

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

UNAUDITED INTERIM FINANCIAL REPORT

Interim financial report on results for the quarter ended 30 June 2014.

The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER UNAUDITED	PRECEDING YEAR CORRESPONDING QUARTER UNAUDITED	06 MONTHS ENDED UNAUDITED UNAUDITED	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Revenue	10,558	9,380	19,859	16,776
Cost of revenue	(6,516)	(5,313)	(11,215)	(9,250)
Gross profit	4,042	4,067	8,644	7,526
Other income	79	85	217	152
Research & development expenses	(450)	(425)	(820)	(859)
Administration and other expenses	(1,915)	(1,763)	(3,639)	(3,319)
Finance costs	(142)	(158)	(292)	(289)
Profit before tax	1,614	1,806	4,110	3,211
Tax expense	(413)	(460)	(1,049)	(845)
Profit for the period	1,201	1,346	3,061	2,366
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	1,201	1,346	3,061	2,366
Attributable to:				
Equity holders of the Company	1,201	1,346	3,061	2,366

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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

UNAUDITED INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME –
(continued)

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER UNAUDITED	PRECEDING	06 MONTHS ENDED	
		YEAR	UNAUDITED	
		CORRESPONDING QUARTER UNAUDITED	UNAUDITED	UNAUDITED
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000

EARNINGS PER SHARE

Ordinary shares of RM0.10 each :-

Basic (sen)	0.54	0.60	1.37	1.06
Diluted (sen)	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

OPENSYS (M) BERHAD (Company No. 369818-W)
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UNAUDITED INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 30.06.2014 RM'000	AUDITED AS AT 31.12.2013 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	31,412	28,782
Development expenditure	895	711
Fixed deposits	4,985	4,910
	-----	-----
	37,292	34,403
	-----	-----
Current assets		
Inventories	11,476	10,420
Trade receivables	7,434	2,932
Other receivables, deposits & prepayments	1,117	547
Short term investment	4,061	4,905
Income tax assets	-	70
Cash & bank balances	4,319	3,594
	-----	-----
	28,407	22,468
	-----	-----
Total assets	65,699	56,871
	=====	=====
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	22,342	22,342
Share premium	5,917	5,917
Retained earnings	9,922	7,978
	-----	-----
Total equity	38,181	36,237
	-----	-----

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

OPENSYS (M) BERHAD (Company No. 369818-W)
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UNAUDITED INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
– (Continued)

	UNAUDITED AS AT 30.06.2014 RM'000	AUDITED AS AT 31.12.2013 RM'000
Non-current liabilities		
Finance lease payables	2,734	752
Term loans	5,553	5,212
Deferred tax liability	3,258	3,655
	-----	-----
	11,545	9,619
	-----	-----
Current liabilities		
Trade payables	1,040	751
Other payables & accruals	5,756	3,733
Finance lease payables	1,238	706
Term loans	1,188	2,029
Bankers' acceptance	5,559	3,641
Income tax liability	1,011	-
Post-employment benefit obligations	181	155
	-----	-----
	15,973	11,015
	-----	-----
Total liabilities	27,518	20,634
	-----	-----
Total equity and liabilities	65,699	56,871
	=====	=====
Net assets per share attributable to ordinary equity holders of the Company (sen)	17.09	16.22
	=====	=====

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

OPENSYS (M) BERHAD (Company No. 369818-W)
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UNAUDITED INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity			
	----- Holders of the Company -----			
	Non-distributable		Distributable	
	Share Capital RM'000	Share Premium RM'000	Retained Earnings RM'000	Total Equity RM'000
As at 1 January 2014	22,342	5,917	7,978	36,237
Profit for the year, represents total comprehensive income for the year	-	-	3,061	3,061
Dividend	-	-	(1,117)	(1,117)
As at 30 June 2014	----- 22,342 =====	----- 5,917 =====	----- 9,922 =====	----- 38,181 =====
As at 1 January 2013	22,342	5,917	5,552	33,811
Profit for the year, represents total comprehensive income for the year	-	-	2,366	2,366
Dividend	-	-	(1,117)	(1,117)
As at 30 June 2013	----- 22,342 =====	----- 5,917 =====	----- 6,801 =====	----- 35,060 =====

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

OPENSYS (M) BERHAD (Company No. 369818-W)
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UNAUDITED INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	06 MONTHS ENDED	
	UNAUDITED	UNAUDITED
	30.06.2014	30.06.2013
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	4,110	3,211
Adjustments for:-		
Amortisation of development expenditure	52	-
Depreciation	2,716	2,303
Gain on disposal of property, plant & equipment	(65)	(13)
Interest expenses	434	418
Interest income	(152)	(142)
Inventories written off	66	-
	-----	-----
Operating profit before working capital changes	7,161	5,777
Inventories	(2,606)	197
Receivables, deposits and prepayments	(5,072)	(1,080)
Payables	2,338	1,036
	-----	-----
Cash generated from operations	1,821	5,930
Interest paid	(434)	(418)
Interest received	152	142
Tax paid	(365)	(100)
	-----	-----
Net cash from operating activities	1,174	5,554
	-----	-----
Cash flows from investing activities		
Purchase of property, plant & equipment	(1,045)	(3,117)
Development expenditure paid	(236)	(179)
Proceeds from disposal of property, plant & equipment	65	13
	-----	-----
Net cash used in investing activities	(1,216)	(3,283)
	-----	-----

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

OPENSYS (M) BERHAD (Company No. 369818-W)
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UNAUDITED INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - Continued

	06 MONTHS ENDED	
	UNAUDITED	UNAUDITED
	30.06.2014	30.06.2013
	RM'000	RM'000
Cash flows from financing activities		
Proceeds from/(placement of) short term investment	845	(2,738)
Placement of fixed deposits under lien	(75)	(74)
Proceeds from borrowings	5,559	8,458
Repayment of borrowings	(6,082)	(5,252)
Proceeds from/(repayment of) finance lease payables	1,637	(367)
Dividend paid	(1,117)	(1,117)
	-----	-----
Net cash generated from/ (used in) financing activities	767	(1,090)
	-----	-----
Net changes in cash and cash equivalents	725	1,181
Cash and cash equivalents brought forward	3,594	2,836
	-----	-----
Cash and cash equivalents carried forward	4,319	4,017
	=====	=====
Cash and cash equivalents comprise:-		
Fixed deposits	4,985	4,835
Cash & bank balances	4,319	4,017
Bank overdrafts	-	-
	-----	-----
	9,304	8,852
Less : Fixed deposits under lien	(4,985)	(4,835)
	-----	-----
	4,319	4,017
	=====	=====

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL REPORT – (Continued)

Notes :-

Disclosure requirements per MFRS 134 - paragraph 16

A1. Accounting Policies and Methods of Computation

The quarterly report has been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standard (“MFRS”) 134 “Interim Financial Reporting” and Paragraph 9.22 of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements (“Bursa Securities Listing Requirements”) and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the audited condensed consolidated financial statements.

The significant accounting policies and methods adopted for the audited condensed financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2013.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2014 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Consolidated and Separate Financial Statements: Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets - Recoverable Amount disclosures for Non-Financial Assets
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge
IC Interpretation 21	Levies

The Group did not early adopt the following standards that have been issued by the Malaysian Accounting Standards Board as these are effective for financial period beginning on or after 1 July 2014:

Effective for financial periods beginning on or after 1 July 2014

Amendments to MFRS 119	Defined Benefit Plans : Employee Contributions
Annual Improvements to MFRSs 2010-2012 Cycle	
Annual Improvements to MFRSs 2011-2013 Cycle	

Effective for financial periods beginning on or after 1 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116	Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 138	Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation

UNAUDITED INTERIM FINANCIAL REPORT – (Continued)

Notes :- (continued)

Effective for a date yet to be confirmed

MFRS 9	Financial Instruments
Amendments to MFRS 7	Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures
Amendments to MFRS 9	Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures

A2. Qualification of Financial Statements

The Auditors' Report on the financial statements of the Group for the year ended 31 December 2013 was not subject to any qualification.

A3. Seasonality or Cyclicity of Operations

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

A4. Exceptional or Unusual Items

During the current financial quarter, there was no item of exceptional or unusual nature that affects the assets, liabilities, equity, net income or cash flows of the Group.

A5. Changes in Estimates of Amounts Reported

There was no change in estimate of amount reported that has a material effect in the current financial quarter under review.

A6. Changes in Debt Securities and Equity Securities

During the current financial quarter, there were no issuances, cancellation, repurchase, resale and repayment of debt securities and equity securities.

A7. Dividend paid

The first interim tax-exempt dividend of 5% per ordinary share of 10 sen each amounting to RM1,117,100 was declared on 28 February 2014 and paid on 23 April 2014 in respect of the year ending 31 December 2014.

UNAUDITED INTERIM FINANCIAL REPORT – (Continued)

Notes :- (continued)

A8. Segmental Reporting

	Hardware RM'000	Software Solution and Services RM'000	Eliminations RM'000	Consolidated RM'000
2nd quarter ended 30 June 2014				
External sales	2,892	7,666	-	10,558
Intersegment transactions	-	-	-	-
Total revenue	<u>2,892</u>	<u>7,666</u>	<u>-</u>	<u>10,558</u>
Segment results	486	3,556	-	4,042
Unallocated other income				79
Unallocated operating expenses				<u>(2,507)</u>
Profit before tax				<u>1,614</u>
2nd quarter ended 30 June 2013				
External sales	3,105	6,275	-	9,380
Intersegment transactions	-	-	-	-
Total revenue	<u>3,105</u>	<u>6,275</u>	<u>-</u>	<u>9,380</u>
Segment results	1,040	3,027	-	4,067
Unallocated other income				85
Unallocated operating expenses				<u>(2,346)</u>
Profit before tax				<u>1,806</u>
	Hardware RM'000	Software Solution and Services RM'000	Eliminations RM'000	Consolidated RM'000
06 months ended 30 June 2014				
External sales	4,675	15,184	-	19,859
Intersegment transactions	-	-	-	-
Total revenue	<u>4,675</u>	<u>15,184</u>	<u>-</u>	<u>19,859</u>
Segment results	1,081	7,563	-	8,644
Unallocated other income				217
Unallocated operating expenses				<u>(4,751)</u>
Profit before tax				<u>4,110</u>
06 months ended 30 June 2013				
External sales	4,001	12,775	-	16,776
Intersegment transactions	-	-	-	-
Total revenue	<u>4,001</u>	<u>12,775</u>	<u>-</u>	<u>16,776</u>
Segment results	1,143	6,383	-	7,526
Unallocated other income				152
Unallocated operating expenses				<u>(4,467)</u>
Profit before tax				<u>3,211</u>

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UNAUDITED INTERIM FINANCIAL REPORT – (Continued)

Notes :- (continued)

A9. Material Events Subsequent to the End of the Current Quarter

There were no other material events subsequent to the end of the current financial quarter up to the date of this announcement.

A10. Changes in the Composition of the Group

There were no changes in the composition of the Group subsequent to the end of the current financial quarter up to the date of this announcement.

A11. Changes in Contingent Liabilities or Contingent Assets

There was no significant change in the contingent liabilities of the Group since the last financial year ended 31 December 2013.

A12. Material Capital Commitments

Group
AS AT 30.06.2014
RM'000

**Capital expenditure in respect of property, plant & equipment
not provided for :-**

Approved and contracted for

3,883

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OPENSYS (M) BERHAD (Company No. 369818-W)
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UNAUDITED INTERIM FINANCIAL REPORT – (Continued)

Notes :- (continued)

Disclosure requirements required by the Listing Requirements of Bursa Securities for the ACE Market

B1. Group’s Review of Performance

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER UNAUDITED 30.06.2014 RM'000	PRECEDING YEAR CORRESPONDING QUARTER UNAUDITED 30.06.2013 RM'000	06 MONTHS ENDED	
			UNAUDITED	UNAUDITED
			30.06.2014 RM'000	30.06.2013 RM'000
Revenue	10,558	9,380	19,859	16,776
Profit before tax	1,614	1,806	4,110	3,211
	=====	=====	=====	=====

The Group’s revenue was higher at RM10.558 million for the second quarter ended 30 June 2014 as compared to RM9.380 million for the corresponding quarter of the preceding year ended 30 June 2013. This was mainly due to the higher revenue achieved from the Business Process Outsourcing, the sales of Cheque Processing Software and the maintenance of Efficient Service Machines (ESM). The profit before tax decreased from RM1.806 million to RM1.614 million due to the lower margins from the sales of the Cash Recycling Machine (CRM).

For the six months ended 30 June 2014, the Group’s revenue increased by 18.4% from RM16.776 million to RM19.859 million as compared to the six months ended 30 June 2013. This is due to the higher revenue achieved from the roll-out of the Cash Recycling Machine (CRM), the Business Process Outsourcing, the sales of Cheque Processing Software and the maintenance of ESM. As a result, the profit before tax increased by 28% from RM3.211 million to RM4.110 million.

We expect more roll-out of the Cash Recycling Machine (CRM) in the near future, barring any unforeseen circumstances.

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UNAUDITED INTERIM FINANCIAL REPORT – (Continued)

B2. Group’s Comparison with Preceding Quarter

	03 MONTHS ENDED	
	UNAUDITED	UNAUDITED
	30.06.2014	31.03.2014
	RM’000	RM’000
Revenue	10,558	9,301
Profit before tax	1,614	2,496
	=====	=====

The higher revenue of RM10.558 million for the current quarter ended 30 June 2014 as compared to RM9.301 million for the preceding quarter ended 31 March 2014 is due to the increase in sales of the Cash Recycling Machine (CRM). We recorded a lower profit before tax of RM1.614 million for the quarter ended 30 June 2014 compared to the profit before tax of RM2.496 million for the preceding quarter ended 31 March 2014 due to the higher cost incurred from the maintenance of the Efficient Service Machines (ESM).

B3. Prospects

OpenSys expects that, barring any unforeseen circumstances, the performance of the Group will continue to be satisfactory in the financial year ending 31 December 2014.

B4. Profit Forecast

No profit forecast was announced; hence there is no comparison between actual results and forecast.

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UNAUDITED INTERIM FINANCIAL REPORT – (Continued)

Notes :- (continued)

B5. Group's Tax Expense

Tax expense comprises the following:-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR	PRECEDING YEAR	06 MONTHS ENDED	
	QUARTER	CORRESPONDING	UNAUDITED	UNAUDITED
	UNAUDITED	QUARTER	UNAUDITED	UNAUDITED
	30.06.2014	UNAUDITED	30.06.2014	30.06.2013
	RM'000	30.06.2013	RM'000	RM'000
		RM'000	RM'000	RM'000
Income tax charge for the current period				
Tax paid	219	60	365	100
Deferred tax	(196)	400	(397)	745
Tax liability	390	-	1,081	-
	-----	-----	-----	-----
	413	460	1,049	845
	=====	=====	=====	=====

The higher effective tax rate of the Group as compared to the Malaysia statutory income tax rate for the current financial quarter and financial year to date is mainly due to non tax deductibility of certain expenses incurred by the Group.

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UNAUDITED INTERIM FINANCIAL REPORT – (Continued)

Notes :- (continued)

B6. Profit for the period

	Current Quarter 30.06.2014 RM'000	Year to date 30.06.2014 RM'000
Interest income	(79)	(152)
Interest expenses	233	434
Amortisation	39	52
Depreciation	1,375	2,716
Inventories written off	66	66
Gain on disposal of property, plant & equipments	-	(65)
Foreign exchange gain	-	-
	=====	=====

Other than the above items, there were no other income including investment income, write off of receivables, allowance for impairment and write off of inventories, gain or loss on disposal of quoted or unquoted investment properties, impairment of assets, gain or loss on derivatives and exceptional items for the current financial quarterly and financial year to date.

B7. Corporate Proposals

There are no corporate proposals announced by the Group as at the date of this announcement.

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UNAUDITED INTERIM FINANCIAL REPORT – (Continued)

Notes :- (continued)

B8. Group's Borrowings

The breakdown of the borrowings is set out below:-

	UNAUDITED AS AT 30.06.2014 RM'000	AUDITED AS AT 31.12.2013 RM'000
Secured short-term borrowings		
Finance lease payables	1,238	706
Term loans	1,188	2,029
Bankers' acceptance	5,559	3,641
	----- 7,985	----- 6,376
	-----	-----
Secured long-term borrowings		
Finance lease payables	2,734	752
Term loans	5,553	5,212
	----- 8,287	----- 5,964
	-----	-----
Total borrowings	16,272 =====	12,340 =====

UNAUDITED INTERIM FINANCIAL REPORT – (Continued)

Notes :- (continued)

B9. Material Litigation

There was no material litigation pending as at the date of this announcement.

B10. Dividend

The first interim tax-exempt dividend of 5% per ordinary share of 10 sen each amounting to RM1,117,100 was declared on 28 February 2014 and paid on 23 April 2014 in respect of the year ending 31 December 2014.

The second interim tax-exempt dividend of 5% per ordinary share of 10 sen each amounting to RM1,117,100 was declared on 22 August 2014 and will be paid on 21 October 2014 in respect of the year ending 31 December 2014.

B11. Group's Earnings Per Share

(i) Basic earnings per share

The basic earnings per share of the Group have been computed by dividing the profit for the period by the number of ordinary shares of RM0.10 each in issue during the period.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR	PRECEDING YEAR	CORRESPONDING	
	QUARTER	QUARTER	06 MONTHS ENDED	
	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
Profit for the period (RM'000)	1,201	1,346	3,061	2,366
Number of ordinary shares ('000)	223,420	223,420	223,420	223,420
Ordinary shares of RM0.10 each :-				
Basic earnings per share (Sen)	0.54	0.60	1.37	1.06

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UNAUDITED INTERIM FINANCIAL REPORT – (Continued)

Notes :- (continued)

B11. Group's Earnings Per Share (Continued)

(ii) **Diluted earnings per share**

Not applicable.

B12. Group's Retained Earnings

	UNAUDITED AS AT 30.06.2014 RM'000	AUDITED AS AT 31.12.2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	13,136	11,589
- Unrealised	(3,258)	(3,655)
	-----	-----
	9,878	7,934
Consolidation adjustments	44	44
	-----	-----
Total group retained earnings as per consolidated accounts	9,922	7,978
	=====	=====

By Order of the Board
LIM SECK WAH
Secretary
Kuala Lumpur