)
Operating profit before working capital changes	1,481
Inventories	(2,216)
Debtors	(2,908)
Creditors	6,050
Amount due to director	(70)
Cash generated from operations	2,337
Interest paid	(259)
Interest received	63
Tax paid	(20)
Net cash from operating activities	2,121
Cash flows from investing activities	
Development expenditure paid	(2,223)
Purchase of property, plant and equipment	(106)
Proceeds from disposal of property, plant and equipment	102
Net cash used in investing activities	(2,227)
Cash flows from financing activities	
Placement of fixed deposits under lien	(63)
Repayment of hire purchase creditors	(115)
Net cash used in financing activities	(178)
Net changes in cash and cash equivalents	(284)
Cash and cash equivalents brought forward	(1,857)
Cash and cash equivalents carried forward	(2,141)

11. ACCOUNTANTS' REPORT (Cont'd)*Notes to Cash Flow Statement:*

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of Cash Flow Statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

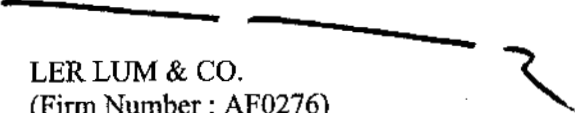
Cash and cash equivalents comprise:


	RM 000
Fixed deposits	3,546
Cash and bank balances	196
Bank overdrafts	<u>(2,337)</u>
	1,405
Less: Fixed deposits under lien	<u>(3,546)</u>
	<u><u>(2,141)</u></u>

12 FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 July 2003.

Yours faithfully,


 LER LUM & CO.
 (Firm Number : AF0276)
 Chartered Accountants


 LUM TUCK CHEONG
 1005/3/05 (J/PH)
 Partner of the Firm

12. DIRECTORS' REPORT

(Prepared for the inclusion in this Prospectus)

OpenSys (M) Berhad (369818-W)

Level 23, Tower 2
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50088 Kuala Lumpur
Malaysia

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<http://www.myopensys.com>



OpenSys

Registered Office:

Level 11-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Wilayah Persekutuan

29 DEC 2003

The Shareholders
OpenSys (M) Berhad

Dear Sir/ Madam

On behalf of the Board of Directors of OpenSys (M) Berhad ("OpenSys"), after due enquiry I report that during the period from 31 July 2003 (being the date to which the last audited financial statements of OpenSys have been made) up to **29 DEC 2003** (being a date not earlier than fourteen (14) days before the issuance of this Prospectus):

- (i) the business of the Company, in the opinion of the Directors, has been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited financial statements of the Company which have adversely affected the trading or the value of the assets of the Company;
- (iii) the current assets of the Company appear in the books at values, which are believed to be realisable in the ordinary course of business;
- (iv) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company;
- (v) since the last audited financial statements of the Company, there have been no default or any known event that would give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which they are aware of; and
- (vi) save as disclosed in this Prospectus, since the last audited financial statements of the Company, there have been no changes in the published reserves or any unusual factors affecting the profits of the Company.

Yours faithfully
For and on behalf of the Board of Directors of
OpenSys (M) Berhad

Tan Kee Chung
Chief Executive Officer