

DEVELOPING THE NEW HEIGHT

ANNUAL REPORT 2020



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DEVELOPING THE NEW HEIGHT

As Elsoft strives to develop towards new height, the Company consistently improves on its technology and test solution. The Company follows the path towards extraordinary height, practices the principles of good corporate governance, continuity of technological research and development, recognizing and rewarding the hard work of our people, and a robust whistle blowing framework to encourage the people to expose wrongdoing. With its dedication, Elsoft ensures its position in the industry as one of the leading innovators, reaching the peak of excellence.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' DR. CHONG ENG KEAT @ TEOH ENG KEAT

Chairman
Independent Non-Executive Director

TAN CHEIK EAIK

Executive Director/
Chief Executive Officer

KOAY KIM CHIEW

Executive Director

OOI TOON KIT

Independent Non-Executive Director

TAN AH LEK

Non-Independent Non-Executive Director

TAN AI JIEW

Non-Independent Non-Executive Director

DATO' AGATHA FOO TET SIN

Independent Non-Executive Director

AUDIT COMMITTEE

Ooi Toon Kit

Chairman of Audit Committee
Independent Non-Executive Director

Dato' Dr Chong Eng Keat @ Teoh Eng Keat

Member of Audit Committee
Independent Non-Executive Director

Tan Ai Jiew

Member of Audit Committee
Non-Independent Non-Executive Director

Dato' Agatha Foo Tet Sin

Member of Audit Committee
Independent Non-Executive Director

REMUNERATION COMMITTEE

Dato' Dr. Chong Eng Keat @ Teoh Eng Keat

Chairman of Remuneration Committee
Independent Non-Executive Director

Ooi Toon Kit

Member of Remuneration Committee
Independent Non-Executive Director

Dato' Agatha Foo Tet Sin

Member of Remuneration Committee
Independent Non-Executive Director

NOMINATION COMMITTEE

Dato' Dr. Chong Eng Keat @ Teoh Eng Keat

Chairman of Nomination Committee
Independent Non-Executive Director

Ooi Toon Kit

Member of Nomination Committee
Independent Non-Executive Director

Tan Ah Lek

Member of Nomination Committee
Non-Independent Non-Executive Director

ESOS COMMITTEE

Dato' Dr. Chong Eng Keat @ Teoh Eng Keat

Chairman of ESOS Committee
Independent Non-Executive Director

Ooi Toon Kit

Member of ESOS Committee
Independent Non-Executive Director

Tan Cheik Eaik

Member of ESOS Committee
Executive Director/Chief Executive Officer

Koay Kim Chiew

Member of ESOS Committee
Executive Director

Other members of ESOS Committee:

Chan Hong Heng

Tan Cheik Kooi

Lau Kheng Teong

Ng Tzeh Chyuan

COMPANY SECRETARIES

Datuk Tan Leh Kiah
(MAICSA 0719692)

Ooi Yoong Yoong
(MAICSA 7020753)

REGISTERED OFFICE

39 Irving Road
10400 Georgetown
Pulau Pinang
Malaysia
Tel: 04-210 9828
Fax: 04-210 9827

HEAD/MANAGEMENT OFFICE

Plot 85B, Lintang Bayan Lepas 9
Bayan Lepas Industrial Park, Phase 4
11900 Penang
Tel: 04-646 8122
Fax: 04-643 3918
E-mail: info@elsoftresearch.com
Website: <https://elsoftresearch.com>

REGISTRARS AND TRANSFER OFFICE

AGRITEUM Share Registration
Services Sdn Bhd (578473-T)
2nd Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang
Tel: 04-228 2321
Fax: 04-227 2391

AUDITORS

BDO PLT
(LLP0018825-LCA & AF 0206)
Chartered Accountants

PRINCIPAL BANKERS

Hong Leong Bank Berhad (97141-X)
HSBC Bank Malaysia Berhad (127776-V)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Name: ELSOFT
Stock Code: 0090

CORPORATE STRUCTURE

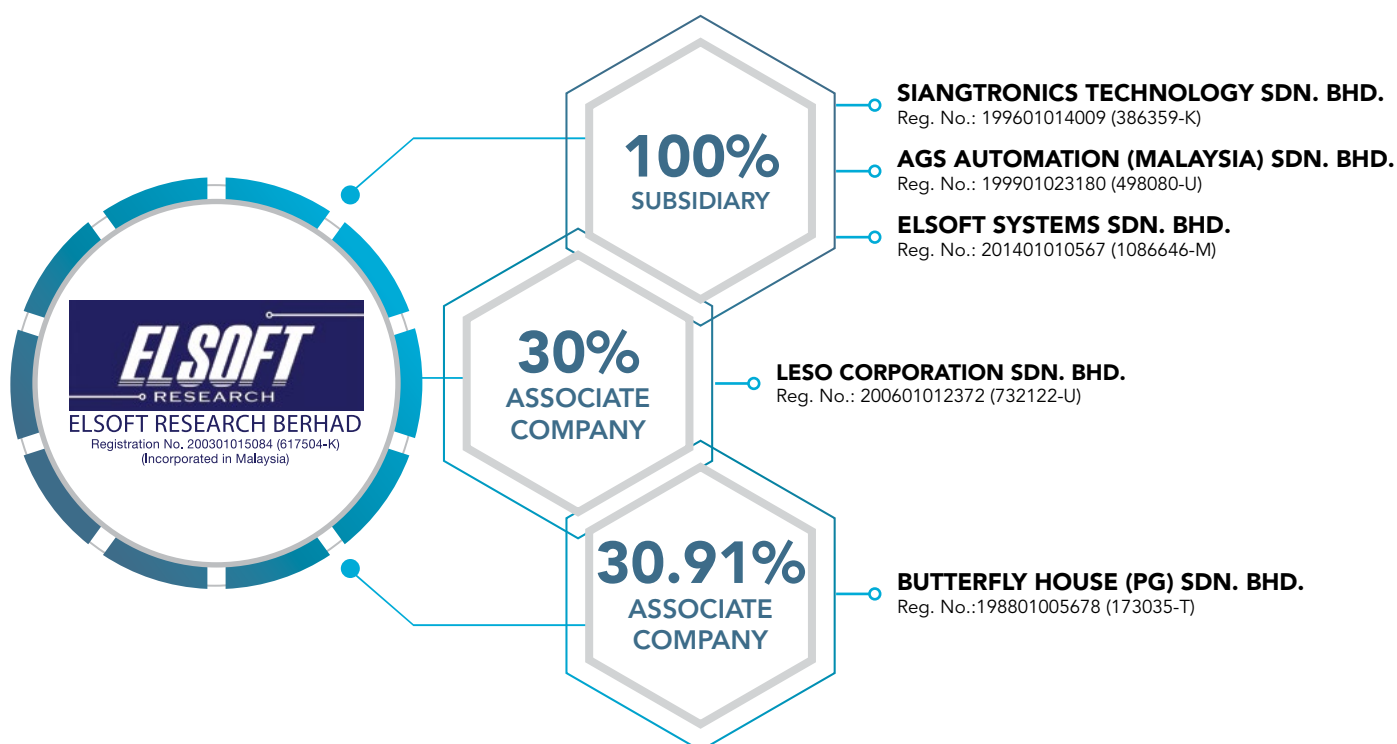


Elsoft was incorporated in Malaysia on 4 June 2003 as a private limited company under the name of Elsoft Research Sdn. Bhd.. Subsequently, it was converted to a public limited company on 10 August 2004 and since then assumed its present name.

The details of the Elsoft Group are as follows:

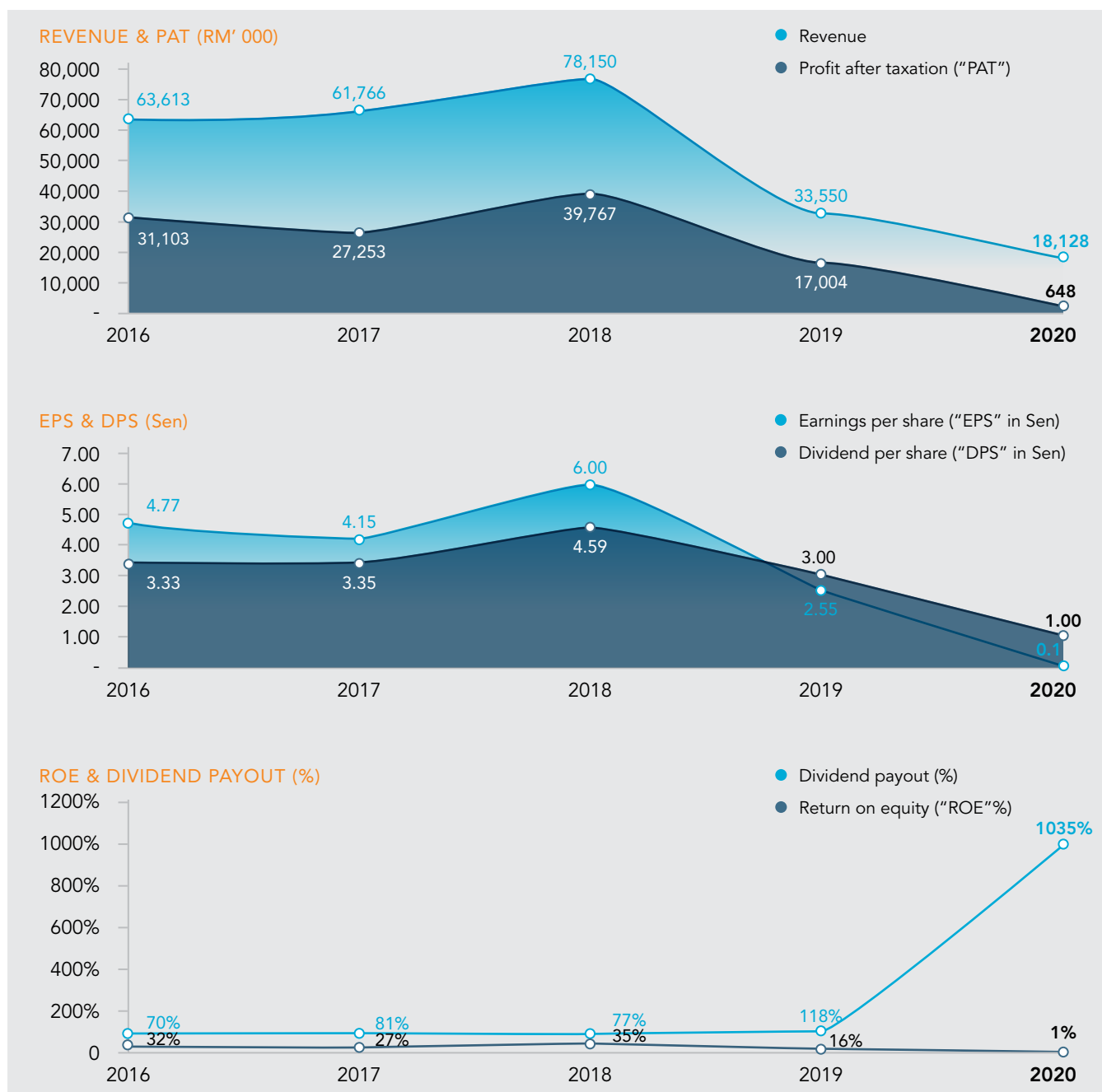
Corporation	Date/Place of Incorporation	Effective Equity Interest %	Principal Activities
Elsoft Research Berhad ("Elsoft")	04.06.2003/ Malaysia	-	Research, design and development of test and burn-in systems and application specific embedded systems.
Subsidiaries/Associated Company of Elsoft			
Siangtronics Technology Sdn. Bhd. ("STSB")	07.05.1996/ Malaysia	100.00	Generate rental income.
AGS Automation (Malaysia) Sdn. Bhd. ("AGS")	03.11.1999/ Malaysia	100.00	Dormant Company.
Elsoft Systems Sdn. Bhd. ("ESSB")	28.03.2014/ Malaysia	100.00	Design and production of test, burn-in and embedded test equipment and its related modules for electronic industry.
Leso Corporation Sdn. Bhd. ("LESO")	02.05.2006/ Malaysia	30.00	Leso Group is principally involved in the sale of test and measurement equipment through the provision of supply chain management solutions for the Company's suppliers and customers.
Butterfly House (PG) Sdn. Bhd. ("Entopia")	18.08.1988/ Malaysia	30.91	Operating a butterfly farm.

The structure of the Group is as set out below:



FINANCIAL HIGHLIGHTS

	Group				
	2016	2017	2018	2019	2020
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Revenue	63,613	61,766	78,150	33,550	18,128
Profit before taxation	31,409	27,707	40,295	17,557	942
Profit after taxation ("PAT")	31,103	27,253	39,767	17,004	648
No. of shares assumed in issue (in Thousand) *	652,075	657,067	663,171	667,097	670,657
Earnings per share ("EPS" in Sen)	4.77	4.15	6.00	2.55	0.10
Dividend per share ("DPS" in Sen)	3.33	3.35	4.59	3.00	1.00
Dividend payout (in percentage)	70%	81%	77%	118%	1035%
Return on equity ("ROE" in percentage)	32%	27%	35%	16%	0.6%



PROFILE OF DIRECTORS



DATO' DR CHONG ENG KEAT @ TEOH ENG KEAT

Independent Non-Executive
Director and Chairman

DATO' DR CHONG ENG KEAT @ TEOH ENG KEAT aged 75, male, Malaysian, is an Independent Non-Executive Director of Elsoft. He was appointed to the Board on 3 June 2005. He is the Chairman of the Remuneration Committee, Nomination Committee and ESOS Committee. He is also a member of the Audit Committee. He currently serves as the Non-Executive Chairman of Elsoft.

He graduated from Universiti Sains Malaysia in 1975 with a Bachelor (Hons) Degree in Chemistry and was granted an Australian National University Scholarship to pursue his PhD in Chemistry in 1976. After obtaining his PhD in 1979, he returned to USM as a lecturer in the School of Chemistry.

In 1980, he joined Intel Technology Sdn Bhd as a Senior Process Engineer. During his 22 years in Intel, he held various general management positions in manufacturing as well as technology development. He established the Intel Kulim site as the pioneer Managing Director in 1995 and at the time of his retirement in 2002 was the Vice-President and General Manager of Intel's worldwide Board and Systems operations. He was the former President and Chief Executive Officer of Kolej Distrik Stamford and is currently the Executive Vice Chairman of Global Edutech Management.

He attended all four Board of Directors Meetings held in the financial year 2020. He does not have any family relationship with any director and/or major shareholders of the Company. He has no conflict of interest with the Company and had no convictions for offences within the past 5 years other than traffic offences, if any.



TAN CHEIK EAIK

Executive Director and
Chief Executive Officer

TAN CHEIK EAIK aged 56, male, Malaysian, is the Executive Director and Chief Executive Officer of Elsoft. He is also a member of the ESOS committee. He was appointed to the Board on 4 June 2003. He graduated with a Bachelor (Hons) Degree in Electrical Engineering from University Malaya in 1990. Upon graduation, he joined Hewlett Packard (M) Sdn Bhd as a Design Engineer and was soon promoted to Senior Design Engineer.

In 1992, due to the sudden death of his brother-in-law, he left his promising career with Hewlett Packard to succeed his late brother-in-law's electrical wiring business Siang Electronics Technology, where he commenced his entrepreneurial career. Subsequently, Siang Electronics Technology was further developed and renamed STSB where he took on the role as the Managing Director.

As an engineer, he specialises and is experienced in the areas of test metrology and embedded application system design which contributed to the fundamentals of the Group's success. Over the years, under his leadership and business entrepreneurship, his team established a strong internal R&D capability and successfully developed a series of ATE systems for semiconductor and optoelectronic applications which also contributed significantly to the Group's success today.

He was appointed as Independent Non-Executive Chairman of FoundPac Group Berhad on 22 November 2016, a position he holds to date.

He attended all four Board of Directors Meetings held in the financial year 2020. He and his siblings, Tan Ah Lek, Tan Ai Jiew and Tan Cheik Kooi are the major/substantial shareholders and/or directors of the Company. He has no conflict of interest with the Company and had no convictions for offences within the past 5 years other than traffic offences, if any.

PROFILE OF DIRECTORS (CONT'D)



KOAY KIM CHIEW

Executive Director

KOAY KIM CHIEW aged 54, male, Malaysian, is an Executive Director of Elsoft. He is also a member of the ESOS Committee. He was appointed to the Board on 4 June 2003. He graduated with a Bachelor (Hons) Degree in Electrical Engineering from University Malaya in 1992.

Upon his graduation, he served Intel Technology Sdn Bhd, a leading chip manufacturing multinational company as an Automation Engineer. He left Intel in 1994 and subsequently joined Elsoft.

He is currently the Chief Technology Officer and manages the Group's technological direction. He plays a key role in the hardware and software design and development of the Group.

He attended all four Board of Directors Meetings held in the financial year 2020. He does not have any family relationship with any director and/or major shareholders of the Company. He has no conflict of interest with the Company and had no convictions for offences within the past 5 years other than traffic offences, if any.

TAN AH LEK

Non-Independent
Non-Executive Director

TAN AH LEK aged 65, male, Malaysian, is a Non-Independent Non-Executive Director of Elsoft. He was appointed as Executive Director on 3 June 2005 and was re-designated as Non-Independent Non-Executive Director with effect from 15 January 2014. He is a member of the Nomination Committee.

He started his career as an electrical wiring technician and later started a business providing electrical wiring services. He has many years of experience in electrical wiring projects. He was one of the co-founders of STSB and has been crucial to the success of the Company since then.

He attended all four Board of Directors Meetings held in the financial year 2020. He, Tan Cheik Eaik, Tan Ai Jiew and Tan Cheik Kooi are siblings and the major/substantial shareholders and/or Directors of the Company. He has no conflict of interest with the Company and had no convictions for offences within the past 5 years other than traffic offences, if any.

TAN AI JIEW

Non-Independent
Non-Executive Director

TAN AI JIEW aged 71, female, Malaysian, is a Non-Independent Non-Executive Director of Elsoft. She was appointed to the Board on 3 June 2005. She is a member of the audit committee. Together with Tan Cheik Eaik and Tan Ah Lek, she co-founded STSB. She is the wife of the late Lau Gaik Siang (also known as "Siang") who laid out the fundamental business network for the inception of STSB and supported the initial function of administration. She has currently withdrawn from the day-to-day operations of Elsoft and remains as a Non-Executive Director.

She attended all four Board of Directors Meetings held in the financial year 2020. She, Tan Cheik Eaik, Tan Ah Lek and Tan Cheik Kooi are siblings and the major/substantial shareholders and/or directors of the Company. She has no conflict of interest with the Company and had no convictions for offences within the past 5 years other than traffic offences, if any.



OOI TOON KIT

Independent
Non-Executive Director

OOI TOON KIT aged 75, male, Malaysian, is an Independent Non-Executive Director of Elsoft. He was appointed to the Board on 22 June 2011. He is the Chairman of the Audit Committee, a member of the Nomination Committee, Remuneration Committee and ESOS Committee. He is a Chartered Accountant, a member of the Malaysian Institute of Accountants, qualified Company Secretary and holds a Master of Commerce degree from the University of Auckland, New Zealand. His working experiences include a number of years in Fletcher Challenge group, a major New Zealand conglomerate, and in British Petroleum Company both in accountancy. He progressed to Inchcape Malaysia Group as their Group Investment Manager and Director of Management Services. His last full time employment was with Unico Holdings Bhd as Group General Manager.

Prior to his retirement from full time employment in year 2000, he developed and effected the listing of the former Unico Desa Plantations Bhd on the Main Board of Bursa Malaysia Securities Berhad.

He has 38 years of experience working in foreign, regional and local companies. The industries he served in include forestry, timber and petroleum products, motor vehicle assembly and distribution, industrial and consumer products whole selling and retailing, electronic and consumer product manufacturing, property development, plantation and other services. His responsibility portfolio at various time includes accounting, project feasibility studies, merger and acquisition, investment and divestment, corporate advisory, personnel training and general management at CEO level.

He is currently a Vistage Chair and business coach, mentoring a group of business owners and CEOs and their direct reports.

He attended all four Board of Directors Meetings held in the financial year 2020. He does not have any family relationship with any director and/or major shareholders of the Company. He has no conflict of interest with the Company and had no convictions for offences within the past 5 years other than traffic offences, if any.



DATO' AGATHA FOO TET SIN

Independent
Non-Executive Director

DATO' AGATHA FOO TET SIN aged 61, female, Malaysian, is an Independent Non-Executive Director of Elsoft. She was appointed to the Board on 29 December 2017. She is a member of the Audit Committee and Remuneration Committee.

She is presently also the Senior Independent Non-Executive Director of PBA Holdings Bhd. and a member of the Board of Directors of Mount Miriam Cancer Hospital. She is also a member of the Penang Freedom of Information Appeal Board.

She obtained her degree in law from the Australian National University and commenced her legal career as an Advocate and Solicitor in Canberra in 1988. She was called to the Malaysian Bar in 1990 and was in legal practice for 24 years. During her legal career, she served in the Investigating Tribunal Disciplinary Committee Panel of the Advocates and Solicitors' Disciplinary Board, the Human Rights Committee of the Malaysian Bar Council and the Legal Aid Committee of the Penang State Bar.

She attended all four Board of Directors Meetings held in the financial year 2020. She does not have any family relationship with any director and/or major shareholders of the Company. She has no conflict of interest with the Company and had no convictions for offences within the past 5 years other than traffic offences, if any.

PROFILE OF KEY SENIOR MANAGEMENT

ENG CHIN PENG

Chief Operating Officer

Eng Chin Peng, aged 56, male, Malaysian, is the Chief Operating Officer of Elsoft. He joined Elsoft as Senior Operating Manager in June 2016 and was subsequently promoted to Chief Operating Officer on 10 April 2017. He graduated with a Bachelor of Engineering with Honours in Computer and Communication Engineering from University Science Malaysia in 1990.

He has more than 25 years of experience in Engineering, Product Development, Manufacturing and Quality Control. He started his career in Intel Technology as Equipment Development Engineer in 1990. He then joined Crest Ultrasonics in 1994, a leading ultrasonic cleaning manufacturer from USA as the Senior Automation Design Engineer for the Malaysia plant. He then rose to the rank of senior management from Engineering Manager to Product Quality Director. He oversaw the operations of Crest Ultrasonic Malaysia to support Crest sales worldwide.

He does not hold any directorship in public listed companies. He does not have any family relationship with any director and/or major shareholders of the Company. He has no conflict of interest with the Company and had no convictions for offences within the past 5 years other than traffic offences, if any.

CHAN HONG HENG

Principal Engineer

Chan Hong Heng, aged 53, male, Malaysian, is the Principal Engineer of Elsoft. He graduated with a Bachelor (Hons) Degree in Computer and Communication Engineering from University Science Malaysia in 1993 and later with a Master of Science Degree in 1998.

He is one of the pioneer staff who joined Elsoft since his graduation. He started his career as an engineer and over the years has been promoted from senior engineer to staff engineer and the current position. He is currently leading the Electronics Design Group and a key player in test and burn-in development.

He does not hold any directorship in public listed companies. He does not have any family relationship with any director and/or major shareholders of the Company. He has no conflict of interest with the Company and had no convictions for offences within the past 5 years other than traffic offences, if any.

TAN CHEIK KOOI

Finance and
Administration Manager

Tan Cheik Kooi, aged 66, male, Malaysian, is the Finance and Administration Manager of Elsoft. He started his career back in 1974 as an account assistant and was promoted to chief clerk in Plantation Latex (M) Sdn Bhd. In 1994, he joined Topglass Sdn Bhd as the Accounts Executive. He has more than 35 years of accounting and administration experience in various industries.

He joined Elsoft in 1996 as the Finance and Administration Manager and has been the key person setting up the entire accounting systems and administration policies. Currently, he is responsible for the overall accounting functions and oversees the human resource functions of Elsoft.

He does not hold any directorship in public listed companies. He, Tan Cheik Eaik, Tan Ah Lek and Tan Ai Jiew are siblings and the major/substantial shareholders and/or directors of the Company. He has no conflict of interest with the Company and had no convictions for offences within the past 5 years other than traffic offences, if any.

JAMES CHOW KHIN HOONG

Senior Manager in
Business Development

James Chow Khin Hoong, aged 55, male, Malaysian, is the Senior Manager in Business Development of Elsoft. He graduated with a Bachelor of Engineering in Electrical and Electronic Engineering from RMIT University Australia in 1990 and later with a MBA in Technology Management in 1997.

He has more than 25 years of experience in Electrical and Electronic R&D, Product Development and Introduction, Equipment and Automation Design, IC Design and Project Management.

He started his career in Hewlett Packard as Manufacturing Engineer in 1990. He rose from the ranks to become Department Manager of Hewlett Packard in 1998. He then joined Agilent Technology as Business Unit Manager in 1999. He left Agilent Technology in 2001 and joined Lumileds until 2003. In 2003, he joined Displayworks Sdn Bhd as the CEO and he left his position as CEO in 2008 prior to joining Smartlab Sdn Bhd as General Manager. He joined Elsoft in 2012 as Senior Manager in Business Development, a position he held until today.

He does not hold any directorship in public listed companies. He does not have any family relationship with any director and/or major shareholders of the Company. He has no conflict of interest with the Company and had no convictions for offences within the past 5 years other than traffic offences, if any.

MANAGEMENT DISCUSSION AND ANALYSIS



OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

The Group is principally involved in the research, design, development and manufacturing of automated test equipment (ATE), burn-in systems and application specific embedded control systems for the semiconductor and optoelectronics industries. Specifically, Elsoft's current primary markets are in the Automotive, Smart Devices and General Lighting industries.

The Group faced a challenging business environment in FYE2020 due to the COVID-19 pandemic. Our customers exercised more cautious control on capital expenditure (CAPEX) and travel restrictions had delayed our projects delivery timeline for overseas customers. The demand for ATE which had significantly decreased across all industries we served impacted the Group's financial performance adversely in FYE2020.

REVIEW OF FINANCIAL RESULT

The financial performance of the group is summarized below and explanations on the key items are set out under Management Discussion and Analysis.

	Financial Year Ended		Changes (%)
	31 Dec 2020 RM'000	31 Dec 2019 RM'000	
Revenue	18,128	33,550	-46.0%
Cost of sales	(11,529)	(17,245)	-33.1%
Gross profit	6,599	16,305	-59.5%
Other income & other expenses	2,939	6,284	-53.2%
Administrative expenses	(8,239)	(5,572)	47.8%
Share of (loss)/profit in associates	(357)	540	-166.1%
Profit before tax	942	17,557	-94.6%
Taxation	(294)	(553)	-46.8%
Net profit	648	17,004	-96.2%
Shareholders' equity	101,695	106,661	
Basic earnings per share (Sen)	0.10	2.55	
Net assets per share (Sen)	15.16	15.99	
Dividend payout (%)	1035%	118%	

Revenue and Gross Profit

Revenue and Gross Profit of the Group for FYE 2020 decreased by 46.0% and 59.5% respectively. The decreases were mainly due to the weak demand for ATE as a result of Covid-19 pandemic. This weak demand coupled with travel restrictions had curtailed our onsite installations and prevented after sales services to be performed.

Other Income and Other Expenses

Other income and expenses comprised of rental income, interest income, dividend income, fair value adjustment of other investments, gain/loss on disposal of other investments and fluctuations in foreign currencies.

The Group's other income and expenses in aggregate was RM2.939 million, a decrease of 53.2% as compared to FYE 2019 and this was mainly attributable to lower return from other investments, namely money market funds and bond funds.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF FINANCIAL RESULT (CONT'D)

Administrative expenses

The Group's administrative expenses for FYE 2020 increased significantly to RM8.239 million compared to RM5.572 million for FYE2019. The significant increase in administrative expenses was due to a one-time impairment loss of investment in associate, Butterfly House (PG) Sdn Bhd ("Entopia"), amounting RM4.951 million in FYE 2020.

The Group carried out impairment assessment on investment in associate, Entopia, which was adversely impacted by the Covid-19 pandemic outbreak. Entopia was forced to temporarily suspend its business operation during the Movement Control Order 1.0 and 2.0 ("MCO"). Moreover, the number of international and local visitors reduced significantly during the extended periods of border closure and the MCO travel restrictions. As a result, an impairment loss of RM4.951million has been recognised in our accounts.

Apart from the RM4.951 million of impairment loss, administrative expenses for FYE 2020 decreased as compared to FYE 2019 due to the savings derived from solar panel installations, lower share based payment and lower bonus payout for 2020.

Share of profit and losses in associates

(a) Leso Corporation Sdn. Bhd. ("Leso")

Leso contributed RM0.770 million profit to the Group for FYE2020, a decrease of 23.8% as compared to RM1.011 million in the preceding year. Despite the impact of Covid-19 on their sales of test and measurement equipment, Leso was quick to diversify into the sales of personal protective equipment (PPE). The revenue from the sales of PPE was able to cover the shortfall from the sales of test and measurement equipment but the net margin decreased due to the low profit margin of PPE.

(b) Butterfly House (PG) Sdn. Bhd. ("Entopia")

Share of losses in Entopia was RM1.127 million and RM0.471 million for FYE2020 and FYE2019 respectively. The reasons for the loss in Entopia had already been explained under Administrative Expenses above.

Taxation

Similar to the previous years, the effective tax rate for the Group was lower than the statutory tax rate due to the 100% tax exemption under the Pioneer Status of Section 4D of the Promotion of Investment Act, 1986 for Elsoft Systems Sdn. Bhd..

Elssoft Systems Sdn. Bhd. obtained its initial Pioneer Status for a period of five (5) years from 2 January 2015 to 1 January 2020 which was further extended for another five (5) years to 1 January 2025.

Financial Position and Liquidity

The Group's inventories decreased by 24.6% from RM3.680 million as at FYE 2019 to RM2.776 million as at FYE 2020. The decrease was mainly due to lower work-in-progress ("WIP") stock as the orders in hand were lower as compared to a year ago.

Total trade and other receivables decreased by 21.5% from RM9.484 million as at FYE 2019 to RM7.448 million as at FYE 2020. This was due to the lower sales generated towards the end of FYE 2020 resulting in the corresponding decrease in trade receivables.

The Group's trade and other payables decreased by 69.9% from RM9.181 million as at FYE2019 to RM2.763 million as at FYE2020. The decrease was due to the lower provision for bonus and no dividend payable.

Provision for repair and other services decreased by 25.4% from RM1.660 million as at FYE2019 to RM1.238 million as at FYE2020. The decrease was in line with lower revenue for FYE2020.

Total contract liabilities increased by 30.2% from RM0.917 million as at FYE2019 to RM1.194 million as at FYE2020. Majority of these contract liabilities brought forward from FYE2019 was fulfilled and recognized in FYE2020. Contract liabilities for FYE2020 was expected to be fulfilled and recognized in FY2021.

The Group's cash and cash equivalents stood at RM3.414 million and RM10.442 million as at FYE 2020 and FYE 2019 respectively. The excess funds were placed into either Money Market Fund, Fixed Income Fund and/or Bond Fund for a better after tax return.

The Group's other investment stood at RM61.535 million and RM57.526 million as at FYE 2020 and FYE 2019 respectively. Other investments comprised investments in Money Market Fund, Bond Fund and Fixed Income Fund.



OPERATING ACTIVITIES

On 18 March 2020, the Movement Control Order ("MCO") was implemented by the Government of Malaysia as a preventive measure in response to the COVID-19 pandemic in the country. The Group's operations stopped on 18 March 2020. However, the Ministry of International Trade and Industry (MITI) allowed operations to resume on 8 April 2020 but with only 50% of the workforce. On 29 April 2020, the Group's operation returned to normal after MITI allowed certain economic sectors to operate without restriction to their operating hours with 100% workforce.

With the Covid-19 pandemic, the Group experienced a significantly decrease in demand for ATE as both local and overseas customers exercised more cautious control on capital expenditure (CAPEX). The Group was also unable to carry out equipment installation and service to overseas customer due to the travel restrictions.

The Group acknowledged the importance of adapting to the new normal during the pandemic. Hence, the Group had carried out the following actions to ensure its business sustainability.

a) Safety in Workplace

An emergency committee was formed to ensure a safe workplace so that operations are not affected. Measures such as social distancing, periodic cleaning and temperature recording were put in place to prevent the spread of COVID-19.

b) New Solution for Equipment Installation and Services

In response to the travel restriction, the Group had introduced remote equipment setup and training to overseas customers via web meetings so that they can perform equipment installation and service maintenance themselves.

c) Cautious Spending

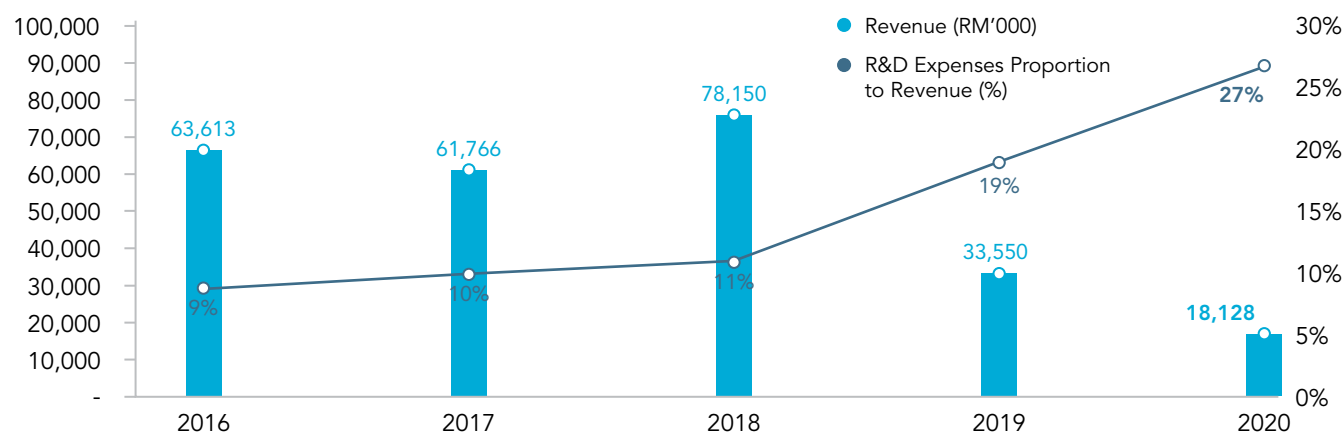
Financially, the Group had been prudent with its spending over the past years and will continue to focus on its operational efficiency, cost control, cash conservation and ensuring sustainability of its existing businesses into the future.

The Group's core competency is the ability to offer comprehensive test solutions which include its proprietary software and hardware. Hence, research and development ("R&D") will continue to play an important role towards business sustainability. It is the Company's strategy to continuously seek knowledge so as to develop, design and enhance our products and services.

In FYE 2020, Elsoft committed resources toward research and development of new products and new test applications for both new and existing customers. Continuing these, R&D activities of the Group are mainly in the following areas:

- (a) ATE for new product for automotive industry in FY 2021
- (b) Upgrade of LED test solution for smart devices industry in FY 2021
- (c) New LED test solution for new model smart devices in FY 2022
- (d) Continuous improvement on second generation controller for medical device

PROPORTION OF R&D EXPENSES TO REVENUE



Human capital is the greatest asset which contributes to the success of the Group. The Group needs a strong development team whose talents and skills are able to contribute towards the design and development of various test solutions. Management has taken proactive measures to retain staff with technical knowledge and skill. This will serve the Group well in moving forward and to support its future growth.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OPERATING ACTIVITIES (CONT'D)

As at end of 2020, the Group's total workforce was as follows:

Category	No. of Employee
R&D engineers	28
Service engineers	16
Skilled labour	11
Administrative staff	14
Total	69

PROSPECTS AND OUTLOOK

According to the World Economic Outlook Update in January 2021 by International Monetary Fund (IMF), the recent vaccine approvals have raised hopes of a turnaround in the pandemic later this year, but renewed waves and new variants of the virus pose concerns for the outlook. Despite the exceptional uncertainties, the global economy is projected to grow 5.5% in 2021 and 4.2% in 2022.

The overall demand of ATE had been weakening since FYE 2019 and the situation worsened in FYE 2020 when Covid-19 hit the world. We expect our customers to continue exercising control on CAPEX spending during the continuance pandemic. Equipment installation would not be performed onsite while travel restrictions remain around the world.

The management of Elsoft expects the situation to remain challenging for the year 2021. Whilst there are on-going projects to be delivered in year 2021, there are no projection/forecast from customers on their order quantity at this juncture.

Associate Companies

Leso Corporation Sdn. Bhd. ("Leso"), a 30% owned associate company of Elsoft, has its presence in Thailand, Philippines and Indonesia as part of their geographical diversification strategy. For year 2021, Leso will pursue geographical expansion to Singapore and, at the same time, continue to establish their branding in ASEAN region.

Butterfly House (PG) Sdn. Bhd. ("Entopia") is a 30.91% owned associate company of Elsoft, thus far had severely suffered from the impact of the Covid 19 outbreak on the tourism industry. The management of Entopia has and will continue to take the necessary measures to reduce the severity of the impact and ensure business sustainability. However, the performance of Entopia will not affect Elsoft's performance as the investment had been fully impaired in FYE2020.

RISK EXPOSURES

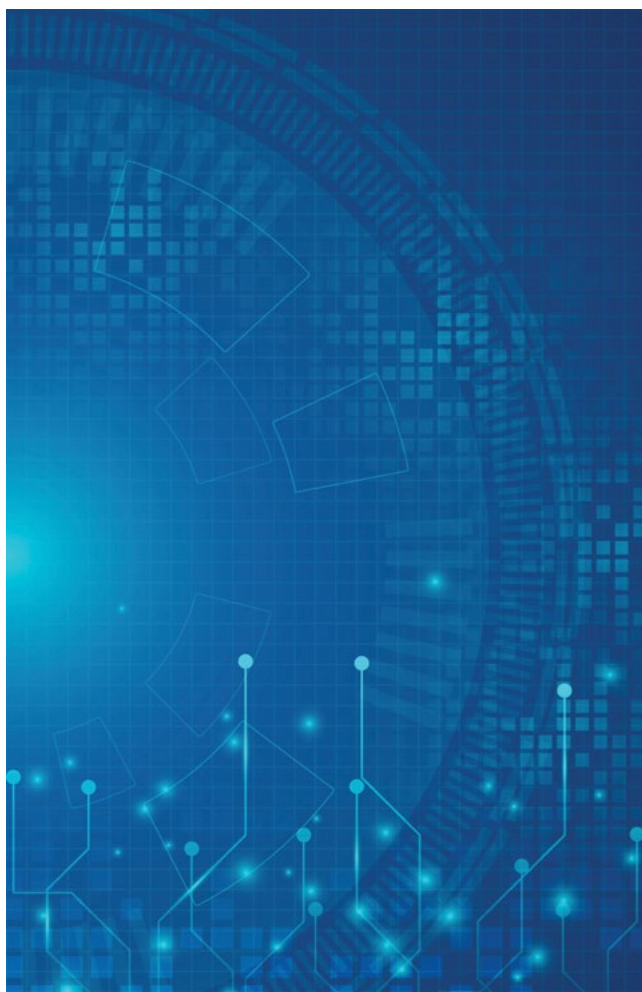
Foreign Currency Risk

Our Group is exposed to the risks associated with currency fluctuations as a significant amount of our sales to overseas customers and purchases from overseas suppliers are denominated in USD. Exchange rate fluctuations of USD against Ringgit Malaysia may influence the Group's financial results. However, foreign currency exchange risk is partially mitigated through natural hedging between revenue and purchases in the same currency.

Dependence on Major Customer

Our Group's customer base is made up of leading corporations and multinational companies ("MNCs") in the semi-conductor and optoelectronics industries. Our top customer, a lighting solutions MNC and its group of suppliers accounted for approximately 43% of the Group's total turnover for the financial year ended 31 December 2020. However, this customer has been with the Group continuously for more than fifteen (15) years and this indicates a long-term and stable customer relationship.

To reduce over-dependency on any single customer, the Group will continue to focus on a diversification strategy through expanding our customer base and product range.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

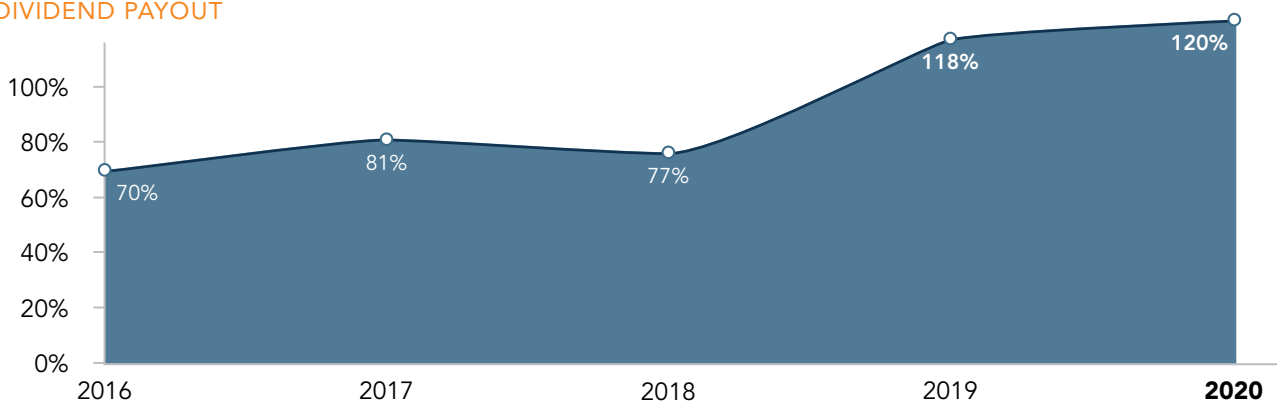


DIVIDEND

The Board has adopted a dividend policy of paying an annual dividend of not less than 40% of its annual net profit after taxation, on condition that such distribution will not be detrimental to the Group's cash flow requirements.

In FYE 2020, the Company declared three (3) dividend pay-outs and these added up to RM0.01 per ordinary share which represents a total pay-out of 120%. The dividend payout percentage for FYE 2020 of 120% was calculated by excluding the one-time impairment loss in associate.

DIVIDEND PAYOUT



MESSAGE FROM BOARD & MANAGEMENT

During the pandemic, the Management will continue to exercise more judicious control on spending without compromising on funding for R&D activities. Despite all uncertainties, the Management remain confident on the Group's prospects for the years ahead.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT

The Board of Directors ("Board") recognises the importance of sustaining a high standard of corporate governance in ensuring that the interest of the Group, shareholders and other stakeholders are protected.

The Board remains fully committed towards adhering to the principles and recommendations of the Malaysian Code of Corporate Governance 2017 ("MCCG 2017"). As such, the Board will continue to review and enhance corporate governance practice to ensure its ability to meet future challenges and to establish long-term sustainable shareholders' value.

This statement discloses the manner in which the Group has applied the principles of good corporate governance and the extent to which it has complied with the Code.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I BOARD RESPONSIBILITIES

1.0 The Board is responsible for the Company's leadership and is collectively responsible for meeting the Company's objectives and goals. It strives to accomplish this through overseeing the proper conduct of the Group's business and affairs.

1.1 Setting Company's Strategic Directions, Values and Standards

The Board has full control and is responsible for providing strategic direction, approving corporate plans and budgets, monitoring and reviewing corporate performance, ensuring adequate systems for good internal control and risk management are in place, overseeing succession planning and adopting sound financial and operational management practices.

The Chief Executive presents and updates the Board on his recommended strategy and business plan at a dedicated session. The Board reviews and comments on the recommended strategy and proposed business plan in order to achieve the best outcome for the Group.

The Board is responsible for the good corporate governance practices of the Group. It guides and monitors the affairs of the Group on behalf of the shareholders and other stakeholders which is consistent with the Board Charter and the published Code of Conduct.

The responsibilities and decision-making powers of the Board are included in the Board Charter of the Company and made available at the Company's website.

1.2 Appointment of Chairman

Dato' Dr Chong Eng Keat @ Teoh Eng Keat was appointed as the Independent Non-Executive Chairman of the Company. He is responsible for the leadership and effective functioning of the Board. He sets the Board agenda and ensures adequate time is available for discussion of all agenda items. He also ensures that all directors receive complete, adequate and timely information. He facilitates the effective contribution of non-executive directors and ensures constructive relations between the executive and non-executive directors.

Dato' Dr Chong acts as a spokesperson for the Board during shareholders' meeting and ensures effective communication with shareholders and stakeholders. He leads the Board in practicing good corporate governance and ensures compliance of all relevant laws and regulations.

1.3 The Position of Chairman and CEO are Held by Different Individuals

The Board is chaired by Dato' Dr Chong Eng Keat @ Teoh Eng Keat, an Independent Non-Executive Director whereas Mr Tan Cheik Eaik is the Chief Executive Officer (CEO), and Executive Director. There is a clear division of duties and responsibilities between the Chairman and the CEO to ensure a balance of power and authority so that no one individual has unfettered powers over decision making. The Chairman is responsible for the leadership and governance of the Board in ensuring its effectiveness. The CEO is responsible for the day-to-day management of the Company's business and its operations as well as the implementation of the Board's policies and decisions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)



PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I BOARD RESPONSIBILITIES (Cont'd)

1.4 Qualified and Competent Company Secretary

The Board is supported by qualified, experienced and competent Company Secretaries who are also members of a professional body.

The Company Secretaries play an advisory role to the Board in relation to the Company's constitution and advise the Board on any updates relating to new statutory, relevant regulatory and listing requirements pertaining to the duties and responsibilities of Directors as and when necessary.

The Company Secretaries attend all Board and Board Committee meetings and ensure that meetings are properly convened.

The Company Secretaries also ensure accurate and proper recording of the proceedings and that resolutions passed are recorded and maintained.

1.5 Supply of Information

The Board members have access to all information pertaining to the Company and the Management supplies accurate and complete information to the Board in a timely manner to enable the Board to discharge its duties effectively.

Board members are provided with information such as a meeting agenda and a full set of Board papers at least seven days prior to the board meetings. This is to enable the board members to have an overview of matters to be discussed or reviewed at the meetings and to seek further clarifications, if any.

All Directors have access to the advice and services of the Company Secretary.

Directors are entitled to seek independent professional advice, including but not limited to legal, accounting and financial, either collectively or individually as may be considered necessary in furtherance of their duties and responsibilities at the expense of the Company.

2.0 The Board acknowledges the importance of demarcation of responsibilities between the Board, Board Committees and management.

2.1 Board Charter

The Board has formalised and adopted the Board Charter which clearly sets out the respective roles and responsibilities of the Board and also the functions and responsibilities delegated to the Board Committees as well as to the management.

The objectives of the Board Charter are to ensure that the members of the Board are aware of their roles, duties and responsibilities and the application of principles and practices of good corporate governance in their business conduct and dealings in respect of, and on behalf of the Company and the various laws and legislations governing them and the Company.

The Board reviews the Board Charter at least once every financial year and makes relevant amendments as and when the Board deems necessary to ensure that it continues to remain relevant and appropriate.

The Board Charter is made available on the Company's website.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I BOARD RESPONSIBILITIES

3.0 The Board is committed to promote good business practices and ethical corporate conduct. With this commitment, the Board believes that it will make sound business decisions, enhance its operational performance and deliver value to all stakeholders.

3.1 Codes of Conduct and Ethics

The Company's Codes of Conduct sets out the principles and standards of business ethics and conduct of the Group. The objective of the Code is to assist the Directors and employees in defining ethical standards and conduct at work. The Code of Conduct includes principles relating to duties of Directors and employees, confidential information, conflict of interest, dealings in securities, compliance to law & regulations and business conduct.

The Chief Executive oversees the communication, implementation and compliance of these principles and rules in the Group. All Directors and employees have free access to the code of conduct which is available at the Company's website.

The Board will monitor compliance with the Code and review the Code regularly to ensure that it continues to remain relevant and appropriate.

3.2 Whistle-Blowing Policy

The Board has adopted a whistle-blowing policy and will review the policy from time to time.

The Policy is established to facilitate the reporting by employees and members of the public of any suspicious or improper conduct within the company. The policy also protects the whistle blower from reprisal and safeguard such person's confidentiality as a consequence of making a disclosure.

The whistle-blowing policy is available on the Company's website.

3.3 Anti-Corruption And Bribery Policy

The Board has adopted an Anti-Corruption and Bribery Policy and will review from time to time.

The Anti-Corruption and Bribery Policy is available on the Company's website.

II BOARD COMPOSITION

4.0 The Board acknowledges the importance of boardroom diversity and recognises the importance and benefits that they can bring and will work towards achieving this objective through good practices recommended by MCG 2017 as outlined below:

4.1 Board Balance

The present composition of the Board is in compliance with Chapter 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad with at least one-third (1/3) of its members being Independent Directors.

The present Board members have a wide range of expertise and experience in various fields, encompassing operation management, engineering, legal, accounting and finance.

The Board continues its effort to identify and attract suitable candidates for Independent Non-Executive Directors in area of expertise such as corporate finance and business development. With the successful selection of the candidate, the Board composition would comply with the MCG recommended practice wherein at least half the Board comprises independent directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)



PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II BOARD COMPOSITION (Cont'd)

4.2 Tenure of Independent Directors

One of the recommendations of the Code provides that the tenure of Independent Director should not exceed a cumulative term of nine (9) years of service. Upon completion of the nine (9) years, the Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.

In the event the Board intends to retain the Director as Independent after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval. If the Board continues to retain the Independent Director after the twelfth year, the board will seek annual shareholders' approval through a two-tier voting process at the Annual General Meeting of the Company.

The Nomination Committee and the Board, through their annual assessment, recommended the retention of Dato' Dr Chong Eng Keat @ Teoh Eng Keat, who has served the Board for more than twelve (12) years since 3 June 2005 and Mr Ooi Toon Kit, who has served the Board for more than nine (9) years since 22 June 2011 as Independent Non-Executive Director of the Company, subject to shareholders' approval at the forthcoming Annual General Meeting (AGM) with the following justifications:

- they have met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements;
- they have performed their duties diligently and provided independent views in the deliberations and decision making of the Board and Board Committees;
- their length of service on the Board have not in any way interfered with their duties as an Independent Non-Executive Director of the Company; and
- their expertise and broad international experience together with their cumulative knowledge of the Group's business and operation provide the Board with a diverse set of experience and expertise which enhances the skills and experience profile of the Board.

Two-tier voting has been adopted by the Company in its Board Charter. Two tier shareholders' approval will be sought at the forthcoming Annual General Meeting (AGM) for Dato' Dr Chong Eng Keat @ Teoh Eng Keat to continue to act as Independent Non-Executive Director.

4.3 Nine-Year Policy for Independent Directors

The Board has chosen not to adopt a rigid policy of limiting the tenure of our Independent Directors to nine (9) years at this stage of the Company's growth. The Board overall assessment is that the long serving Independent Directors have the right mix of skills, expertise, insight and experience to offer to the Company and this helps to enhance and improve the decision-making process to the best interest of the Elsoft Group.

4.4 Appointment of the Board and Senior Management

The Board delegates to the Nomination Committee the responsibility of reviewing any new candidate for Board appointment or filling of key management positions.

The Nomination Committee is responsible to ensure that the procedures for appointing new Directors are transparent and appointments are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

In evaluating the suitability of candidates to fill any vacancies in the Board, the Nomination Committee shall ensure that the candidates selected possess the necessary skills, knowledge, expertise and experience and that their personal characteristics are befitting of the positions. The Committee also actively engages with senior management to identify skill gaps and review succession planning and other human resource contingencies.

4.5 Gender Diversity

The Board currently does not have a policy on gender diversity and has not set gender diversity targets. However, the Board had taken steps to ensure that gender diversity is a key consideration in all future recruitment exercises.

Presently, the Board has two (2) female directors out of a total of seven (7). Our eventual goal is to meet the recommended 30% women directors in our Board.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II BOARD COMPOSITION (Cont'd)

4.6 Identification of Candidates

The Nomination Committee will consider candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director or shareholder.

The Nomination Committee is also given the right to obtain advice from independent parties and other professionals when they consider it necessary to carry out their duties.

4.7 Nomination Committee

The Board has established a Nomination Committee comprising entirely of Non-Executive Directors and chaired by an Independent Non-Executive Director.

The composition of the Nomination Committee is as follows:

Name
Dato' Dr. Chong Eng Keat @ Teoh Eng Keat Chairman/Independent Non-Executive Director
Mr Ooi Toon Kit Member/Independent Non-Executive Director
Mr Tan Ah Lek Member/Non-Independent Non-Executive Director

The terms of reference of the Nomination Committee can be viewed on the Company's website at elsoftresearch.com.

Meetings of the Nomination Committee are held as and when necessary, and at least once a year. The Nomination Committee met once during the year and all members registered full attendance. The Nomination Committee, upon its annual review carried out, is satisfied that the size of the Board is optimum and that there is adequate mix of experience and expertise in the composition of the Board. The Nomination Committee conducted an evaluation of the effectiveness of the Board and the Board Committees and the contribution of each individual Director during the financial year under review.

5.0 The board undertakes a formal and objective annual evaluation to determine the effectiveness of the Board, its committees and each Individual Director.

5.1 Annual Evaluation

The Nomination Committee carried out an annual assessment in November 2020. The annual assessment involves members of the Board completing evaluation questionnaires to appraise the performance of the Board. The assessment also involved individual Directors undertaking self evaluation. A summary of the evaluation results will be reported to the Board by the Chairman of the Nomination Committee. The Board Committees are assessed annually on their composition, expertise, and whether their functions and responsibilities were effectively discharged in accordance with their respective terms of reference.

The Board is satisfied with the level of commitment given by the Directors and that they have devoted sufficient time to carry out their responsibilities as Directors and to regularly update their knowledge and enhance their skills through continuing education and learning so that they can perform their duties more effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)



PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II BOARD COMPOSITION (Cont'd)

5.1 Annual Evaluation (Cont'd)

The Board met four times during the year and the attendance of the Directors at Board meetings are as set out below:

Name	Attendance
Dato' Dr Chong Eng Keat @ Teoh Eng Keat Chairman/Independent Non-Executive Director	4/4
Mr Tan Cheik Eaik Chief Executive Officer/Executive Director	4/4
Mr Koay Kim Chiew Executive Director	4/4
Mr Tan Ah Lek Non-Independent Non-Executive Director	4/4
Ms Tan Ai Jiew Non-Independent Non-Executive Director	4/4
Mr Ooi Toon Kit Independent Non-Executive Director	4/4
Dato' Agatha Foo Tet Sin Independent Non-Executive Director	4/4

All Board members are required to notify the Chairman of the Board before accepting new directorships outside the Group and indicating the time that will be spent on their new appointments. Similarly, the Chairman of the Board shall also notify other Directors before taking up any additional appointment of directorships.

The Board assesses the independence of the Independent Directors at least once a year.

The current Independent Directors of the Company namely, Dato' Dr. Chong Eng Keat @ Teoh Eng Keat, Mr Ooi Toon Kit and Dato' Agatha Foo Tet Sin have fulfilled the criteria of "independence" as prescribed under Chapter 1 of the Listing Requirements of Bursa Securities. The Company also fulfills Chapter 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad to have at least one-third (1/3) of its Board members as Independent Non-Executive Directors.

Directors' Training

All the Directors have attended and completed the Mandatory Accreditation Program prescribed by Bursa Malaysia Securities Berhad. In addition, the Directors will continue to participate in other relevant training programs to further enhance their skills and knowledge in discharging their duties as Directors in an effective manner. Throughout the year, the Directors have received updates from time to time on relevant new laws and regulations.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II BOARD COMPOSITION (Cont'd)

5.1 Annual Evaluation (Cont'd)

Directors' Training (Cont'd)

The training programs and seminars attended by the Directors during the financial year ended 31 December 2020 include:

Name of Directors	Title of training programs and seminars	Mode of Training	No. of Days
Dato' Dr Chong Eng Keat @ Teoh Eng Keat	• MIA Webinar Series - COVID-19 Impact on Revenue, Inventory and Related Costs in Respect of Dealings with Customers	Seminar	0.5
Mr Tan Cheik Eaik	• The Vistage Chief Executive Program	Seminar	12
Mr Koay Kim Chiew	• MIA Webinar Series - COVID-19: Financial Reporting on Going Concern, Risk and Viability	Seminar	0.5
Mr Tan Ah Lek	• MIA Webinar Series - COVID-19: Financial Reporting on Going Concern, Risk and Viability	Seminar	0.5
Ms Tan Ai Jiew	• MIA Webinar Series - COVID-19: Financial Reporting on Going Concern, Risk and Viability	Seminar	0.5
Mr Ooi Toon Kit	• Talent Acquisition and Retention • Digital Marketing • 5G and Its Effects on Businesses	Seminar	1.5
Dato' Agatha Foo Tek Sin	• MIA Webinar Series - COVID-19: Financial Reporting on Going Concern, Risk and Viability	Seminar	0.5

The Board will, on a continuous basis, evaluate and determine the other training needs of its members to assist them in the discharge of their duties as Directors.

III REMUNERATION

6.0 The Board acknowledges the importance of appropriate remuneration for directors and senior management in order to attract and retain the right talent in the Board and the senior management to drive the company strategies in the long term.

6.1 Remuneration Policy

The Board has formalised a remuneration policy to provide guidelines to determine the remuneration package for Directors and senior management with the objective to attract, motivate and retain talent in the Board and senior management team.

The Remuneration Committee is established to ensure the remuneration policy and decisions are made through a transparent and independent process. The remuneration policy will be reviewed regularly.

During the process of determining the remuneration package for Directors and senior management, the committee takes into account the level of duties and responsibilities as well as the skills and experiences so as to ensure competitiveness within the relevant market and industry.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)



PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III REMUNERATION (Cont'd)

6.2 Remuneration Committee

The Board has established a Remuneration Committee consisting of Non-Executive Directors.

The composition of the Remuneration Committee is as follows:

Name
Dato' Dr Chong Eng Keat @ Teoh Eng Keat Chairman/Independent Non-Executive Director
Mr Ooi Toon Kit Member/Independent Non-Executive Director
Dato' Agatha Foo Tet Sin Member/Independent Non-Executive Director

The responsibilities of the Remuneration Committee are:

- (a) to recommend to the Board the remuneration package of Executive Directors after bench marking with technology companies of similar size.
- (b) to recommend to the Board the remuneration of Non-Executive Directors, save and except where it relates to the specific member or members of this Committee.

Executive Directors should play no part in the decisions on their own remuneration. The determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman should be a matter for the Board as a whole.

Meetings of the Remuneration Committee are held as and when necessary, and at least once a year. The Remuneration Committee met once during the year and all members registered full attendance.

7.0 The Board ensures that stakeholders are able to have access to the remuneration of Directors and senior management for greater transparency.

7.1 Directors' Remuneration

Detailed disclosure on name basis for the remuneration of individual Directors are as follows:

Directors	Director Fee	Remuneration	ESOS	Total
Dato' Dr Chong Eng Keat @ Teoh Eng Keat	55,000	-	1,663	56,663
Mr Tan Ah Lek	45,000	-	1,330	46,330
Ms Tan Ai Jiew	45,000	-	1,330	46,330
Mr Ooi Toon Kit	45,000	-	1,330	46,330
Dato' Agatha Foo Tet Sin	40,000	-	-	40,000
Mr Tan Cheik Eaik	-	281,168	1,330	282,498
Mr Koay Kim Chiew	-	325,793	1,330	327,123

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III REMUNERATION (Cont'd)

7.2 Remuneration of Senior Management

Disclosure on name basis of senior management's remuneration is currently deemed sensitive, however the Board may consider to disclose it in future.

Senior management's remuneration component including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000 are as follows:

Remuneration Band	Senior Management
50,000 and below	-
50,001 – 100,000	-
100,001 – 150,000	-
150,001 – 200,000	-
200,001 – 250,000	1
250,001 – 300,000	-
300,001 – 350,000	-
350,001 – 400,000	2
400,001 – 450,000	1
450,001 – 500,000	-

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I AUDIT COMMITTEE

8.0 The Audit Committee was set up in June 2005. The Audit Committee plays a crucial role in ensuring that information to be disclosed is accurate, adequate and complies with the appropriate financial standards.

The composition of the Audit Committee, its terms of reference and attendance of meetings by the individual members are set out on pages 30 to 31.

8.1 Chairman of Audit Committee

The Chairman of the Audit Committee is not the chairman of the board so as to ensure robust and open deliberations by the Board on matters referred by the Audit Committee.

Presently, the Chairman of Audit Committee is Mr Ooi Toon Kit and he does not chair any other board committee.

8.2 Cooling-Off Period for Appointment of Former Key Audit Partner

The Board has not adopted any policy to govern the appointment of any former key audit partner to the Board but may consider adopting such recommendation in due course.

Presently, none of the Board members are former key audit partners.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)



PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

I AUDIT COMMITTEE (Cont'd)

8.3 Assess the Suitability, Objectivity and Independence of the External Auditors

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors and make recommendation to the Board for the re-appointment of the external auditors.

The Audit Committee maintains an appropriate and transparent relationship with the external auditors. In the course of audit of the Group's financial statements, the external auditors highlight to the Audit Committee and the Board, matters that require the Board's attention. Audit Committee meetings are attended by the external auditors for purposes of presenting their audit plan and report, and comments on the audited financial statements and to make representations to the Committee on any other findings revealed in the course of their audit. The external auditors have carried out their audit plan diligently and in a timely manner.

The external auditors are required to declare their independence annually to the Audit Committee as specified by the By-Laws issued by the Malaysian Institute of Accountants. The external auditors have provided the declaration in their annual audit plan presented to the Audit Committee of the Company.

The Audit Committee had on 24 February 2021 assessed the independence of BDO PLT as external auditors and was satisfied with BDO PLT's competency and audit independence.

8.4 Solely Independent Directors in Audit Committee

Presently, the Audit Committee consists of four (4) members, who are all Non-Executive Directors and majority of whom are Independent Directors. The Board does not adopt the policy of having solely Independent Directors in the Audit Committee.

8.5 Skills of Audit Committee

The composition of our Audit Committee meets the requirement of Paragraph 15.09(1)(c) of the Main Market Listing Requirement of Bursa Malaysia that at least one member of the audit committee has accounting or financial acumen.

Mr Ooi Toon Kit, the Independent Non-Executive Director and also the Chairman of the Audit Committee, is a member of the Malaysian Institute of Accountants. The other three members of the Audit Committee, Dato' Dr Chong Eng Keat @ Teoh Eng Keat, Dato' Agatha and Madam Tan Ai Jiew, possess vast experiences in technology industry, legal and administrative matters respectively. All members of the Audit Committee have adequate experience, ability and knowledge to assess and understand financial statements to effectively discharge their duties.

All members of the Audit Committee are encouraged to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, corporate governance and corporate reporting.

II RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9.0 The Board acknowledges the importance of sound risk management and internal control being embedded into the culture, processes and structures of the Group.

The Statement on Risk Management and Internal Control set out on pages 32 to 33 of the Annual Report provides an overview on the state of internal controls within the Group.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

II RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (Cont'd)

9.1 Risk Management and Internal Control Framework

The Group has established risk management practices to safeguard the Group's business interest from risk events that may impede the achievement of business strategy and provide assurance to the Groups' various stakeholders.

The main components of the Group's risk governance and structure consist of the Board, the Senior Management and the key personnel of the Group. The structure allows for strategic risk discussions to take place between the Board and the Senior Management on a periodical basis.

Regular project-based discussions are conducted and attended by the Group's senior and middle management and key employees. This is part of the ongoing initiative to sustain risk awareness and risk management capabilities.

9.2 Adequacy and Effectiveness of Risk Management and Internal Control Framework

The summary of the accountabilities of the Board, the Senior Management and the key personnel under the risk governance structure are as follows:

Board of Directors

- Overall risk oversight responsibility;
- Determines that the principal risks are identified, and that appropriate as well as robust systems are implemented to manage these risks;
- Reviews the adequacy and the integrity of the Group's internal control systems and information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Senior Management and key personnel of the Group

- Oversee the effective implementation of risk policies and guidelines, and the cultivation of risk management culture within the organization;
- Review and monitor periodically the status of the Group's principal risks and their mitigation actions and update the Board accordingly.

In essence, risk management is conducted through an ongoing process between the Board, the Management and employees in the Group. The Group believes that the risk management framework and guidelines adopted and implemented have strengthened the risk ownership and risk management culture amongst the employees.

10.0 The Board acknowledges the importance of the internal audit function and has engaged the services of an independent and professional consulting firm, to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

10.1 Internal Audit Function

The Board outsourced its internal audit function to an independent professional consulting firm, JWC Consulting Sdn. Bhd. effective from 6 May 2016.

10.2 Objectivity and Independence of Internal Auditors

The Audit Committee is satisfied that JWC Consulting Sdn. Bhd. has adequate resources and expertise to carry out the internal audit function, and will ensure that the internal audit personnel are free from any conflict of interest with the Company.

The Audit Committee has full and direct access to the internal auditors and receives reports on all internal audits performed. The internal auditors independently and objectively monitor compliance with regard to policies and procedures, and the effectiveness of the internal controls systems. Significant findings and recommendations for improvement are highlighted to the Management and the Audit Committee, with periodic follow-up of the implementation of action plans.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)



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

I COMMUNICATION WITH STAKEHOLDERS

11.0 The Board acknowledges the importance of regular communication between the company and its stakeholders to ensure mutual understanding of each other's objectives and expectations.

11.1 Effective, Transparent and Regular Communication with Stakeholders

Presently, the Board and the Management of the Company communicate with its stakeholders through the following channels:

(a) Company Website (elsoftresearch.com)

Our company website incorporates all announcements made by the Company as well as corporate governance practice documents such as Board Charter, Code of Conduct and Terms of Reference of the committees.

(b) Bursa Malaysia Securities Berhad (www.bursamalaysia.com)

The Company releases all announcements through Bursa Malaysia Securities Berhad which are accessible to the Public.

(c) Analyst Briefings

Top Management conducts briefing/meeting with analyst and fund managers from time to time to provide updates on the Company's strategy and performance.

11.2 Integrated Report

The management is of the view that an integrated report is not be necessary in view of the size of the Company.

II CONDUCT OF GENERAL MEETINGS

12.0 The Board attends General Meetings to engage directly with and be accountable to the shareholders for their stewardship of the Company.

12.1 Notice of Annual General Meeting

The Company dispatches its Notice of Annual General Meeting at least 28 days before the meeting date to allow the shareholders to make the necessary arrangements to attend and participate in the meeting.

12.2 Attendance of Directors

The Board is aware that the participation of all Board members at general meetings will complement the Chairman's role in engaging with shareholders.

Barring any unforeseen circumstances, all Directors will be present at the forthcoming AGM of the Company.

12.3 Shareholder Participation at AGM

A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. There is no restriction as to the qualification of the proxy save that the proxy must be of full age.

The voting at the AGM will be conducted by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll, respectively.

The Board adopts electronic voting to facilitate greater shareholders participation in the future.

III COMPLIANCE STATEMENT

The Board is satisfied that the Company has complied with the majority of the principles and recommendations of the MCCG 2017, as described in this statement. This statement is issued in accordance with a Board Resolution dated 16 April 2021.

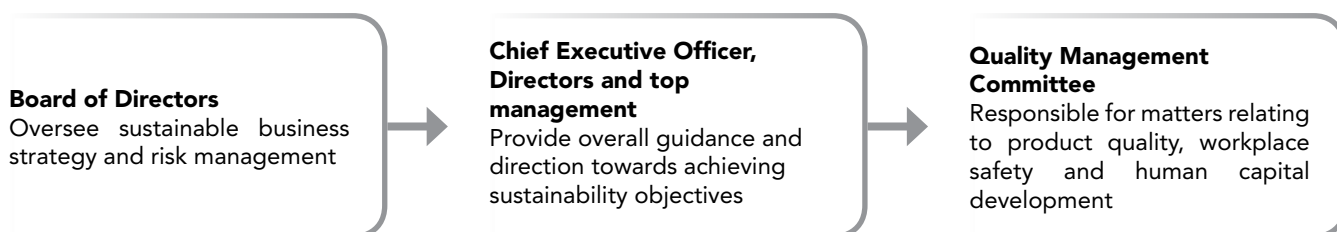
SUSTAINABILITY STATEMENT

Sustainability is a principle that Elsoft subscribes to and is highly pertinent in all its endeavours to be a successful and valuable company. The tenet of sustainability is central to the company's charter and remains a continual guide to all its activities and practices.

As the company strives to create and maximise profitability in the short term, it also recognises and is fully committed to its long term goal to achieve sustainable profit creation for its stakeholders. In our effort to achieve the sustainability goal, we will take into full consideration the impact on the economy, the environment and our social responsibility. In line with this, the company will continue to act and operate in a sustainable manner, formulating and employing sustainable strategies and actions on all fronts within its sphere of operations, so as to create value not only for the company but also for the communities and society at large.

Sustainability Governance

Governance of the company's sustainability efforts is the responsibility of every member of the company. The company's approach to sustainability governance is led by the Board of Directors and supported by the CEO and top management to ensure sustainable business strategies, risk management concepts, operational guidance and direction are strongly employed within the Group.



The company's sustainability governance is augmented by its effort in increased stakeholder engagement and its focus on certain material sustainability targets.

Stakeholder Engagement

Elssoft acknowledges the importance of stakeholder engagement and in identifying and understanding their needs and expectations. Our key stakeholders include customers, employees, shareholders, suppliers and government agencies.

Stakeholder Group	Type of Engagement
Customers	<ul style="list-style-type: none">➤ Customer satisfaction survey➤ Face to face meeting with customers
Employees	<ul style="list-style-type: none">➤ Message to employee via internal communication channel and company functions➤ Management's willingness to listen and respond to employee suggestions
Shareholders	<ul style="list-style-type: none">➤ Quarterly analyst briefings➤ Annual General Meeting➤ Corporate Website➤ Annual report and quarterly financial results
Suppliers	<ul style="list-style-type: none">➤ Suppliers performance evaluation➤ Regular feedback to suppliers on their quality and performance
Government Agencies	<ul style="list-style-type: none">➤ Participate in social programs and exhibitions➤ Attend seminars related to new government Acts and regulations

SUSTAINABILITY STATEMENT (CONT'D)



Materiality Assessment

Our materiality assessment involves managing both the expectations of stakeholders and the importance of sustainability. This is implemented by prioritizing them based on its impact on business and its influence on stakeholders. Currently, the following are our material sustainability matters identified by the top management after taking into consideration the concern of the stakeholders.

Areas	Material sustainability matters
Economic	<ul style="list-style-type: none">➤ Commitment to provide quality products and services➤ Local procurement practices
Environmental	<ul style="list-style-type: none">➤ Reduce energy consumption➤ Recycle packing and other materials➤ Comply with Environmental Quality (Clean Air) Regulation 2014
Social	<ul style="list-style-type: none">➤ Safe working environment and employee welfare➤ Human capital development➤ Budget allocation for contribution to the community

ECONOMIC

Commitment to provide quality products and services

Quality Policy	"Elsoft is committed to achieve outstanding performance and deliver superior quality products that meet our customers' expectation as well as the needs of all applicable interested parties. We believe employees' commitment and teamwork are key towards achieving excellence in quality through continuous improvement"
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Elsoft's Quality Policy is to ensure we deliver quality products and services to customers. This is evidenced by our efforts in obtaining ISO 9001:2015 certification in early 2018. Continuous improvement of our products, services and also production quality processes is an ongoing effort.

Local procurement practice

Suppliers play an important role to support Elsoft with their quality products and services to meet our customers' expectations. Without compromising on cost efficiency and product quality, the Group will source material locally as part of our concerted effort to grow and support the local supply chain. Tangible progress has been achieved to-date as shown below:

FYE	Locally sourced materials over total purchases
2020	Approximately 80%
2019	Approximately 77%

ENVIRONMENTAL

Elsoft strives to minimize harm and destruction of our environment and is committed to conduct its businesses in accordance with best environmental principles and practices. The Group aims to reduce the environmental impact of our business operations through the following efforts:

- Reduce energy consumption
The Group has replaced more than 90% of fluorescent lighting with energy-efficient LED lighting in the production area for long-term energy saving.
- Reduce paper consumption and recycle the use of packing material
The Group continues to encourage employees to use technology (email, electronic document and intranet) in order to reduce paper consumption and to recycle the use of packing and other materials.

SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENTAL (Cont'd)

(c) Compliance with Environmental Quality (Clean Air) Regulation 2014

The Group will engage certified independent testing laboratory to monitor the air pollutants level yearly to make sure it is in compliance with the Environmental Quality (Clean Air) Regulation 2014.

Air pollutants level monitoring		
FYE	Performed on	Result
2020	25 November 2020	In compliance
2019	7 November 2019	In compliance

(d) The Use of Renewable Energy

Solar energy is a renewable energy that is sustainable and totally inexhaustible. It is also a non-polluting source of energy and it does not emit any greenhouse gases when producing electricity. A 585.42kWp Solar Photovoltaic (PV) System has been installed at Elsoft's factory and is expected to generate up to 811,978kWh of electricity annually. The reduction in fossil electricity consumption and the resulting reduction in air pollution is equivalent to 16,392 trees cleansing the air annually or 549.12 tonnes of annual CO2 reduction.

SOCIAL

In terms of social aspect, we emphasize on our engagement with employees, shareholders and the community.

Human capital development

As a research company, Elsoft considers talent management as a very vital ingredient to stay competitive in the market place and to sustain long term business growth and profitability. We constantly provide funds for employees to attend relevant training and educational courses to improve their technical competency, skills and knowledge. We ensure all new employees hired are equipped with the necessary skill sets and knowledge relating to their positions.

Safe working environment and employee welfare

At our workplace, we ensure a safe and healthy environment for our employees. Facility staff periodically check the workplace conditions, firefighting and other safety systems to ensure the wellbeing of our employees. The Group also places important emphasis on employee health care by incorporating dental, optical and medical checkups as part of employee benefits funded by the company.

Contribution to the community

As a good business practice, Elsoft acknowledges its responsibility on the need to give back to the community. Every year, Elsoft would contribute cash donations to charitable organizations to help sustain their daily activities with the objective that they could, in turn, help more people needing assistance.

Charitable Organisation	Their main activity
FYE2019	
Cancer Research Malaysia ("CRM")	CRM conducts research in niche cancers often found in our Asian population. Through impactful research, CRM works towards the day when cancer is a disease that can be controlled and no longer feared.

In early part of year 2020, Elsoft contributed 60 units of temperature scanners to the Penang Island City Council and Seberang Perai City Council as part of the effort to fight against the Covid-19 pandemic.

GOING FORWARD

Sustainability principles are now changing and shaping the world. They bring with them new ways to conduct and operate business, and also new ways to produce and deliver products and services. Over time more and more businesses will be driven by these sustainability principles and strategies and it is imperative Elsoft moves on the same trajectory. The company has already taken the maiden steps in this direction.

STATEMENT OF **DIRECTORS' RESPONSIBILITY**

FOR THE ANNUAL AUDITED FINANCIAL STATEMENTS



The Directors are required by the Companies Act 2016 (the Act) to prepare financial statements for each financial year in accordance with applicable Financial Reporting Standards and the provisions of the Act and the Main Market Listing Requirements.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs, results and cash flows of the Group and the Company at the end of the financial year.

In preparing the financial statements, the Directors have:

- a. adopted the appropriate accounting policies and applied them consistently;
- b. made judgments and estimates that are reasonable and prudent;
- c. ensured that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d. prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records, which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Act.

The Directors are responsible for taking such steps as are reasonably available to them to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

AUDIT COMMITTEE REPORT

Mr Ooi Toon Kit

Chairman of Audit Committee

Independent Non-Executive Director

Dato' Dr. Chong Eng Keat @ Teoh Eng Keat

Member of Audit Committee

Independent Non-Executive Chairman

Madam Tan Ai Jiew

Member of Audit Committee

Non-Independent Non-Executive Director

Dato' Agatha Foo Tet Sin

Member of Audit Committee

Independent Non-Executive Director

The Audit Committee consists of four (4) members, who are all Non-Executive Directors and the majority of whom are Independent Directors.

1.0 Terms of Reference

The terms of reference of the Audit Committee can be viewed on the Company's website at elsoftresearch.com.

2.0 Attendance at Meetings

There were four (4) meetings held for the financial year ended 31 December 2020 each with 100% attendance. Details of attendance of the Committee members are as follows:

Name of Committee Member	No. of meetings attended
Mr Ooi Toon Kit	4/4
Dato' Dr. Chong Eng Keat @ Teoh Eng Keat	4/4
Madam Tan Ai Jiew	4/4
Dato' Agatha Foo Tet Sin	4/4

3.0 Summary of Activities

The Committee had carried out the following activities in the four (4) meetings during the financial year ended 31 December 2020 in discharging their duties and responsibilities:

- Reviewed the quarterly reports and financial statements (audited and unaudited) of the Group, paying particular attention to the implementation of major changes in accounting policies, significant and unusual events and compliance with accounting standards and other legal requirements. The Committee made recommendations on these reports and financial statements to the Board for approval prior to their release to Bursa Malaysia Securities Berhad.
- Reviewed Corporate Governance Overview Statement, Sustainability Statement, Internal Control and Risk Management Statement and Audit Committee Report and recommended the same to the Board for inclusion in the Annual Report.
- Reviewed with the external auditors their audit plan for the financial year 2020.
- Appraised and evaluated the performance of the external auditors.
- Reviewed and made recommendations concerning the appointment of the external auditors and their remuneration to the Board.
- The Committee met with the external auditors three (3) times during the year without the presence of the Management.
- Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.



3.0 Summary of Activities (Cont'd)

- Reviewed with the internal auditors on the adequacy of the Group's risk management practices, identified and considered significant financial and business risks and recommended to the Board of Directors the implementation of appropriate systems to manage these risks.
- Received and reviewed Internal Audit Reports with the internal auditors on findings, recommendation and remedial actions on the following:
 - (i) Inventory Management
 - (ii) General Safety & Security
 - (iii) Cash Management
 - (iv) Conversion & Production
- Evaluated and appraised the performance of the internal auditors.

4.0 Internal Audit

At present, the Group does not have an in-house internal audit department. Notwithstanding, the Committee and the Board strongly recognizes the importance of a structured risk management and a risk-based internal audit to establish and maintain a sound system of internal control. The Board appointed JWC Consulting Sdn. Bhd. as the internal auditors for the financial year ended 2020.

During the financial year under review, the outsourced internal auditors conducted reviews based on an approved internal audit plan and the results of these reviews were tabled at the Audit Committee meetings.

The internal auditors have also carried out follow-up reviews to ensure that recommendations for improving the internal control systems were being implemented satisfactorily.

During the course of internal audits, the internal auditors have identified areas that required improvement. These areas were duly highlighted in the Internal Audit Reports along with internal audit recommendations. The Committee had reviewed and acted on these recommendations.

In addition, the Audit Committee and the Senior Management work closely with both the internal and external auditors to review accounting and control issues to ensure significant issues are brought to the attention of the Board.

The expenditure incurred for the internal audit function for the financial year 2020 was RM23,000.

The Board of Directors and the Audit Committee relied on discussions with the Management and Executive Directors, review of quarterly financial statements and input from the external and internal auditors to discharge their duties. The state of internal control is detailed in the Statement on Risk Management and Internal Control on pages 32 to 33.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance 2017 ("MCCG 2017") requires public listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' investments and company's assets. Under the provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main Listing Requirements"), paragraph 15.26(b), Directors of public listed companies are required to produce a statement on the state of the company's internal control in their Annual Report.

The Board of Directors ("Board") continues with its commitment to maintain sound systems of risk management and internal control throughout Elsoft Research Berhad and its subsidiaries ("Group") and in compliance with the Main Listing Requirements and the Statement of Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) ("Internal Control Guidelines"), the Board is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the financial year in review.

BOARD RESPONSIBILITY

The Board acknowledges the importance of sound risk management and internal control being embedded into the culture, processes and structures of the Group. The systems of internal control cover risk management and financial, organizational, operational, project and compliance controls. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the effectiveness and efficiency of those systems to ensure its viability and robustness. It should be noted, however, that such systems are designed to manage, rather than eliminate, risks of failure to achieve corporate objectives. Inherently, it can only provide reasonable and not absolute assurance against material misstatement or loss.

CONTROL STRUCTURE AND ENVIRONMENT

In furtherance to the Board's commitment to maintain sound systems of risk management and internal control, the Board continues to maintain and implement a structure and environment for the proper conduct of the Group's business operations as follows:

- The Board meets at least quarterly and has set a schedule of matters which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. The Chief Executive Officer leads the presentation of board papers and provides explanation of pertinent issues. In addition, the Board is kept updated on the Group's activities and its operations on a regular basis;
- An organization structure with well-defined scopes of responsibility, clear lines of accountability, and levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for operational and human resource management, which is subject to review and improvement. A documented delegation of authority with clear lines of accountability and responsibility serves as a tool of reference in identifying the approving authority for various transactions including matters that require Board's approval;
- Regular and relevant information provided by management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- Regular visits to operating units by members of the Board and senior management.
- Engagement of a qualified internal audit provider to assist the Audit Committee and the Board.

RISK MANAGEMENT

The Group has established risk management practices to safeguard the Group's business interest from risk events that may impede the achievement of business strategy and provide assurance to the Groups' various stakeholders. The Group CEO and Finance Manager have provided the Board the assurance that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives.

The main components of the Group's risk governance and structure consists of the Board, the Senior Management and the key personnel of the Group. The structure allows for strategic risk discussions to take place between the Board and the Senior Management on a periodical basis, where necessary. The summary of the accountabilities of the Board, the Senior Management and the key personnel under the risk governance structure are as follows:

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)



RISK MANAGEMENT (Cont'd)

a. Board of Directors

- Overall risk oversight responsibility;
- Determines that the principal risks are identified, and appropriate as well as robust systems are implemented to manage these risks;
- Reviews the adequacy and the integrity of the Group's internal control systems and information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

b. Senior Management and key personnel of the Group

- Oversees the effective implementation of risk policies and guidelines, and cultivation of risk management culture within the organization;
- Reviews and monitors periodically the status of the Group's principal risks and their mitigation actions and update the Board accordingly, where necessary.

Regular project-based discussions are conducted and attended by the Group's senior and middle management and key employees. This is part of the ongoing initiative to sustain risk awareness and risk management capabilities.

In essence, Risk Management is conducted through an ongoing process between the Board, the Management and employees in the Group. The Group believes that the risk management framework and guidelines adopted and implemented have strengthened the risk ownership and risk management culture amongst the employees.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of the internal audit function and has engaged the services of an independent professional and consulting firm, to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses the core business processes of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee.

The Audit Committee has full and direct access to the internal auditors and the Audit Committee receives reports on all internal audits performed. The Internal Auditors continue to independently and objectively monitor compliance with regard to policies and procedures, and the effectiveness of the internal controls systems. Significant findings and recommendations for improvement are highlighted to Management and the Audit Committee, with periodic follow-up of the implementation of action plans. The Management is responsible for ensuring that corrective actions were implemented accordingly.

Based on the internal auditors' reports for the financial year ended 31 December 2020, the Board has reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

This statement is issued in accordance with a resolution of the Directors dated 16 April 2021.

REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS

The external auditors have reviewed this Statement in accordance to Paragraph 15.23 of the MMLR of Bursa Securities. As set out in their terms of engagement, the limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants.

AAPG 3 does not require the external auditors to consider whether this Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures.

Based on their review as to the factual accuracy of the processes and not their effectiveness or efficiency, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control intended to be included in the Annual Report is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

SHARE BUY-BACK STATEMENT

IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK ("STATEMENT")

1. INTRODUCTION

At the Annual General Meeting ("AGM") held on 28 August 2020, our Board of Directors ("Board") had obtained the shareholders' approval for the renewal of the authority to enable the Company to purchase its own shares up to a maximum of 10% of its total number of issued shares ("Proposed Renewal of Authority for Share Buy-Back" or "Proposed Share Buy-Back"). The approval for the Proposed Renewal of Authority for Share Buy-Back shall lapse at the conclusion of the forthcoming Eighteenth (18th) AGM, which has been scheduled to be held on Friday, 28 May 2021 unless the approval is renewed.

On 16 April 2021, our Board had announced to Bursa Malaysia Securities Berhad ("Bursa Securities") that we proposed to seek our shareholders' approval for the Proposed Renewal of Authority for Share Buy-Back at our forthcoming 18th AGM.

The Proposed Renewal of Authority for Share Buy-Back will allow Elsoft Research Berhad ("Elssoft" or "the Company") to purchase its own shares up to a maximum of 10% of its total number of issued shares from the open market.

The purpose of this Statement is to provide you with details and information on the Proposed Renewal of Authority for Share Buy-Back as well as to seek your approval for the ordinary resolution in relation to the Proposed Renewal of Authority for Share Buy-Back to be tabled at our 18th AGM. The notice of the 18th AGM and the form of proxy are set out in page 98 to 102 and 103 to 104 respectively.

WE ADVISE YOU TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS STATEMENT BEFORE VOTING ON THE ORDINARY RESOLUTION IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK TO BE TABLED AT THE 18TH AGM.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISORS IMMEDIATELY.

2. DETAILS OF THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

Our Board proposed to seek approval from our shareholders for the Proposed Renewal of Authority for Share Buy-Back so that our Directors can exercise the power to purchase its own Shares in circumstances which the Directors consider would be in the best interest of the Company.

The Proposed Renewal of Authority for Share Buy-Back will be effective upon the passing of the resolution in our 18th AGM and will continue to be in force until:

- (a) the conclusion of our next AGM following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which our next AGM after that date is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by our shareholders in general meeting;

whichever occurs first, but not so as to prejudice the completion of purchase(s) by our Company before the aforesaid expiry date and in any event, in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") or any other relevant authority.

2.1 Maximum Number or Percentage of Shares to be Acquired

As at 31 March 2021 ("LPD"), the total issued share capital of our Company based on the Record of Depositors is RM45,224,255 comprising 673,387,580 Shares (inclusive of 1,197,360 (treasury shares)). As an illustration, the maximum number of Shares which may be purchased by our Company will not be more than 67,338,758 Shares based on the issued share capital of our Company as at the LPD.

As at the LPD, our Company has outstanding options of 3,254,000 granted under the Employees' Share Option Scheme which was established on 1 April 2016 ("Outstanding ESOS Options"). Should the issued share capital of our Company increase due to the exercise of the Outstanding ESOS Options, the maximum number of Shares that can be purchased is up to ten percent (10%) of the enlarged issued share capital of our Company at the time of purchase.

SHARE BUY-BACK STATEMENT (CONT'D)

IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK ("STATEMENT")



2. DETAILS OF THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK (Cont'd)

2.2 Pricing

Pursuant to Chapter 12 of the Listing Requirements, Elsoft shall purchase its own Shares or resell its treasury shares (if applicable) only on the market of the Bursa Securities at a price not more than fifteen percent (15%) above the weighted average market price of ordinary shares in Elsoft ("Elssoft Share(s)" or "Share(s)") for the five (5) market days immediately preceding the date of purchase.

The price for the resale of treasury shares shall:

- (a) not be less than the weighted average market price for Elsoft Shares for five (5) market days immediately prior to the resale; or
- (b) be at a discounted price of not more than five percent (5%) to the weighted average market price for Elsoft Shares for five (5) market days immediately prior to the resale provided that:
 - (i) the resale takes place not earlier than thirty (30) days from the date of the purchase; and
 - (ii) the resale price is not less than the cost of purchase of the Shares being resold.

2.3 Treatment of Shares Purchased pursuant to the Proposed Share Buy-Back ("Purchased Shares")

The Purchased Shares by our Company may be dealt by our Board in accordance with Section 127 of the Companies Act 2016 ("Act") in the following manners:

- (a) cancel the Shares so purchased; or
- (b) retain the Shares so purchased as treasury shares; or
- (c) retain part of the Shares so purchased as treasury shares and cancel the remainder; or
- (d) distribute the treasury shares as share dividends to shareholders; or
- (e) resell the treasury shares on Bursa Securities; or
- (f) transfer the treasury shares, or any of the shares for the purposes of or under an employees' share scheme; or
- (g) transfer the treasury shares, or any of the shares as purchase consideration; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force.

As at the date of this Statement, our Board has yet to decide on the treatment of the Purchased Shares and will take into consideration the effects of such treatment on our Company in arriving at its decision. An immediate announcement will be made to Bursa Securities upon each purchase, cancellation and/or resale of Shares pursuant to the Proposed Renewal of Authority for Share Buy-Back.

If such Purchased Shares were held as treasury shares, the rights attaching to them in relation to voting, dividends and participation in any other distribution or otherwise will be suspended. The treasury shares would not be taken into account in calculating the number or percentage of Shares or a class of Shares in our Company for any purposes including the determination of substantial shareholdings, take-overs, notices, the requisitioning of meetings, the quorum for meetings and the result of a vote on resolution(s) at meetings.

SHARE BUY-BACK STATEMENT (CONT'D)

IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK ("STATEMENT")

2. DETAILS OF THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK (Cont'd)

2.4 Share Prices

The monthly highest and lowest closing market prices of the Shares traded on Bursa Securities for the past twelve (12) months up to the LPD are as follows:

	Low RM	High RM
2020		
April	0.465	0.710
May	0.580	0.740
June	0.575	0.735
July	0.620	0.685
August	0.635	0.830
September	0.600	0.725
October	0.585	0.665
November	0.590	0.670
December	0.605	0.810
2021		
January	0.725	1.040
February	0.680	1.020
March	0.650	0.745
Last transacted market price on 31 March 2021 (being the latest practicable date prior to the printing of this Statement)		0.685

(Source: Bloomberg)

3. RATIONALE FOR THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

The implementation of the Proposed Renewal of Authority for Share Buy-Back is envisaged to benefit our Company and its shareholders as follows:

- (a) our Company is able to utilise its surplus financial resources more efficiently. If implemented, this may help to stabilize the supply and demand of the Shares traded on Bursa Securities and thereby support its fundamental value.
- (b) the earnings per share ("EPS") and the return on equity of our Company is expected to improve as a result of a reduced share capital base.
- (c) the Purchased Shares retained as treasury shares provide our Board with an option to resell the treasury shares at a higher price and increase the financial resources of our Company.
- (d) the Purchased Shares retained as treasury shares can be distributed as share dividends to our shareholders as a reward.

SHARE BUY-BACK STATEMENT (CONT'D)

IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK ("STATEMENT")



4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

4.1 Potential Advantages

The potential advantages of the Proposed Renewal of Authority for Share Buy-Back are as follows:

- (a) The Proposed Renewal of Authority for Share Buy-Back would enable our Company to utilise its financial resources more efficiently especially where there is no immediate use and it may strengthen the EPS of Elsoft and its subsidiaries ("Elssoft Group" or the "Group").
- (b) The Proposed Renewal of Authority for Share Buy-Back will also provide our Company with opportunities to increase its financial resources if the Purchased Shares which are retained as treasury shares are resold at prices higher than their cost of purchase.
- (c) In any event, the treasury shares may also be distributed as share dividends to the shareholders as a reward.
- (d) The Proposed Renewal of Authority for Share Buy-Back may also stabilise the supply and demand of Shares traded on Bursa Securities and reduce the volatility of our Company's share prices. The stability of Shares price is important to maintain investors' confidence and may also assist in facilitating future fund raising via the equity market.

4.2 Potential Disadvantages

The potential disadvantages of the Proposed Renewal of Authority for Share Buy-Back are as follows:

- (a) The Proposed Renewal of Authority for Share Buy-Back if implemented is expected to temporarily reduce the immediate financial resources of our Group.
- (b) The Proposed Renewal of Authority for Share Buy-Back may also result in our Group foregoing better investment opportunities which may emerge in the future and/or any income that may be derived from other alternative uses of such funds such as deposit in interest bearing instruments.
- (c) The Proposed Renewal of Authority for Share Buy-Back may also reduce the amount of resources available for distribution to the shareholders of our Company in the form of dividends as funds are utilised to purchase its own Shares.

Nevertheless, the Proposed Renewal of Authority for Share Buy-Back is not expected to have any potential material disadvantages to our Company and our shareholders, as it will be implemented only after careful consideration of the financial resources of our Group and its resultant impact. The Board is mindful of the interest of our Company and our shareholders and will be prudent with respect to the Proposed Renewal of Authority for Share Buy-Back exercise.

5. FUNDING

The maximum amount of funds to be allocated for the Proposed Renewal of Authority for Share Buy-Back shall not exceed the aggregate of retained earnings of our Company. As at 31 December 2020, being the latest available audited financial statements, the audited accumulated retained earnings of our Company were RM8,351,881.

Notwithstanding the above, our Board will ensure that there are sufficient retained earnings at our Company level at any time for the purchase of its own Shares by our Company under the Proposed Renewal of Authority for Share Buy-Back. In addition, our Board will ensure that the maximum amount of funds to be utilised for the Proposed Renewal of Authority for Share Buy-Back shall not exceed the retained earnings of our Company at the time of purchase and that the Proposed Renewal of Authority for Share Buy-Back will not result our Company being insolvent or its capital being impaired.

The Proposed Renewal of Authority for Share Buy-Back will be funded through internally generated funds and/or bank borrowings or a combination of both. The actual amount of borrowings will depend on the financial resources available at the time of purchase(s). The actual number of Elsoft Shares to be purchased and the timing of such purchases will depend on, amongst others, the market conditions, and sentiments of the stock market as well as the retained earnings and the financial resources available to our Group.

SHARE BUY-BACK STATEMENT (CONT'D)

IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK ("STATEMENT")

5. FUNDING (Cont'd)

In the event that our Company intends to purchase its own shares using bank borrowings, our Board shall ensure that our Company shall have sufficient funds to repay the bank borrowings and interest expense and that the repayment would have no material effect on the cash flow of our Company.

6. EFFECTS OF THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

The effects of the Proposed Renewal of Authority for Share Buy-Back on the share capital, earnings, net assets ("NA"), working capital, dividend and gearing of our Company and the Elsoft Group, whichever applicable, are set out below:

6.1 Share Capital

The effects of the Proposed Renewal of Authority for Share Buy-Back on the total number of issued Shares of our Company will depend on whether the Purchased Shares are cancelled or retained as treasury shares.

Based on the total number of issued Shares of our Company as at the LPD and assuming that the maximum number of Elsoft Shares (of up to ten percent (10%) of the total number of issued shares) authorised under the Proposed Renewal of Authority for Share Buy-Back are purchased and cancelled, it will result in the total number of issued Shares of our Company being reduced as follows:

	⁽ⁱ⁾ Minimum Scenario No. of Shares	⁽ⁱⁱ⁾ Maximum Scenario No. of Shares
Issued share capital as at the LPD	673,387,580	673,387,580
Shares to be issued upon full exercise of all Outstanding ESOS Options as at the LPD	-	3,254,000
	673,387,580	676,641,580
Assuming all the Purchased Shares pursuant to the Proposed Renewal of Authority for Share Buy-Back are cancelled ⁽ⁱⁱⁱ⁾	(67,338,758)	(67,664,158)
Resultant issued share capital after the Proposed Renewal of Authority for Share Buy-Back	606,048,822	608,977,422

Notes:

(i) Minimum scenario assumes that there is no exercise of Outstanding ESOS Options outstanding as at the LPD.

(ii) Maximum scenario assumes that all Outstanding ESOS Options outstanding as at the LPD are exercised.

(iii) Include the 1,197,360 Shares that have been purchased and held as treasury shares as at the LPD.

However, the Proposed Renewal of Authority for Share Buy-Back will not have any effect on the total number of issued shares of Elsoft if all of the Purchased Shares are to be retained as treasury shares.

The rights attached to them as to voting, dividends and participation in other distribution and otherwise are suspended. While these Elsoft Shares remain as treasury shares, the said treasury shares shall not be taken into account in calculating the number or percentage of Elsoft Shares or of a class of shares in our Company for any purpose including substantial shareholdings, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

SHARE BUY-BACK STATEMENT (CONT'D)

IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK ("STATEMENT")



6. EFFECTS OF THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK (Cont'd)

6.2 Earnings

The effects of the Proposed Renewal of Authority for Share Buy-Back on the earnings of our Group would depend on the purchase price, the number of Shares purchased and the effective funding cost or loss in the interest income to our Company or opportunity cost in relation to other investment opportunities. The effective reduction in the issued share capital of our Company pursuant to the Proposed Renewal of Authority for Share Buy-Back will, generally, all else being equal, have a positive impact on our Group's EPS.

6.3 NA

The consolidated NA of our Company may increase or decrease depending on the number of Purchased Shares, the purchase prices of the Shares, the effective cost of funding and the treatment of the Purchased Shares pursuant to the Proposed Renewal of Authority for Share Buy-Back.

The Proposed Renewal of Authority for Share Buy-Back will reduce the NA per Share if the purchase price exceeds the NA per Share at the time of purchase. However, the NA per Share will increase if the purchase price is less than the NA per Share at the time of purchase.

6.4 Working Capital

The Proposed Renewal of Authority for Share Buy-Back would reduce the funds available for working capital purposes of our Group, the quantum of which would depend on the purchase price, the actual number of Purchased Shares and any associated costs incurred in making the purchase. However, if the Purchased Shares held as treasury shares are subsequently resold on Bursa Securities, the working capital of our Group will increase if our Company realises gain from the resale.

6.5 Dividends

The Proposed Renewal of Authority for Share Buy-Back is not expected to have any impact on the dividend payment as our Board will take into consideration of our Group's profit, cash flow and the capital commitments before proposing any dividend payment. However, our Board will have the option of distributing the treasury shares as share dividends to the shareholders of our Company.

6.6 Gearings

The Proposed Renewal of Authority for Share Buy-Back is not expected to have any effect on the gearing of our Group.

SHARE BUY-BACK STATEMENT (CONT'D)

IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY- BACK ("STATEMENT")

7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Based on the Registers of Directors' Shareholdings and Substantial Shareholdings as at the LPD and assuming that the Proposed Renewal of Authority for Share Buy-Back is implemented up to the maximum of 10% of the total number of issued shares and that the Purchased Shares are from the shareholders other than the Directors and Substantial Shareholders of Elsoft, its effects on the shareholdings of the Directors and Substantial Shareholders of Elsoft are illustrated as follows:

	⁽ⁱ⁾ Before the Proposed Renewal of Authority for Share Buy-Back						After the Proposed Renewal of Authority for Share Buy-Back					
	As at the LPD			⁽ⁱⁱ⁾ Minimum Scenario			⁽ⁱⁱⁱ⁾ Maximum Scenario					
	Direct	No. of Shares	%	Indirect	No. of Shares	%	Direct	No. of Shares	%	Indirect	No. of Shares	%
<u>Directors and Substantial Shareholders</u>												
Tan Cheik Eaik	159,101,440	23.67	-	-	159,101,440	26.25	-	159,389,440	26.17	-	-	-
Koay Kim Chiew	74,020,060	11.01	-	-	74,020,060	12.21	-	74,308,060	12.20	-	-	-
Tan Ah Lek	63,284,498	9.41	(iv)270,000	0.04	63,284,498	10.44	(iv)270,000	63,284,498	10.39	(iv)270,000	0.04	0.04
Tan Ai Jiew	85,466,600	12.71	(iv)6,264,000	0.93	85,466,600	14.10	(iv)6,264,000	85,466,600	14.03	(iv)6,264,000	1.03	1.03
<u>Directors</u>												
Dato' Dr Chong Eng Keat @ Teoh Eng Keat	3,324,500	0.49	-	-	3,324,500	0.55	-	3,324,500	0.55	-	-	-
Ooi Toon Kit	2,304,000	0.34	-	-	2,304,000	0.38	-	2,304,000	0.38	-	-	-
Dato' Agatha Foo Tet Sin	-	-	-	-	-	-	-	-	-	-	-	-
<u>Substantial Shareholder</u>												
Tan Cheik Kooi	48,534,360	7.22	-	-	48,534,360	8.01	-	48,534,360	7.97	-	-	-

Notes:

- (i) Exclude the 1,197,360 Shares that have been purchased and held as treasury shares as at the LPD.
- (ii) Minimum scenario assumes that there is no exercise of Outstanding ESOS Options outstanding as at the LPD.
- (iii) Maximum scenario assumes that all Outstanding ESOS Options outstanding as at the LPD are exercised.
- (iv) Deemed interested through the shareholdings of his/her children pursuant to Section 59 (1)(c) of the Act.

SHARE BUY-BACK STATEMENT (CONT'D)

IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK ("STATEMENT")



8. PUBLIC SHAREHOLDING SPREAD

Our Board is mindful of the requirement that the Proposed Renewal of Authority for Share Buy-Back must not result in the number of Elsoft Shares, which are in the hands of the public falling below 25% of the issued share capital of our Company.

The effects of the Proposed Renewal of Authority for Share Buy-Back on the public shareholding spread of Elsoft as at the LPD assuming that the Proposed Renewal of Authority for Share Buy-Back is implemented in full and all the Purchased Shares were cancelled (assuming all the Outstanding ESOS Options have yet to be exercised) are illustrated as below:

	No. of Shares	Shareholding Spread
Total number of issued shares as at the LPD	673,387,580	34.16%
Assuming full implementation of the Proposed Renewal of Authority for Share Buy-Back at 10% of the issued Shares of Elsoft and the said Purchased Shares are cancelled	<u>(67,338,758)</u>	
Total number of issued Shares after the Proposed Renewal of Authority for Share Buy-Back	<u>606,048,822</u>	26.97%

The Proposed Renewal of Authority for Share Buy-Back will be carried out in accordance with the prevailing laws at the time of the purchase including compliance with 25% public shareholding spread as required under Paragraph 8.02(1) of the Listing Requirements.

Our Board will endeavour to ensure that our Company complies with the public shareholding spread requirements and shall not buy back our own shares if the purchase would result in the public shareholding spread requirements not being met.

9. APPROVAL REQUIRED FOR THE PROPOSED SHARE BUY-BACK

The Proposed Renewal of Authority for Share Buy-Back is conditional upon the approval of the shareholders of our Company being obtained at the AGM to be convened.

Save for the approval of the shareholders of Elsoft, there are no other approvals required for the Proposed Renewal of Authority for Share Buy-Back.

SHARE BUY-BACK STATEMENT (CONT'D)

IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK ("STATEMENT")

10. SHARES PURCHASED IN THE PAST TWELVE (12) MONTHS

During the past twelve (12) months and up to the LPD, details of the purchase of the treasury shares were as follows:

Month	No. of Shares Purchased	Lowest Price (RM/ Share)	Highest Price (RM/ Share)	Average Price (RM/ Share)	Total Consideration Paid (RM)
2020					
April	-	-	-	-	-
May	-	-	-	-	-
June	-	-	-	-	-
July	-	-	-	-	-
August	-	-	-	-	-
September	-	-	-	-	-
October	-	-	-	-	-
November	-	-	-	-	-
December	-	-	-	-	-
2021					
January	-	-	-	-	-
February	-	-	-	-	-
March	-	-	-	-	-

As at the LPD, a total of 1,197,360 Shares were purchased and held as treasury shares. Our Company has not resold, transferred or cancelled any treasury shares on Bursa Securities during the financial year ended 31 December 2020.

11. IMPLICATIONS OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2016 ("CODE")

Pursuant to the Code, a person, and any person acting in concert with him, will be required to make a mandatory offer for the remaining Shares not already owned by him/them if his/their stake in our Company is/are increased to beyond 33% or if his/their shareholding is/are between 33% and 50% and increases by another 2% in any 6-month period. However, an exemption may be granted by the Securities Commission.

Our Company does not intend to undertake the Proposed Renewal of Authority for Share Buy-Back such that it will trigger any obligation to undertake a mandatory offer pursuant to the Code. However, in the event an obligation to undertake a mandatory offer is to arise with respect to any party resulting from the Proposed Renewal of Authority for Share Buy-Back, the relevant parties shall make the necessary application to the Securities Commission for a waiver to undertake a mandatory offer pursuant to the Code.

12. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the inadvertent increase in the percentage of the shareholding and/or voting rights of our shareholders as a consequence of the Proposed Renewal of Authority for Share Buy-Back, none of our Directors and Substantial Shareholders or persons connected to them has any interest, direct or indirect, in the Proposed Renewal of Authority for Share Buy-Back.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after having considered all aspects of the Proposed Renewal of Authority for Share Buy-Back, is of the opinion that the Proposed Renewal of Authority for Share Buy-Back is in the best interest of our Company.

Accordingly, our Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Authority for Share Buy-Back to be tabled at our 18th AGM.

SHARE BUY-BACK STATEMENT (CONT'D)

IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK ("STATEMENT")



14. RESPONSIBILITY STATEMENT

The Board has seen and approved the contents of this Statement, and they collectively and individually, accept full responsibility for the accuracy of the information given in this Statement. They confirm that after making all reasonable enquires and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Statement false or misleading.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal office hours (except for Saturday, Sunday and public holidays) from the date of this Statement up to and including the date of the 18th AGM, at the registered office of our Company at 39, Irving Road, 10400 Georgetown, Penang:

- (a) Constitution of our Company; and
- (b) the audited consolidated financial statements of Elsoft for the past two (2) financial years ended ("FYE") 31 December 2018 and 2019, and the unaudited consolidated financial statements of Elsoft for the quarter ended 31 December 2020.

16. BURSA SECURITIES

Bursa Securities has not perused the contents of this Statement in relation to the Proposed Renewal of Authority for Share Buy-Back prior to the issuance of this Statement as the said contents fall under the category of Exempt Circulars pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

This Statement is issued in accordance with a Board of Directors' Resolution dated 16 April 2021.

ADDITIONAL COMPLIANCE INFORMATION

1 Audit Fees

The audit fees charged by the external auditors for the financial year ended 31 December 2020 amounted to RM16,000 for the Company and RM59,000 for the Group.

2 Non-Audit Fees

The amount of non-audit fees paid or payable to the external auditors or a firm or corporation affiliated to the auditors' firm by the Company and the Group for the financial year ended 31 December 2020 were as follows:

	Group (RM)	Company (RM)
Non-audit fees payable to the external auditors	3,000	3,000
Non-audit fees paid or payable to an affiliated firm of the external auditors for tax advisory services	11,400	2,200
Total	14,400	5,200

3 Material Contracts Involving Directors and Major Shareholders

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either still subsisting as at 31 December 2020 or entered into since the end of the previous financial year.

4 Recurrent Related Party Transactions of a Revenue or Trading Nature

The Company does not have any recurrent related party transaction of a revenue or trading nature during the financial year.

5 Employees' Share Option Scheme

The shareholders of the Company had via its Extraordinary General Meeting held on 26 November 2015, amongst others, approved the Establishment of an Employees' Share Option Scheme ("ESOS") of up to 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS Scheme. The implementation of the ESOS was effective from 1 April 2016.

The movement of ESOS granted, adjusted, exercised and outstanding are set out below:

	Number of ESOS as at 31 December 2020			Balance as at 31 December 2020
	Balance as at 1 January 2020	Retracted	Exercised	
Directors	1,188,000	-	(612,000)	576,000
Employees	6,086,400	(90,000)	(2,020,300)	3,976,100
Total	7,274,400	(90,000)	(2,632,300)	4,552,100

Pursuant to the Company's ESOS, not more than 50% of the options available under scheme shall be allotted, in aggregate, to Directors and Senior Management.

Since the commencement of the scheme, 11% of the options available under the scheme have been granted to Directors and senior management.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)



5 Employees' Share Option Scheme (Cont'd)

The table below sets out the ESOS granted to Non-Executive Directors:

	Number of ESOS as at 31 December 2020			Balance as at 31 December 2020
	Balance as at 1 January 2020	Retracted	Exercised	
Dato' Dr Chong Eng Keat @ Teoh Eng Keat	180,000	-	(180,000)	-
Ooi Toon Kit	144,000	-	(144,000)	-
Tan Ai Jiew	144,000	-	(144,000)	-
Tan Ah Lek	144,000	-	(144,000)	-
Total	612,000	-	(612,000)	-

FINANCIAL STATEMENTS

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DIRECTORS' REPORT



The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is principally involved in research, design and development of test, burn-in and application specific embedded system. The principal activities and the details of the subsidiaries are set out in Note 8 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit for the financial year	<u>648,346</u>	<u>5,010,395</u>
Attributable to:		
Owners of the parent	<u>648,346</u>	<u>5,010,395</u>

DIVIDENDS

The dividends paid and declared since the end of the previous financial year were as follows:

	RM
In respect of the financial year ended 31 December 2019:	
Fourth interim dividend of RM0.005 per ordinary share, paid on 17 April 2020	3,341,299
In respect of the financial year ended 31 December 2020:	
First interim dividend of RM0.0025 per ordinary share, paid on 10 July 2020	1,674,686
Second interim dividend of RM0.0025 per ordinary share, paid on 9 October 2020	1,677,231
	<u>6,693,216</u>

On 24 February 2021, the Directors declared a third single tier interim dividend of RM0.005 per ordinary share in respect of the financial year ended 31 December 2020, amounting to RM3,360,951, paid on 16 April 2021. The financial statements for the current financial year do not reflect this dividend. This dividend, will be accounted for as an appropriation of retained earnings during the financial year ending 31 December 2021.

The Directors do not recommend any payment of final dividend for the current financial year.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary shares of the Company was increased from 669,457,180 to 672,089,480 by way of issuance of 2,632,300 new ordinary shares pursuant to options exercised under the Employees' Share Option Scheme ("ESOS") at an average exercise price of RM0.42 per ordinary share for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year apart from the issue of options pursuant to the Employees' Share Option Scheme ("ESOS").

The ESOS of the Company came in to effect on 1 April 2016. The ESOS shall be in force for a period of five (5) years until 31 March 2021. The salient features and other terms of the ESOS are disclosed in Note 23 to the financial statements.

During the year, the Directors had approved to extend the ESOS for another period of five (5) years commencing from 1 April 2021 until 31 March 2026 on the same terms and conditions as mentioned in the By-Laws.

The movements of options offered to take up unissued ordinary shares during the financial year are as follows:

	<----- Number of options over ordinary shares ----->				
	Outstanding as at 1-1-2020	Exercised	Retracted*	Outstanding as at 31-12-2020	Exercisable as at 31-12-2020
Grant date					
2 June 2016	5,988,400	(2,632,300)	0	3,356,100	3,356,100
10 April 2018	1,286,000	0	(90,000)	1,196,000	1,196,000
	7,274,400	(2,632,300)	(90,000)	4,552,100	4,552,100

* Due to resignation

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Dato' Dr Chong Eng Keat @ Teoh Eng Keat
Tan Cheik Eaik *
Koay Kim Chiew *
Tan Ai Jiew *
Tan Ah Lek *
Ooi Toon Kit
Dato' Agatha Foo Tet Sin

* These Directors of the Company are also the Directors of certain subsidiaries of the Company.

DIRECTORS' REPORT (CONT'D)



DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares of the Company during the financial year ended 31 December 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	<----- Number of ordinary shares ----->			
	Balance as at 1-1-2020	Bought	Sold	Balance as at 31-12-2020
Shares in the Company				
Direct interests				
Dato' Dr Chong Eng Keat @ Teoh Eng Keat	3,144,500	180,000	0	3,324,500
Tan Cheik Eaik	161,101,440	0	0	161,101,440
Koay Kim Chiew	76,020,060	0	0	76,020,060
Tan Ai Jiew	85,322,600	144,000	0	85,466,600
Tan Ah Lek	63,140,498	144,000	0	63,284,498
Ooi Toon Kit	2,160,000	144,000	0	2,304,000
Deemed interests				
Tan Ai Jiew #	6,138,000	126,000	0	6,264,000
Tan Ah Lek #	216,000	54,000	0	270,000

Deemed interest by virtue of Section 59(11)(c) of the Companies Act 2016 held through children.

	<----- Number of options over ordinary shares ----->			
	Balance as at 1-1-2020	Bought	Sold	Balance as at 31-12-2020
Share options in the Company				
Dato' Dr Chong Eng Keat @ Teoh Eng Keat	180,000	0	(180,000)	0
Tan Cheik Eaik	288,000	0	0	288,000
Koay Kim Chiew	288,000	0	0	288,000
Tan Ai Jiew	144,000	0	(144,000)	0
Tan Ah Lek	144,000	0	(144,000)	0
Ooi Toon Kit	144,000	0	(144,000)	0

By virtue of his interests in the ordinary shares of the Company, Tan Cheik Eaik is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

None of the other Director holding office at the end of the financial year held any interest in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has as substantial financial interest except for any benefits which maybe deemed to have arisen by virtue of the transactions mentioned in Note 27 to the financial statements.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT (CONT'D)

TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ("AGM") held on 28 August 2020, renewed the approval for the Company to repurchase its own shares.

During the financial year, the Company repurchased 100,000 of its issued ordinary shares from the open market at an average price of RM0.45 per share. The total consideration paid for the repurchased shares was RM44,655. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2020, the Company held a total of 1,197,360 ordinary shares as treasury shares out of its 672,089,480 issued and fully paid ordinary shares. Such shares are held at a carrying amount of RM1,087,439 and further relevant details are disclosed in Note 14(b) to the financial statements.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 27(c) to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

There were no indemnity given to or insurance effected for the officers and auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there are no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, except for the effect arising from impairment losses on investment in an associate as disclosed in Note 9(f) to the financial statements.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would necessitate the writing off of bad debts or render the amounts of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT (CONT'D)



OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (Cont'd)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT (Cont'd)

(d) In the opinion of the Directors:

- (i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made; and
- (ii) no contingent or other liability has become enforceable or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 30 to the financial statements.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2020 amounted to RM19,000 and RM44,000 respectively.

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

Tan Cheik Eaik
Director

Koay Kim Chiew
Director

Penang
16 April 2021

STATEMENT BY **DIRECTORS**

In the opinion of the Directors, the financial statements set out on pages 56 to 94 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions 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 at 31 December 2020 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Tan Cheik Eaik
Director

Koay Kim Chiew
Director

Penang
16 April 2021

STATUTORY **DECLARATION**

I, Tan Cheik Eaik (I/C No. 650412-02-5189), being the Director primarily responsible for the financial management of Elsoft Research Berhad, do solemnly and sincerely declare that the financial statements set out on pages 56 to 94 are, to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by the
abovenamed at Georgetown in the State
of Penang this 16 April 2021

Tan Cheik Eaik

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ELSOFT RESEARCH BERHAD



Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Elsoft Research Berhad, which comprise the statements of financial position as at 31 December 2020 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 94.

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 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") 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 ("ISAs"). 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 financial 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.

Key Audit Matter of the Group

Impairment of trade receivables

Gross trade receivables of the Group as at 31 December 2020 were RM7,461,856 as disclosed in Note 11 to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information with consideration of COVID-19 pandemic to assess the expected credit loss allowances.

Audit response

Our audit procedures included the following:

- (i) Recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group taking into consideration the effects arising from the COVID-19 pandemic;
- (ii) Recomputed the correlation coefficient between the macroeconomic indicators used by the Group and historical losses to determine the appropriateness of the forward-looking information used by the Group; and
- (iii) Obtained an understanding from management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

We have determined that there are no key audit matters to communicate in our report in respect to the audit of the financial statements of the Company.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF ELSOFT RESEARCH BERHAD

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 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 MFRSs, IFRSs, 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 ability of the Group and of the Company 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 ISAs 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.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, 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 internal control of the Group and of the Company.
- 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 ability of the Group or of the Company 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF ELSOFT RESEARCH BERHAD



Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (Cont'd)

- 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, actions taken to eliminate threats or safeguards applied.

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.

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.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Koay Theam Hock
02141/04/2023 J
Chartered Accountant

Penang
16 April 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	17,678,650	17,805,824	36,710	54,973
Right-of-use asset	6	2,761,377	2,825,219	0	0
Investment properties	7	2,678,629	2,761,952	0	0
Investment in subsidiaries	8	0	0	29,973,876	29,950,222
Investment in associates	9	9,459,963	14,767,903	4,470,000	10,477,000
		32,578,619	38,160,898	34,480,586	40,482,195
Current assets					
Inventories	10	2,775,618	3,680,004	0	0
Trade and other receivables	11	7,448,413	9,483,608	0	10,517
Current tax assets		37,029	0	2,580	1,894
Other investments	12	61,534,535	57,525,964	18,386,402	16,352,253
Cash and bank balances	13	3,414,300	10,441,729	171,326	173,819
		75,209,895	81,131,305	18,560,308	16,538,483
TOTAL ASSETS		107,788,514	119,292,203	53,040,894	57,020,678
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14(a)	44,685,543	43,220,229	44,685,543	43,220,229
Treasury shares	14(b)	(1,087,439)	(1,042,784)	(1,087,439)	(1,042,784)
Reserves	15	58,097,255	64,483,065	9,196,093	11,219,854
TOTAL EQUITY		101,695,359	106,660,510	52,794,197	53,397,299
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	16	898,000	843,400	0	0
Current liabilities					
Trade and other payables	17	2,763,455	9,181,146	246,697	3,623,379
Provisions	18	1,237,739	1,659,747	0	0
Current tax liabilities		0	30,449	0	0
Contract liabilities	19	1,193,961	916,951	0	0
		5,195,155	11,788,293	246,697	3,623,379
TOTAL LIABILITIES		6,093,155	12,631,693	246,697	3,623,379
TOTAL EQUITY AND LIABILITIES		107,788,514	119,292,203	53,040,894	57,020,678

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020



	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	20	18,128,593	33,550,489	0	0
Cost of sales		(11,529,387)	(17,244,854)	0	0
Gross profit		6,599,206	16,305,635	0	0
Other income		4,988,494	6,550,913	12,191,080	19,767,484
Other expenses		(2,049,611)	(267,151)	(789,697)	0
Administrative expenses		(8,239,033)	(5,571,977)	(6,391,005)	(6,474,534)
Share of (loss)/profit of associates, net of tax	9(e)	(356,709)	539,697	0	0
Profit before tax	21	942,347	17,557,117	5,010,378	13,292,950
Taxation	24	(294,001)	(553,006)	17	(3,972)
Profit for the financial year		648,346	17,004,111	5,010,395	13,288,978
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		648,346	17,004,111	5,010,395	13,288,978
Profit for the financial year attributable to: Owners of the parent		648,346	17,004,111	5,010,395	13,288,978
Total comprehensive income attributable to: Owners of the parent		648,346	17,004,111	5,010,395	13,288,978
Earnings per ordinary share attributable to equity holders of the Company (sen):					
Basic	25(a)	0.10	2.55		
Diluted	25(b)	0.10	2.54		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

<----- Non-distributable -----> Distributable						
Group	Note	Share capital RM	Treasury shares RM	Share options reserve RM	Retained earnings RM	Total RM
Balance as at 1 January 2019		41,167,526	(915,678)	1,402,637	71,275,956	112,930,441
Profit for the financial year		0	0	0	17,004,111	17,004,111
Other comprehensive income, net of tax		0	0	0	0	0
Total comprehensive income		0	0	0	17,004,111	17,004,111
Transactions with owners						
Purchase of treasury shares	14(b)	0	(127,106)	0	0	(127,106)
Share options vested under ESOS	22	0	0	304,772	0	304,772
Ordinary shares issued pursuant to ESOS	14(a)	2,052,703	0	(522,257)	0	1,530,446
Dividends paid	26	0	0	0	(24,982,154)	(24,982,154)
Total transactions with owners		2,052,703	(127,106)	(217,485)	(24,982,154)	(23,274,042)
Balance as at 31 December 2019		43,220,229	(1,042,784)	1,185,152	63,297,913	106,660,510

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020



<----- Non-distributable -----> Distributable						
Group	Note	Share capital RM	Treasury shares RM	Share options reserve RM	Retained earnings RM	Total RM
Balance as at 1 January 2020		43,220,229	(1,042,784)	1,185,152	63,297,913	106,660,510
Profit for the financial year		0	0	0	648,346	648,346
Other comprehensive income, net of tax		0	0	0	0	0
Total comprehensive income		0	0	0	648,346	648,346
Transactions with owners						
Purchase of treasury shares	14(b)	0	(44,655)	0	0	(44,655)
Share options vested under ESOS	22	0	0	31,969	0	31,969
Ordinary shares issued pursuant to ESOS	14(a)	1,465,314	0	(372,909)	0	1,092,405
Dividends paid	26	0	0	0	(6,693,216)	(6,693,216)
Total transactions with owners		1,465,314	(44,655)	(340,940)	(6,693,216)	(5,613,497)
Balance as at 31 December 2020		44,685,543	(1,087,439)	844,212	57,253,043	101,695,359

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

<----- Non-distributable -----> Distributable						
Note	Share capital RM	Treasury shares RM	Share options reserve RM	Retained earnings RM	Total RM	
Company						
Balance as at 1 January 2019	41,167,526	(915,678)	1,402,637	21,727,878	63,382,363	
Profit for the financial year	0	0	0	13,288,978	13,288,978	
Other comprehensive income, net of tax	0	0	0	0	0	
Total comprehensive income	0	0	0	13,288,978	13,288,978	
Transactions with owners						
Purchase of treasury shares	0	(127,106)	0	0	(127,106)	
Share options vested under ESOS	0	0	304,772	0	304,772	
Ordinary shares issued pursuant to ESOS	2,052,703	0	(522,257)	0	1,530,446	
Dividends paid	0	0	0	(24,982,154)	(24,982,154)	
Total transactions with owners	2,052,703	(127,106)	(217,485)	(24,982,154)	(23,274,042)	
Balance as at 31 December 2019	43,220,229	(1,042,784)	1,185,152	10,034,702	53,397,299	

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020



<----- Non-distributable ----->						Distributable	
	Share capital RM	Treasury shares RM	Share options reserve RM	Retained earnings RM	Total RM		
Note							
Company							
Balance as at 1 January 2020	43,220,229	(1,042,784)	1,185,152	10,034,702	53,397,299		
Profit for the financial year	0	0	0	5,010,395	5,010,395		
Other comprehensive income, net of tax	0	0	0	0	0	0	
Total comprehensive income	0	0	0	5,010,395	5,010,395		
Transactions with owners							
Purchase of treasury shares	14(b) 0	(44,655)	0	0	(44,655)		
Share options vested under ESOS	22 0	0	31,969	0	31,969		
Ordinary shares issued pursuant to ESOS	14(a) 1,465,314	0	(372,909)	0	1,092,405		
Dividends paid	26 0	0	0	(6,693,216)	(6,693,216)		
Total transactions with owners	1,465,314	(44,655)	(340,940)	(6,693,216)	(5,613,497)		
Balance as at 31 December 2020	44,685,543	(1,087,439)	844,212	8,351,881	52,794,197		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		942,347	17,557,117	5,010,378	13,292,950
Adjustments for:					
Depreciation of investment properties	7	83,323	83,324	0	0
Depreciation of property, plant and equipment	5	652,473	515,875	18,263	20,910
Depreciation of right-of-use asset	6	63,842	63,842	0	0
Dividend income from:					
- subsidiaries	27(b)	0	0	(11,280,000)	(19,200,000)
- other investments	21	(2,304,611)	(1,859,822)	(911,080)	(305,563)
Loss/(Gain) on fair value adjustment on other investments	21	952,292	(1,880,114)	500,330	(182,266)
Loss/(Gain) on disposal of other investments	21	856,299	(79,905)	289,368	(75,048)
Impairment losses on investment in an associate	21	4,951,231	993,000	6,007,000	5,993,000
Impairment losses on:					
- trade receivables	11(e)	45,292	8,106	0	0
- other receivables	11(f)	0	33,930	0	0
Interest income	21	(59,690)	(166,316)	0	(4,607)
Balance carried forward		6,182,798	15,269,037	(365,741)	(460,624)

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020



		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES (Cont'd)					
Balance brought forward		6,182,798	15,269,037	(365,741)	(460,624)
Provision for repair and other services	18	527,992	1,006,515	0	0
Reversal of impairment losses on:					
- other receivables	11(f)	(8,526)	(30,000)	0	0
Reversal of provision for repair and other services	18	(899,683)	(1,280,993)	0	0
Share of loss/(profit) of associates	9(e)	356,709	(539,697)	0	0
Share options vested under ESOS		31,969	304,772	8,315	44,511
Unrealised loss on foreign exchange	21	216,266	254,567	0	0
Operating profit/(loss) before working capital changes		6,407,525	14,984,201	(357,426)	(416,113)
Decrease in inventories		904,386	2,077,533	0	0
Decrease/(Increase) in trade and other receivables		1,868,103	4,483,812	10,517	(7,812)
(Decrease)/Increase in trade and other payables		(3,080,703)	(2,643,525)	(39,783)	17,526
Decrease in provisions	18	(50,317)	(219,007)	0	0
Increase/(Decrease) in contract liabilities		277,010	(4,304,608)	0	0
Cash generated from/(used in) operations		6,326,004	14,378,406	(386,692)	(406,399)
Tax paid		(501,045)	(458,737)	(2,580)	(3,992)
Tax refunded		194,166	29,511	1,911	0
Net cash from/(used in) operating activities		6,019,125	13,949,180	(387,361)	(410,391)

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received from subsidiaries	27(b)	0	0	11,280,000	19,200,000
Interest received		59,690	166,316	0	4,607
Proceeds from disposal of other investments		175,077,928	114,540,681	50,835,424	31,522,575
Purchase of other investments		(178,687,101)	(105,955,214)	(52,748,191)	(30,355,913)
Purchase of property, plant and equipment	5	(525,299)	(2,197,603)	0	0
Net cash (used in)/from investing activities		(4,074,782)	6,554,180	9,367,233	20,371,269
CASH FLOWS FROM FINANCING ACTIVITIES					
Purchase of treasury shares	14(b)	(44,655)	(127,106)	(44,655)	(127,106)
Dividends paid		(10,030,115)	(21,645,255)	(10,030,115)	(21,645,255)
Proceeds from issuance of ordinary shares pursuant to ESOS		1,092,405	1,530,446	1,092,405	1,530,446
Net cash used in financing activities		(8,982,365)	(20,241,915)	(8,982,365)	(20,241,915)
Net changes in cash and cash equivalents		(7,038,022)	261,445	(2,493)	(281,037)
Effects of exchange rate changes on cash and cash equivalents		10,593	(7,172)	0	0
Cash and cash equivalents at beginning of the financial year		10,441,729	10,187,456	173,819	454,856
Cash and cash equivalents at end of the financial year	13	3,414,300	10,441,729	171,326	173,819

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020



1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 39, Irving Road, 10400 Penang.

The principal place of business of the Company is located at Plot 85B, Lintang Bayan Lepas 9, Bayan Lepas Industrial Park, Phase 4, 11900 Penang.

The consolidated financial statements for the financial year ended 31 December 2020 comprise the financial statements of the Company and its subsidiaries and the interests of the Group in associates. The financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 16 April 2021.

2. PRINCIPAL ACTIVITIES

The Company is principally involved in research, design and development of test, burn-in and application specific embedded systems. The principal activities and the details of the subsidiaries are set out in Note 8 to the financial statements.

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

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 4.1 to the financial statements.

The Group has also early adopted Amendment to MFRS 16 *Covid-19-Related Rent Concessions* in the current financial year. The adoption of the Amendment to MFRS 16 did not have material effect on the financial performance or position of the Group and of the Company.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

4. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

4.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>Amendment to MFRS 16 Covid-19-Related Rent Concessions</i>	1 June 2020 (early adopt)
<i>Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

4. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Cont'd)

4.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

Title	Effective Date
<i>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (Amendment to MFRS 16 Leases)	1 April 2021
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies</i> (Amendments to MFRS 101 <i>Presentation of Financial Statements</i>)	1 January 2023
<i>Definition of Accounting Estimates</i> (Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>)	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company does not expect the adoption of the above Standards to have a significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



5. PROPERTY, PLANT AND EQUIPMENT

Group	Factory building RM	Industrial and research and development equipment RM	Motor vehicles RM	Furniture and fittings, office and equipment RM	Electrical installation and renovation RM	Solar panel system RM	Total RM
At cost							
Balance as at 1 January 2020	17,428,253	1,098,852	250,609	921,323	540,304	1,902,615	22,141,956
Additions	0	5,990	0	343,655	175,654	0	525,299
Balance as at 31 December 2020	17,428,253	1,104,842	250,609	1,264,978	715,958	1,902,615	22,667,255
Accumulated depreciation							
Balance as at 1 January 2020	2,505,198	796,904	178,239	573,716	274,147	7,928	4,336,132
Current charge	308,565	92,763	20,196	96,742	39,076	95,131	652,473
Balance as at 31 December 2020	2,813,763	889,667	198,435	670,458	313,223	103,059	4,988,605
Carrying amount							
Balance as at 31 December 2020	14,614,490	215,175	52,174	594,520	402,735	1,799,556	17,678,650
At cost							
Balance as at 1 January 2019	17,428,253	1,098,852	250,609	875,097	291,542	0	19,944,353
Additions	0	0	0	46,226	248,762	1,902,615	2,197,603
Balance as at 31 December 2019	17,428,253	1,098,852	250,609	921,323	540,304	1,902,615	22,141,956
Accumulated depreciation							
Balance as at 1 January 2019	2,196,633	688,873	158,043	509,669	267,039	0	3,820,257
Current charge	308,565	108,031	20,196	64,047	7,108	7,928	515,875
Balance as at 31 December 2019	2,505,198	796,904	178,239	573,716	274,147	7,928	4,336,132
Carrying amount							
Balance as at 31 December 2019	14,923,055	301,948	72,370	347,607	266,157	1,894,687	17,805,824

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company	Industrial and research and development equipment RM	Furniture and fittings, office and other equipment RM	Electrical installation and renovation RM	Total RM
At cost				
Balance as at 1 January 2020/31 December 2020	489,592	455,903	260,011	1,205,506
Accumulated depreciation				
Balance as at 1 January 2020	481,918	408,617	259,998	1,150,533
Current charge	6,683	11,580	0	18,263
Balance as at 31 December 2020	488,601	420,197	259,998	1,168,796
Carrying amount				
Balance as at 31 December 2020	991	35,706	13	36,710
At cost				
Balance as at 1 January 2019/31 December 2019	489,592	455,903	260,011	1,205,506
Accumulated depreciation				
Balance as at 1 January 2019	475,235	396,164	258,224	1,129,623
Current charge	6,683	12,453	1,774	20,910
Balance as at 31 December 2019	481,918	408,617	259,998	1,150,533
Carrying amount				
Balance as at 31 December 2019	7,674	47,286	13	54,973

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.
- (b) Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation annual rates used are as follows:

Factory building	2%
Industrial and research and development equipment	10 - 35%
Motor vehicles	20%
Furniture and fittings, office and other equipment	8 - 35%
Electrical installation and renovation	10 - 20%
Solar panel system	5%

6. LEASES

The Group as lessee

Right-of-use asset

	Balance as at 1.1.2020 RM	Depreciation RM	Balance as at 31.12.2020 RM
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Carrying amount

Leasehold land	<u>2,825,219</u>	<u>(63,842)</u>	<u>2,761,377</u>
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	Balance as at 1.1.2019 RM	Depreciation RM	Balance as at 31.12.2019 RM
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Carrying amount

Leasehold land	<u>2,889,061</u>	<u>(63,842)</u>	<u>2,825,219</u>
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- (a) The right-of-use asset comprise of leasehold land in the location which the Group operate and it is stated at cost less accumulated depreciation and any accumulated impairment losses.

The right-of-use asset is depreciated on a straight-line basis over the earlier of the estimated useful live of the right-of-use asset or the end of the lease term. The remaining lease term of the right-of-use asset is as follows:

Leasehold land	44 years (2019: 45 years)
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- (b) The following are the amounts recognised in profit or loss:

	Group	
	2020 RM	2019 RM
Depreciation charge of right-of-use asset (included in administrative expenses)	<u>63,842</u>	<u>63,842</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

6. LEASES (Cont'd)

The Group as lessor

- (a) The Group has entered into operating lease agreements on certain properties for terms of between one (1) to two (2) years (2019: one (1) to three (3) years) and renewable at the end of the lease period subject to an increase clause. The monthly rental consists of a fixed base rent.
- (b) The future aggregate minimum lease receivables under operating lease contracted for as at the reporting date are as follows:

	Group	
	2020 RM	2019 RM
Future minimum lease receivables:		
Less than one (1) year	1,947,000	2,202,500
One (1) to two (2) years	1,021,800	1,603,000
Two (2) to three (3) years	0	889,000
	<u>2,968,800</u>	<u>4,694,500</u>

7. INVESTMENT PROPERTIES

	Balance as at 1.1.2020 RM	Depreciation charge for the financial year RM	Balance as at 31.12.2020 RM
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Group

Carrying amount

Leasehold land and building	<u>2,761,952</u>	<u>(83,323)</u>	<u>2,678,629</u>
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	<----- Balance as at 31.12.2020 ----->		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Leasehold land and building	<u>4,413,197</u>	<u>(1,734,568)</u>	<u>2,678,629</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



7. INVESTMENT PROPERTIES (Cont'd)

	Balance as at 1.1.2019 RM	Depreciation charge for the financial year RM	Balance as at 31.12.2019 RM
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Group

Carrying amount

Leasehold land and building	2,845,276	(83,324)	2,761,952
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<----- Balance as at 31.12.2019 ----->			
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Leasehold land and building	4,413,197	(1,651,245)	2,761,952

- (a) Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group.

Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties are amortised on a straight line basis to write down the cost of the assets to their residual value over the estimated useful life at an annual rate of 2%.

At the end of each reporting period, the carrying amount of investment properties are assessed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

- (b) Included in the investment properties is a leasehold office with a carrying amount of RM118,812 (2019: RM123,090) for which strata title has yet to be issued by the relevant authority to the Group.
- (c) The fair value of the investment properties for disclosure purposes, which are at Level 3 fair value are estimated at approximately RM21.5 million (2019: RM21.5 million). The fair value was determined based on Directors' estimation using the market comparison method by reference to market evidence of transaction prices of similar properties and recent experience in the location and category of the properties being valued. The significant unobservable input into this valuation method is adjustment factors to prices of comparable properties. The estimated fair value would increase if the historical sales transaction prices were higher and vice versa.
- (d) Direct operating expenses arising from investment properties generating rental income during the financial year are as follows:

	Group	
	2020 RM	2019 RM
Repairs and maintenance	8,622	72,935
Quit rent and assessment	33,907	32,947

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 RM	2019 RM
Unquoted shares, at cost	31,864,845	31,864,845
Share options paid to employees of a subsidiary	3,049,739	3,026,085
Less: Impairment losses	(4,940,708)	(4,940,708)
	29,973,876	29,950,222

- (a) Investment in subsidiaries, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment losses, if any.
- (b) Details of the subsidiaries, which are all incorporated in Malaysia, are as follows:

Name of company	Equity interest held		Principal activities
	2020 %	2019 %	
Elsoft Systems Sdn. Bhd.*	100	100	Design and production of test, burn-in and embedded test equipment and its related modules for electronic industry
Siangtronics Technology Sdn. Bhd.*	100	100	Generate rental income
AGS Automation (Malaysia) Sdn. Bhd.*	100	100	Dormant

* The principal place of business is in Malaysia.

- (c) The Company reviews investment in subsidiaries for impairment when there is an indication of impairment.

The recoverable amounts of the investment in subsidiaries are assessed by reference to the value-in-use of the respective subsidiaries.

9. INVESTMENT IN ASSOCIATES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At cost:				
Unquoted ordinary shares	12,270,000	12,270,000	12,270,000	12,270,000
Less: Impairment losses	0	0	(7,800,000)	(5,500,000)
	12,270,000	12,270,000	4,470,000	6,770,000
Redeemable cumulative preference shares *	4,200,000	4,200,000	4,200,000	4,200,000
Less: Impairment losses	(4,200,000)	(493,000)	(4,200,000)	(493,000)
	0	3,707,000	0	3,707,000
Share of post acquisition loss, net of dividend received	(1,065,806)	(709,097)	0	0
Less: Impairment losses	(1,744,231)	(500,000)	0	0
	9,459,963	14,767,903	4,470,000	10,477,000

- * During the financial year, the Group and the Company held 38.5% (2019: 38.5%) in the Redeemable Cumulative Preference Shares ("RCPS").

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



9. INVESTMENT IN ASSOCIATES (Cont'd)

- (a) Investment in associates are measured at cost less impairment losses, if any, in the separate financial statements of the Company and accounted for using the equity method in the consolidated financial statements.
- (b) The financial statements of the associates are coterminous with those of the Group. In applying the equity method of accounting, the most recent available financial statements of the associates have been used.
- (c) The details of the associates, which are all incorporated in Malaysia, are as follows:

Name of company	Equity interest held		Principal activities
	2020 %	2019 %	
Leso Corporation Sdn. Bhd.#	30.00	30.00	Investment holding
Butterfly House (PG) Sdn. Bhd. *#	30.91	30.91	Operate a butterfly farm

* Not audited by BDO PLT, Malaysia

The principal place of business is in Malaysia.

- (d) The summarised financial information of the associates are as follows:

	Leso Corporation Sdn. Bhd. RM	Butterfly House (PG) Sdn. Bhd. RM	Total RM
2020			
Assets and liabilities			
Non-current assets	3,453,494	40,977,132	44,430,626
Current assets	30,703,043	1,914,308	32,617,351
Non-current liabilities	(240,717)	(25,059,566)	(25,300,283)
Current liabilities	(2,382,610)	(12,189,758)	(14,572,368)
Net assets	31,533,210	5,642,116	37,175,326
Results			
Revenue	26,152,240	3,945,352	30,097,592
Profit/(Loss) for the financial year	2,568,162	(3,646,050)	(1,077,888)
Total comprehensive income/(loss)	2,568,162	(3,646,050)	(1,077,888)
Cash flows from/(used in) operating activities	6,259,500	(2,757,375)	3,502,125
Cash flows used in investing activities	(4,427,951)	(348,288)	(4,776,239)
Cash flows (used in)/from financing activities	(261,573)	2,843,701	2,582,128
Net increase/(decrease) in cash and cash equivalents	1,569,976	(261,962)	1,308,014

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

9. INVESTMENT IN ASSOCIATES (Cont'd)

(d) The summarised financial information of the associates are as follows: (Cont'd)

	Leso Corporation Sdn. Bhd. RM	Butterfly House (PG) Sdn. Bhd. RM	Total RM
2019			
Assets and liabilities			
Non-current assets	3,124,607	43,173,902	46,298,509
Current assets	29,963,247	2,942,652	32,905,899
Non-current liabilities	(105,377)	(21,626,508)	(21,731,885)
Current liabilities	(4,017,429)	(15,201,880)	(19,219,309)
Net assets	<u>28,965,048</u>	<u>9,288,166</u>	<u>38,253,214</u>
Results			
Revenue	27,036,232	12,944,604	39,980,836
Profit/(Loss) for the financial year	3,369,332	(1,523,887)	1,845,445
Total comprehensive income/(loss)	<u>3,369,332</u>	<u>(1,523,887)</u>	<u>1,845,445</u>
Cash flows (used in)/from operating activities	(1,319,628)	2,171,381	851,753
Cash flows from/(used in) investing activities	285,726	(26,740)	258,986
Cash flows used in financing activities	(81,300)	(2,051,708)	(2,133,008)
Net (decrease)/increase in cash and cash equivalents	<u>(1,115,202)</u>	<u>92,933</u>	<u>(1,022,269)</u>

(e) The reconciliation of net assets of the associates to the carrying amount of the investment in associates are as follows:

	Leso Corporation Sdn. Bhd. RM	Butterfly House (PG) Sdn. Bhd. RM	Total RM
As at 31 December 2020			
Share of net assets of the Group	9,459,963	1,744,231	11,204,194
Less: Impairment losses	0	(1,744,231)	(1,744,231)
Carrying amount in the statements of financial position	<u>9,459,963</u>	<u>0</u>	<u>9,459,963</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



9. INVESTMENT IN ASSOCIATES (Cont'd)

- (e) The reconciliation of net assets of the associates to the carrying amount of the investment in associates are as follows: (Cont'd)

	Leso Corporation Sdn. Bhd. RM	Butterfly House (PG) Sdn. Bhd. RM	Total RM
As at 31 December 2020			
Share of profit/(loss) of the Group	770,449	(1,127,158)	(356,709)
Share of other comprehensive income of the Group	0	0	0
Share of total comprehensive income/ (loss) of the Group	770,449	(1,127,158)	(356,709)
As at 31 December 2019			
Share of net assets of the Group	8,689,514	2,871,389	11,560,903
Redeemable cumulative preference shares	0	3,707,000	3,707,000
Less: Impairment losses	0	(500,000)	(500,000)
Carrying amount in the statements of financial position	8,689,514	6,078,389	14,767,903
Share of profit/(loss) of the Group	1,010,799	(471,102)	539,697
Share of other comprehensive income of the Group	0	0	0
Share of total comprehensive income/ (loss) of the Group	1,010,799	(471,102)	539,697

- (f) Impairment losses on investment in an associate, Butterfly House (PG) Sdn. Bhd. amounting to RM4,951,231 (2019: RM993,000) and RM6,007,000 (2019: RM5,993,000) respectively, have been recognised by the Group and the Company during the financial year as a result of the COVID-19 pandemic. The Group and the Company determine an impairment loss is required by evaluating the extent to which the recoverable amount is less than its carrying amount. The recoverable amount is determined based on value-in-use. Value-in-use is the net present value of the projected future cash flows, which involve significant judgements in estimating the following key assumptions:

	Group and Company	
	2020 %	2019 %
Growth rates	0.00	1.00
Pre-tax discount rate	14.10	8.30

10 INVENTORIES

	Group	
	2020 RM	2019 RM
At cost:		
Raw materials	1,468,217	1,758,746
Work-in-progress	1,307,401	1,921,258
	2,775,618	3,680,004

- (a) Inventories are stated at the lower of cost and net realisable value.
- (b) Cost is determined based on a weighted average basis. Cost comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition.
- (c) During the financial year, inventories of the Group recognised as cost of sales amounted to RM4,902,499 (2019: RM8,663,173).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade receivables				
Third parties	7,461,856	9,117,001	0	0
Less: Impairment losses	(197,183)	(151,891)	0	0
Total trade receivables	7,264,673	8,965,110	0	0
Other receivables				
Other receivables	729,990	1,096,689	728,000	728,000
Less: Impairment losses	(728,000)	(770,458)	(728,000)	(728,000)
Deposits	181,750	183,423	0	1,673
Total other receivables	183,740	509,654	0	1,673
Total receivables	7,448,413	9,474,764	0	1,673
Prepayments	0	8,844	0	8,844
	7,448,413	9,483,608	0	10,517

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables of the Group and of the Company are non-interest bearing and the normal credit terms of trade receivables ranged from 30 to 90 days (2019: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) Foreign currency exposure of total receivables of the Group and of the Company are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	2,893,595	4,680,993	0	1,673
US Dollar	4,551,174	4,793,771	0	0
Singapore Dollar	3,644	0	0	0
	7,448,413	9,474,764	0	1,673

- (d) Impairment losses for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers. Expected loss rates are calculated using the roll rate method based on the common credit risk characteristic - industry and geographic region.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information, Malaysia gross domestic product (GDP), China GDP and industry production index and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

11. TRADE AND OTHER RECEIVABLES (Cont'd)

- (d) Lifetime expected loss provision for trade receivables of the Group as at 31 December 2020 and 31 December 2019 are as follows:

	Current	More than 30 days past due	More than 90 days past due	Total
Group				
As at 31 December 2020				
Expected loss rate	0.38%	0.68%	9.59%	
Gross carrying amount (RM)	4,298,053	1,374,792	1,789,011	7,461,856
Impairment (RM)	16,297	9,384	171,502	197,183
As at 31 December 2019				
Expected loss rate	0.03%	0.10%	4.88%	
Gross carrying amount (RM)	3,517,070	2,563,202	3,036,729	9,117,001
Impairment (RM)	1,132	2,567	148,192	151,891

During the financial year, the Group did not renegotiate the terms of any trade receivables.

- (e) Movements in the impairment allowance for trade receivables of the Group are as follows:

	Lifetime ECL allowance RM	Credit impaired RM	Total RM
Group			
Balance as at 1 January 2020	14,341	137,550	151,891
Charge for the financial year	45,292	0	45,292
Balance as at 31 December 2020	59,633	137,550	197,183
Balance as at 1 January 2019	6,235	137,550	143,785
Charge for the financial year	8,106	0	8,106
Balance as at 31 December 2019	14,341	137,550	151,891

Trade receivables that are individually determined to be impaired at the financial year end relate to trade receivables who are in significant financial difficulties and have defaulted on payments. The Group considers trade receivables to be in default when the trade receivables are more than 12 months past due.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

11. TRADE AND OTHER RECEIVABLES (Cont'd)

- (f) Impairment for other receivables are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk as amount past due more than 6 months.

The probability of non-payment by other receivables are adjusted by forward-looking information, Malaysia GDP and industry production index and multiplied by the amount of the expected loss arising from default to determine the twelve-month or lifetime expected credit loss for other receivables.

Movements in the impairment allowance for other receivables of the Group are as follows:

	Group	
	2020 RM	2019 RM
Lifetime ECL - Credit impaired		
Balance as at 1 January	770,458	766,528
Reversal of impairment losses	(8,526)	(30,000)
Charge for the financial year	0	33,930
Written off during the financial year	(33,932)	0
Balance as at 31 December	<u>728,000</u>	<u>770,458</u>

Movements in the impairment allowance for other receivables of the Company are as follows:

	Company	
	2020 RM	2019 RM
Lifetime ECL - Credit impaired		
Balance as at 1 January/31 December	<u>728,000</u>	<u>728,000</u>

Other receivables that are individually determined to be impaired at the financial year end relate to other receivables who are in significant financial difficulties and have defaulted on payments. The Group considers other receivables to be in default when the other receivables are more than 12 months past due.

- (g) Information on financial risks of trade and other receivables is disclosed in Note 28 to the financial statements.

12. OTHER INVESTMENTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Financial assets at fair value through profit or loss				
- unit trust	<u>61,534,535</u>	<u>57,525,964</u>	<u>18,386,402</u>	<u>16,352,253</u>

- (a) Other investments classified as financial assets at fair value through profit or loss are measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



12. OTHER INVESTMENTS (Cont'd)

- (b) These investments are grouped under Level 1 of the fair value hierarchy based on the degree to which the fair value is observable.
- (c) Level 1 fair value measurement are those derived from quoted prices (unadjusted) in active market for identical assets and liabilities.
- (d) There is no transfer between levels in the hierarchy during the financial year.
- (e) The currency exposure of other investments are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	60,710,460	57,525,964	18,386,402	16,352,253
US Dollar	824,075	0	0	0
	61,534,535	57,525,964	18,386,402	16,352,253

13. CASH AND BANK BALANCES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	3,414,300	10,441,729	171,326	173,819

- (a) No expected credit losses were recognised arising from cash and bank balances because the probability of default were negligible.
- (b) The currency exposure of cash and bank balances are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	2,873,791	7,844,819	171,326	173,819
US Dollar	527,950	2,583,415	0	0
Others	12,559	13,495	0	0
	3,414,300	10,441,729	171,326	173,819

- (c) Information on financial risks of cash and bank balances are disclosed in Note 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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14. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2020		2019	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
Balance as at 1 January	669,457,180	43,220,229	665,824,780	41,167,526
Issuance of ordinary shares pursuant to ESOS exercised	2,632,300	1,465,314	3,632,400	2,052,703
Balance as at 31 December	<u>672,089,480</u>	<u>44,685,543</u>	<u>669,457,180</u>	<u>43,220,229</u>

- (i) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 669,457,180 to 672,089,480 by way of issuance of 2,632,300 new ordinary shares pursuant to options exercised under the Employees' Share Option Scheme ("ESOS") at an average exercise price of RM0.42 per ordinary share for cash.
- (ii) Owners of the parent (except treasury shares) are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

(b) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ("AGM") held on 28 August 2020, renewed the approval for the Company to repurchase its own shares.

	Group and Company			
	2020		2019	
	Number of shares	RM	Number of shares	RM
Treasury shares				
Balance as at 1 January	(1,097,360)	(1,042,784)	(957,360)	(915,678)
Purchase of treasury shares	(100,000)	(44,655)	(140,000)	(127,106)
Balance as at 31 December	<u>(1,197,360)</u>	<u>(1,087,439)</u>	<u>(1,097,360)</u>	<u>(1,042,784)</u>

- (i) When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statements of financial position.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sale consideration and the carrying amount is shown as a movement in equity.

- (ii) During the financial year, the Company repurchased 100,000 (2019: 140,000) of its issued ordinary shares from the open market at an average price of RM0.45 (2019: RM0.91) per share. The total consideration paid for the repurchased shares was RM44,655 (2019: RM127,106). The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

Of the total 672,089,480 (2019: 669,457,180) issued and fully paid ordinary shares as at 31 December 2020, 1,197,360 (2019: 1,097,360) are held as treasury shares by the Company. As at 31 December 2020, the number of outstanding ordinary shares in issue after the set-off against the treasury shares is therefore 670,892,120 (2019: 668,359,820) ordinary shares.

Treasury shares have no rights to voting, dividends or participation in other distribution.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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15 RESERVES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Share options reserve	844,212	1,185,152	844,212	1,185,152
Retained earnings	57,253,043	63,297,913	8,351,881	10,034,702
	58,097,255	64,483,065	9,196,093	11,219,854

The share options reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on the grant date of share options.

16. DEFERRED TAX LIABILITIES

	Group	
	2020 RM	2019 RM
Balance as at 1 January	843,400	638,800
Recognised in profit or loss (Note 24)	54,600	204,600
Balance as at 31 December	898,000	843,400

The components and movements of deferred tax liabilities during the financial year are as follows:

	Group	
	2020 RM	2019 RM
Property, plant and equipment		
Balance as at 1 January	843,400	638,800
Recognised in profit or loss	54,600	204,600
Balance as at 31 December	898,000	843,400

The amount of temporary differences for which no deferred tax assets has been recognised in the statements of financial position is as follows:

	Group	
	2020 RM	2019 RM
Unused tax losses: expires by 31 December 2025	67,900	67,900

Deferred tax assets of a subsidiary have not been recognised as it is not probable that taxable profit of the subsidiary would be available against which the deductible temporary differences could be utilised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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17. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade payables				
Third parties	505,119	825,896	0	0
Amount owing to an associate	11,385	0	0	0
	516,504	825,896	0	0
Other payables				
Other payables	84,919	465,577	11,097	8,480
Accruals	1,525,882	3,796,624	235,600	278,000
Deposits received	636,150	756,150	0	0
Dividend payables	0	3,336,899	0	3,336,899
	2,763,455	9,181,146	246,697	3,623,379

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade and other payables are non-interest bearing and the normal credit terms granted to the Group and the Company ranged from 30 to 120 days (2019: 30 to 120 days).
- (c) The currency exposure of trade and other payables of the Group and of the Company are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	2,722,236	9,138,959	246,697	3,623,379
Singapore Dollar	1,160	2,495	0	0
US Dollar	40,059	39,692	0	0
	2,763,455	9,181,146	246,697	3,623,379

- (d) Maturity profile of trade and other payables of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one (1) year.
- (e) Information on financial risks of trade and other payables is disclosed in Note 28 to the financial statements.

18. PROVISIONS

	Group	
	2020 RM	2019 RM
Current		
Provision for repair and other services	1,237,739	1,659,747

The Group makes a provision for repair work and replacement of electronic components at end of the reporting period based on the Management's expectation of the level of repairs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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18. PROVISIONS (Cont'd)

Movements during the financial year in the amount recognised in the consolidated statement of financial position in respect of the provision for repair and other services are as follows:

	Group	
	2020 RM	2019 RM
Balance as at 1 January	1,659,747	2,153,232
Provision made during the financial year	527,992	1,006,515
Utilisation of provision during the financial year	(50,317)	(219,007)
Provision reversed during the financial year	(899,683)	(1,280,993)
Balance as at 31 December	1,237,739	1,659,747

19. CONTRACT LIABILITIES

	Group	
	2020 RM	2019 RM
Deferred revenue	1,193,961	916,951

- Contract liabilities arises from unsatisfied performance obligations when the Group issues billing to customers. This liability is recognised as revenue upon satisfaction of each performance obligation.
- The amount of RM378,115 (2019: RM4,631,794) recognised in contract liabilities at the beginning of the respective financial years have been recognised as revenue for the financial years ended 31 December 2020 and 31 December 2019.
- Contract value yet to be recognised as revenue

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied at the end of the reporting period, are as follows:

	Group	
	2020 RM	2019 RM
31 December 2021	1,193,961	0
31 December 2020	0	916,951

20. REVENUE

	Group	
	2020 RM	2019 RM
Revenue from contracts with customers		
Sale of goods/Services rendered	18,128,593	33,550,489

Sale of goods and services rendered

Disaggregation of revenue from contracts with customers is disclosed in Note 29 to the financial statements.

Revenue from sale of goods and services rendered is recognised at a point in time when the control of the goods have been transferred or the services have been rendered to the customers and coincide with the delivery of goods and services and acceptance by customers.

There is no right of return and warranty provided to the customers on the sale of goods and services rendered.

There is no significant financing component in the revenue arising from sale of goods and services rendered as the sales or services are made on the normal credit terms not exceeding twelve months.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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21. PROFIT BEFORE TAX

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<i>Profit before tax is arrived at after charging:</i>					
Auditors' remuneration		63,000	59,000	19,000	16,000
Depreciation of investment properties	7	83,323	83,324	0	0
Depreciation of property, plant and equipment	5	652,473	515,875	18,263	20,910
Depreciation of right-of-use asset	6	63,842	63,842	0	0
Impairment losses on investment in an associate		4,951,231	993,000	6,007,000	5,993,000
Impairment losses on:					
- trade receivables	11(e)	45,292	8,106	0	0
- other receivables	11(f)	0	33,930	0	0
Loss on disposal of other investments		856,299	0	289,368	0
Loss on fair value adjustment on other investments		977,047	0	500,330	0
Unrealised loss on foreign exchange		216,266	254,567	0	0
<i>Profit before tax is arrived at after crediting:</i>					
Dividend income received from:					
- subsidiaries	27(b)	0	0	11,280,000	19,200,000
- other investments		2,304,611	1,859,822	911,080	305,563
Gain on disposal of other investments		0	79,905	0	75,048
Gain on fair value adjustment on other investments		24,755	1,880,114	0	182,266
Realised gain on foreign exchange		14,105	216,369	0	0
Interest income		59,690	166,316	0	4,607
Rental income		2,585,332	2,347,500	0	0
Reversal of impairment losses on other receivables	11(f)	8,526	30,000	0	0

(a) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(b) Dividend income

Dividend income is recognised when the right to receive payment is established.

(c) Rental income

Rental income is recognised on a straight line basis over the period of tenancy.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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22. EMPLOYEE BENEFITS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Research and development staff:				
Directors				
- remuneration	508,500	881,198	0	0
- defined contribution plan	96,615	130,302	0	0
- social security contribution	1,847	1,657	0	0
	606,962	1,013,157	0	0
Other staff				
- salaries, wages and bonus	3,501,017	4,466,531	0	0
- defined contribution plan	610,476	434,224	0	0
- social security contribution	25,236	26,038	0	0
- share options vested/granted under ESOS	3,804	142,797	0	0
	4,747,495	6,082,747	0	0
Non-research and development staff:				
Directors				
- fee	190,000	270,000	190,000	270,000
- share options vested/granted under ESOS	8,315	44,511	8,315	44,511
	198,315	314,511	198,315	314,511
Other staff				
- salaries, wages and bonus	2,726,860	3,262,531	0	0
- defined contribution plan	438,563	334,629	0	0
- social security contribution	34,493	36,234	0	0
- share options vested/granted under ESOS	19,850	117,464	0	0
	3,418,081	4,065,369	198,315	314,511
Total employee benefits	8,165,576	10,148,116	198,315	314,511

23. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The ESOS of the Company came into effect on 1 April 2016. The ESOS shall be in force for a period of five (5) years until 31 March 2021. During the year, the Directors had approved to extend the ESOS for another period of five (5) years commencing from 1 April 2021 until 31 March 2026 on the same terms and conditions as mentioned in the By-Laws. The main features of the ESOS are as follows:

- The total number of new ordinary shares which are available to be issued under the ESOS shall not exceed ten percent (10%) of the total issued and fully paid-up share capital of the Company (excluding treasury shares) at any time throughout the duration of the ESOS.
- Any employee (including Executive Directors) of the Group shall be eligible to participate in the ESOS if, as at the date of offer, the employee is at least 18 years of age and is a full time employee.
- Any Director of the Company or any company in the Group who has been appointed to the Board shall be eligible to participate in the ESOS if, as at the date of offer, the director is at least 18 years of age.
- The ESOS shall be valid for a duration of 5 years from the effective date.
- The exercise price shall be determined based on the weighted average market price of shares for the 5 market days immediately preceding the date of offer with a discount of not more than 10% or at the par value of the shares, whichever is higher.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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23. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (Cont'd)

- (f) The options granted are exercisable on a time proportion basis over the duration of the ESOS. The employee's entitlement to the options is vested as soon as they become exercisable.
- (g) The new shares to be allotted and issued upon exercise of any options granted under the scheme will, upon allotment and issuance, rank pari passu in all respects with the then existing shares and paid-up shares in the Company, save and except that the new shares so allotted and issued will not be entitled to any right, dividend, allotment and/or distribution declared, made or paid, the entitlement date of which precedes the date of exercise of the options.

The details of share options over ordinary shares of the Company are as follows:

Grant date	Number of options over ordinary shares			
	Outstanding as at 1-1-2020	Exercised	Retracted*	Outstanding as at 31-12-2020
2 June 2016	5,988,400	(2,632,300)	0	3,356,100
10 April 2018	1,286,000	0	(90,000)	1,196,000
	7,274,400	(2,632,300)	(90,000)	4,552,100
Weighted average exercise price (RM)	0.50	0.42	0.92	0.55
Weighted average remaining contractual life (months)	15			3

Grant date	Number of options over ordinary shares			
	Outstanding as at 1-1-2019	Exercised	Retracted*	Outstanding as at 31-12-2019
2 June 2016	9,603,600	(3,586,400)	(28,800)	5,988,400
10 April 2018	1,440,000	(46,000)	(108,000)	1,286,000
	11,043,600	(3,632,400)	(136,800)	7,274,400
Weighted average exercise price (RM)	0.48	0.42	0.81	0.50
Weighted average remaining contractual life (months)	27			15

*Due to resignation

Share options exercised during the financial year resulted in the issuance of 2,632,300 (2019: 3,632,400) ordinary shares at an average price of RM0.42 (2019: RM0.42).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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23. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (Cont'd)

The details of share options outstanding at the end of the reporting period are as follows:

Grant date	Weighted average exercise price		Exercise period
	2020 RM	2019 RM	
2 June 2016	0.415	0.415	02.06.2016 - 31.03.2021
10 April 2018	0.915	0.915	04.10.2018 - 31.03.2021

The fair value of share options granted during the financial year was estimated by using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The risk-free rate is based on Malaysian Government Securities ("MGSs"). The fair values of share options measured at grant date and the assumptions are as follows:

	10 April 2018	2 June 2016
Fair value of share options (RM)	0.74	0.51
Average share price at grant date (RM)	2.40	1.52
Exercise price (RM)	2.20	1.50
Expected volatility (%)	44.38	41.68
Expected life (years)	2.98	4.83
Risk free rate (%)	3.82	3.77
Expected dividend yield (%)	3.51	2.53

24. TAXATION

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current tax expense based on profit for the financial year:				
Current year provision	434,200	362,206	0	1,106
(Over)/Underprovision of tax expense in prior years	(194,799)	(13,800)	(17)	2,866
	239,401	348,406	(17)	3,972
Deferred tax (Note 16)				
Relating to origination and reversal of temporary differences	57,900	173,100	0	0
(Over)/Underprovision of deferred tax liabilities in prior years	(3,300)	31,500	0	0
	54,600	204,600	0	0
Taxation	294,001	553,006	(17)	3,972

The Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2019: 24%) of the estimated taxable profits for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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24. TAXATION (Cont'd)

The numerical reconciliations between the taxation and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before tax	942,347	17,557,117	5,010,378	13,292,950
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	226,163	4,213,708	1,202,491	3,190,308
Tax effects in respect of:				
- income not subject to tax	(229,372)	(711,005)	(1,202,491)	(3,190,308)
- tax exempt income under pioneer status	(1,123,600)	(4,251,000)	0	0
- expenses not deductible for tax purposes	1,533,299	1,413,130	0	1,106
- share of loss/(profit) in associates	85,610	(129,527)	0	0
	492,100	535,306	0	1,106
(Over)/Underprovision of tax expense in prior years	(194,799)	(13,800)	(17)	2,866
(Over)/Underprovision of deferred tax liabilities in prior years	(3,300)	31,500	0	0
Taxation for the financial year	294,001	553,006	(17)	3,972

A subsidiary of the Company has been granted pioneer status for its promoted principal activities which exempt 100% of its statutory income for a period of 5 years beginning on 2 January 2015 and expired on 1 January 2020.

The tax incentive period granted for the said pioneer status is for a period of 10 years with an initial period of 5 years commencing from 2 January 2015 to 1 January 2020 and subsequently extended for another period of five (5) years beginning on 2 January 2020 to 1 January 2025.

25. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share of the Group is calculated by dividing profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the financial year (adjusted for treasury shares) held by the Company.

	Group	
	2020 RM	2019 RM
Profit attributable to equity holders of the parent	648,346	17,004,111
Weighted average number of ordinary shares in issue	669,378,139	665,734,259
- Exercise of ESOS	1,278,798	1,363,211
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	670,656,937	667,097,470
Basic earnings per ordinary share (sen)	0.10	2.55

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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25. EARNINGS PER ORDINARY SHARE (Cont'd)

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Group	
	2020 RM	2019 RM
Profit attributable to equity holders of the parent	648,346	17,004,111
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share	670,656,937	667,097,470
Effect of dilution:		
- ESOS	1,132,100	3,144,100
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	671,789,037	670,241,570
Diluted earnings per ordinary share (sen)	0.10	2.54

26. DIVIDENDS

	Group and Company			
	2020		2019	
	Dividend per share RM	Amount of dividend RM	Dividend per share RM	Amount of dividend RM
In respect of financial year ended 2018:				
Interim cash dividend paid	0	0	0.013	8,312,243
In respect of financial year ended 2019:				
Interim cash dividend paid	0.005	3,341,299	0.020	13,333,012
Interim cash dividend payables	0	0	0.005	3,336,899
In respect of financial year ended 2020:				
Interim cash dividend paid	0.005	3,351,917	0	0
	0.010	6,693,216	0.038	24,982,154

On 24 February 2021, the Directors declared a third single tier interim dividend of RM0.005 per ordinary share in respect of the financial year ended 31 December 2020, amounting to RM3,360,951, paid on 16 April 2021. The financial statements for the current financial year do not reflect this dividend. This dividend, will be accounted for as an appropriation of retained earnings during the financial year ending 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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27. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group 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 and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

The Group and the Company have controlling related party relationship with its direct subsidiaries and associates.

(b) The Group and the Company had the following transactions with related parties during the financial year:

	Group	
	2020 RM	2019 RM
Associates:		
Purchase of goods	49,403	8,555
Rental income	48,000	48,000

	Company	
	2020 RM	2019 RM
Subsidiaries:		
Dividend income	11,280,000	19,200,000

The related party transactions described above were carried out on negotiated terms and conditions and mutually agreed with the related parties.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and of the Company.

The remuneration of Directors during the financial year are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors				
Fees	190,000	270,000	190,000	270,000
Other emoluments	615,277	1,057,668	8,315	44,511
	805,277	1,327,668	198,315	314,511

The remuneration of other key management personnel during the financial year was as follows :

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other key management personnel				
Other emoluments	207,296	235,709	0	0

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28. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as a going concern whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debts. The Group includes within net debt, trade and other payables, provision, less cash and bank balances. Capital includes equity attributable to the equity holders of the Group.

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade and other payables	2,763,455	9,181,146	246,697	3,623,379
Provisions	1,237,739	1,659,747	0	0
Less: Cash and bank balances	(3,414,300)	(10,441,729)	(171,326)	(173,819)
Net debt	586,894	399,164	75,371	3,449,560
Total capital	101,695,359	106,660,510	52,794,197	53,397,299
Net debt	586,894	399,164	75,371	3,449,560
Equity	102,282,253	107,059,674	52,869,568	56,846,859
Gearing ratio (%)	0.57%	0.37%	0.14%	6.07%

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity of more than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 31 December 2020.

The Group is not subject to any other externally imposed capital requirements.

(b) Financial risk management

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and the unpredictability of the financial markets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

28. CAPITAL AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Financial risk management (Cont'd)

The Group is exposed mainly to credit risk, foreign currency risk and liquidity and cash flow risk. Information on the management of the related exposures is detailed below.

(i) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are creditworthy debtors with good payment records with the Group and the Company. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month, extending up to three (3) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period are as follows:

	Group			
	2020		2019	
	RM	% of total	RM	% of total
By country:				
People's Republic of China	3,629,798	50%	4,504,276	50%
Malaysia	2,830,219	39%	4,171,339	47%
Taiwan	286,673	4%	106,033	1%
Others	517,983	7%	183,462	2%
	7,264,673	100%	8,965,110	100%

At the end of the reporting period, approximately 24% (2019: 32%) of the Group's trade receivables were due from one (1) (2019: one (1)) major customer who is a multi-industry conglomerate.

Exposure of credit risk

The maximum exposures to credit risk of trade receivables of the Group are represented by the carrying amounts of trade receivables recognised in the statement of financial position. These receivables are not secured by any collateral or credit enhancement as at the end of the current financial year.

(ii) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("USD"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances amounted to RM540,509 (2019: RM2,596,910) for the Group. The policy of the Group is to minimise the exposure in foreign currency risk by matching foreign currency income against foreign currency cost.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



28. CAPITAL AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Financial risk management (Cont'd)

(ii) Foreign currency risk (Cont'd)

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD exchange rate against Ringgit Malaysia, with all other variables held constant.

	Group		Company	
	2020 Profit after tax RM Increase/ (Decrease)	2019 Profit after tax RM Increase/ (Decrease)	2020 Profit after tax RM Increase/ (Decrease)	2019 Profit after tax RM Increase/ (Decrease)
USD/RM				
- Strengthen by 3%	133,680	167,295	0	0
- Weaken by 3%	(133,680)	(167,295)	0	0

(iii) Liquidity and cash flow risk

Liquidity risk arises from the Group's and the Company's management of working capital. It is the risk that the Group and the Company would encounter difficulty in meeting its financial obligations when due.

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows.

29. OPERATING SEGMENTS

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely research, design and development of test, burn-in and application specific embedded system.

(a) Geographical information

The manufacturing facilities and sales offices of the Group are primarily based in Malaysia.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location from which the sale transactions originated.

All the assets and liabilities of the Group are derived from Malaysia. Hence, no additional disclosure is made on geographical breakdown/ details of the segment assets of the Group.

Revenue information based on the geographical location of customers is as follows:

	Group	
	2020 RM	2019 RM
Malaysia	12,859,827	23,817,229
China	4,003,332	7,888,711
Taiwan	352,052	1,239,510
Others	913,382	605,039
	18,128,593	33,550,489

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

29. OPERATING SEGMENTS (Cont'd)

(b) Major customer

A major customer with revenue equal or more than ten (10) percent of the Group's revenue amounting to RM7,793,434 (2019: RM18,738,447).

30. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ('MCO') on 18 March 2020 and has subsequently entered into various phases of the MCO until 28 April 2021.

Since then, the Group and the Company has experienced disruption to its operations in the following respects:

- (a) Decreased demand for certain products and services as a consequence of social distancing requirements and recommendations; and
- (b) Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for the primary products and services of the Group.

Consequently, the Group and the Company recognised impairment losses on investment in an associate of RM4,951,231 and RM6,007,000 respectively during the financial year as a result of the COVID-19 pandemic. The details are disclosed in Note 9(f) to the financial statements.

Based on the assessment and information available at the date of authorisation of the financial statements, the Group has sufficient cash flows to meet its liquidity needs in the next twelve (12) months after the end of the reporting period. The Group does not anticipate significant supply disruptions and would continuing monitor its funds and operational needs.

STATISTICS OF SHAREHOLDINGS



SHARE CAPITAL AS AT 31st MARCH 2021

Number of issued shares : 673,387,580
 Class of share : Ordinary Shares
 Voting right : One vote for one ordinary share

DISTRIBUTION OF SHAREHOLDERS AS AT 31st MARCH, 2021

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	99	1.42	3,841	0.00
100 – 1,000	1,274	18.26	722,076	0.11
1,001 – 10,000	3,500	50.17	18,725,215	2.78
10,001 – 100,000	1,856	26.61	57,453,310	8.55
100,001 – Less than 5%	242	3.47	164,878,820	24.53
Above 5%	5	0.07	430,406,958	64.03
	6,976	100.00	*672,190,220	100.00

*Excluding of 1,197,360 treasury shares

TOP THIRTY SHAREHOLDERS AS AT 31st MARCH, 2021

	Name	Shareholdings	%
1	TAN CHEIK EAIK	158,790,400	23.62
2	TAN AI JIEW	85,466,600	12.71
3	KOAY KIM CHIEW	74,020,060	11.01
4	TAN AH LEK	53,371,026	7.94
5	TAN CHEIK KOOI	48,534,360	7.22
6	CHAN HONG HENG	29,739,600	4.42
7	TAY CHENG KOON	23,460,000	3.49
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	11,511,180	1.71
9	TAN AH LEK	9,051,472	1.35
10	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	7,364,000	1.10
11	LAU KHENG TAT	5,148,000	0.77
12	YAP WING CHUN	3,875,000	0.58
13	CHONG ENG KEAT @ TEOH ENG KEAT	3,324,500	0.49
14	GOLDEN FRESH SDN BHD	3,214,300	0.48
15	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY CHENG KOON	2,678,300	0.40
16	LIN, CHIN-HSIUNG	2,640,000	0.39
17	HUANG, MAO-HSIUNG	2,520,000	0.37
18	OOI TOON KIT	2,304,000	0.34
19	HOONG KIM CHAI	1,924,000	0.29
20	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR MAYBANK MALAYSIA SMALLCAP FUND	1,879,100	0.28
21	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS GROWTH FUND	1,620,000	0.24
22	WONG HOO CHONG	1,368,000	0.20

STATISTICS OF SHAREHOLDINGS (CONT'D)

TOP THIRTY SHAREHOLDERS AS AT 31st MARCH, 2021 (Cont'd)

	Name	Shareholdings	%
23	CHUA SIEW KIM	1,296,000	0.19
24	GOH SIEW LENG	1,209,600	0.18
25	LEONG YING FONG	1,202,000	0.18
26	LI CHUNG-HSIEN	1,200,000	0.18
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU HOW SIONG	1,078,700	0.16
28	ANG HOOI ENG	1,045,000	0.16
29	SAW HAI EARN	960,000	0.14
30	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST	932,200	0.14
	Total	542,727,398	80.73

DIRECTORS' SHAREHOLDINGS AS AT 31st MARCH, 2021

	Name	Direct Shareholdings	%	Indirect Shareholdings	%
1	Tan Cheik Eaik	159,101,440	23.67	-	-
2	Tan Ai Jiew	85,466,600	12.71	6,264,000*	0.93
3	Koay Kim Chiew	74,020,060	11.01	-	-
4	Tan Ah Lek	63,284,498	9.41	270,000*	0.04
5	Dato' Dr Chong Eng Keat @ Teoh Eng Keat	3,324,500	0.49	-	-
6	Ooi Toon Kit	2,304,000	0.34	-	-
7	Dato' Agatha Foo Tet Sin	-	-	-	-

* Deemed interest held through the shareholdings of his/her children pursuant to Section 59 (11)(c) of the Companies Act 2016

SUBSTANTIAL SHAREHOLDERS (EXCLUDING BARE TRUSTEES) ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31st MARCH, 2021

	Name	Direct Shareholdings	%	Indirect Shareholdings	%
1	Tan Cheik Eaik	159,101,440	23.67	-	-
2	Tan Ai Jiew	85,466,600	12.71	6,264,000*	0.93
3	Koay Kim Chiew	74,020,060	11.01	-	-
4	Tan Ah Lek	63,284,498	9.41	270,000*	0.04
5	Tan Cheik Kooi	48,534,360	7.22	-	-

* Deemed interest held through the shareholdings of his/her children pursuant to Section 59 (11)(c) of the Companies Act 2016

LIST OF LANDED PROPERTIES



Name of Registered Owner/ Title Identification	Approximate Age of Building/ Tenure/ Date of Expiry of Lease	Description/ Existing Use	Land Area/ Built Up Area (sq ft)	Restriction in Interest/ Encumbrances	Prices Paid/ Date of Transaction/ Date of Issuance of Certificate of Fitness	Audited Net Book Value as at 31.12.2020
Siangtronics Technology Sdn. Bhd. Plot 9, Medan Bayan Lepas, Technoplex, Bayan Lepas Industrial Zone Phase 4, Bayan Lepas, 11900 Penang erected on the leasehold land held under No. HSD 16397 No. Lot PT 5047 Daerah Barat Daya, Mukim 12, Penang.	20 years/ Leasehold land 60 years/ 17.01.2062	2-storey factory building/ Manufacturing plant, office and warehouse	87,370/ 22,000	(a) The land cannot be transferred, charged, leased or sub-leased, rented or encumbered in whatever manner without a written approval from the State Authority (b) The land cannot be subdivided or partitioned (c) The land and any building erected cannot be used for other usage other than approved by the Penang Development Corporation and State Authority	RM4,199,267/ 01.04.1999/ 06.09.2004	RM2,559,817
Siangtronics Technology Sdn. Bhd. 303-4-20, Krystal Point, Jalan Sultan Azlan Shah MK12, Penang erected on part of the land held under No. GM1333, No. Lot 12033 Tempat Sungai Nibong Mukim 12, Daerah Barat Daya, Penang.	20 years/ Freehold building/ Not applicable	Office lot/ Office	Not applicable/ 1,049	Nil	RM213,930/ 10.01.1997/ 02.10.1998	RM118,812
Elsoft Systems Sdn. Bhd. Plot 85(b), Medan Bayan Lepas, Technoplex, Bayan Lepas Industrial Zone Phase 4, Bayan Lepas, 11900 Penang erected on the leasehold land held under No. Lot 85(b) Daerah Barat Daya, Mukim 12, Penang.	15 years/ Leasehold land 60 years/ 60 years from the date of alienation/ 11.9.2065	2-storey factory building/ Manufacturing plant, office and warehouse	184,945/ 50,000	(a) The land cannot be transferred, charged, leased or sub-leased, rented or encumbered in whatever manner without a written approval from the State Authority (b) The land cannot be subdivided or partitioned (c) The land and any building erected cannot be used for other usage other than approved by the Penang Development Corporation and State Authority	RM10,499,352/ 05.11.2004/ 12.12.2006	RM8,107,380
	7 years/ Leasehold land 60 years/ 60 years from the date of alienation/ 11.9.2065	2-storey factory building/ Manufacturing plant, office and warehouse	184,945/ 92,000		RM10,517,100/ 31.12.2013/ 29.04.2014	RM9,268,487

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of Elsoft Research Berhad ("the Company") will be held at the Conference Hall of the Company, Plot 85B, Lintang Bayan Lepas 9, Bayan Lepas Industrial Park, Phase 4, 11900 Penang on Friday, 28 May 2021 at 10.00 a.m. for the transaction of the following business:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of Directors' fees of not exceeding RM300,000.00 to the Non-Executive Directors for the financial year ending 31 December 2021.
3. To re-elect the following Directors who retire pursuant to Article 18.3 of the Company's Constitution and being eligible, have offered themselves for re-election:
 - (i). Mr. Koay Kim Chiew
 - (ii). Madam Tan Ai Jiew
 - (iii). Dato' Agatha Foo Tet Sin.
4. To re-appoint BDO PLT as Auditors of the Company until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration.

Ordinary Resolution 1

Ordinary Resolution 2

Ordinary Resolution 3

Ordinary Resolution 4

Ordinary Resolution 5

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, with or without modification, as Special/ Ordinary Resolutions:

5. PROPOSED AMENDMENT TO THE COMPANY'S CONSTITUTION ("PROPOSED AMENDMENT")

"THAT the proposed amendment to Article 41 of the Company's Constitution as set out below, be and is hereby approved:

Article No.	Existing Article	Proposed Article
41. INDEMNITY AND INSURANCE	41.1 Subject to the Act, every Director, Auditors, Secretary and other Officers (as defined in the Act) for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred or sustained by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under the Act in which relief is granted to him by the Court in respect of any negligence, default, breach of duty or breach of trust, and the Company may effect insurance for such persons against such liability.	41.1 Subject to the Act, every Director and Officer (as defined in the Act) for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred or sustained by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under the Act in which relief is granted to him by the Court in respect of any negligence, default, breach of duty or breach of trust, and the Company may effect insurance for such persons against such liability.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)



5. PROPOSED AMENDMENT TO THE COMPANY'S CONSTITUTION ("PROPOSED AMENDMENT")

Article No.	Existing Article	Proposed Article
41. INDEMNITY AND INSURANCE		41.2 In addition and subject to the Act, every Director and Officer (as defined in the Act) shall also be indemnified by the Company in respect of any civil liability to any person other than the Company for any act or omission in his capacity as a Director or Officer, and any costs in defending or settling any claim or proceedings relating to any such liability, whether or not judgement is given in his favour, and the Company may also effect insurance for such persons against such liability.

AND THAT, the Directors of the Company be and are hereby authorised to assent to any conditions, variations, modifications and/or amendments as may be required by any relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the Proposed Amendment for and on behalf of the Company."

Special Resolution

6. AUTHORITY UNDER SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 FOR THE DIRECTORS TO ISSUE SHARES

"THAT, subject always to the Companies Act, 2016 ("the Act"), the Constitution of the Company and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby authorized, pursuant to Sections 75 and 76 of the Act, to allot and issue shares in the Company at any time until the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deemed fit, provided that the aggregate of the shares to be issued does not exceed 10% of the total number of issued shares of the Company and that the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares to be issued."

Ordinary Resolution 6

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

"THAT, subject always to the Companies Act 2016, the provisions of the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorized to make purchase(s) of such amount of ordinary shares in the Company through Bursa Securities subject to the following:

- (a) The aggregate of the shares which may be purchased and/or held by the Company shall not exceed 10% of the total number of issued shares of the Company ("Shares");
- (b) The maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the aggregate of the retained profits of the Company. As of 31 December 2020, the audited retained profits of the Company was RM8,351,881.
- (c) The authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will continue to be in force until:
 - (i) the conclusion of the next annual general meeting of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
 - (ii) the expiration of the period within which the next annual general meeting of the Company after that date is required by law to be held; or
 - (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities or any other relevant authority; and

- (d) upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorized to deal with the Shares in the following manner:
 - (i) cancel the Shares so purchased; or
 - (ii) retain the Shares so purchased as treasury shares; or
 - (iii) retain part of the Shares so purchased as treasury shares and cancel the remainder; or
 - (iv) distribute the treasury shares as share dividends to shareholders; or
 - (v) resell the treasury shares on Bursa Securities; or
 - (vi) transfer the treasury shares, or any of the shares for the purposes of or under an employees' share scheme; or
 - (vii) transfer the treasury shares, or any of the shares as purchase consideration; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the Directors of the Company be and are hereby authorized to take all steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

Ordinary Resolution 7

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

8. CONTINUATION IN OFFICE AS AN INDEPENDENT NON-EXECUTIVE DIRECTORS

- (i) "THAT, Dato' Dr. Chong Eng Keat @ Teoh Eng Keat be retained as Independent Non-Executive Director of the Company, in accordance with the Malaysian Code on Corporate Governance 2017 until the conclusion of the next annual general meeting."

Ordinary Resolution 8

- (ii) "THAT, Mr Ooi Toon Kit be retained as Independent Non-Executive Director of the Company, in accordance with the Malaysian Code on Corporate Governance 2017 until the conclusion of the next annual general meeting."

Ordinary Resolution 9

9. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

By Order of the Board,

DATUK TAN LEH KIAH (SSM PC NO. 201908002912/MAICSA 719692)

OOI YOONG YOONG (SSM PC NO. 202008002042/MAICSA 7020753)

Secretaries

Penang

28 April 2021

Notes:

Appointment of Proxy

1. A member may appoint any person to be his proxy save that the proxy must be of full age. There is no restriction as to the qualification of the proxy.
2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorized.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 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.
6. Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, 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.
7. For a proxy to be valid, the instrument appointing a proxy must be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting:
 - (a) In hard copy form
The Proxy Form must be deposited at the Registered Office at 39 Irving Road 10400 Georgetown, Penang.
 - (b) By electronic means via email
The Proxy Form must be received via email at investor.relations@elsoftresearch.com. The member is required to deposit the original executed Proxy Form at the Registered Office before the day of meeting or to bring the original executed Proxy Form on the day of meeting for verification purpose.

General Meeting Record of Depositors

8. Only a depositor whose name appears on the Record of Depositors of the Company as at 21 May 2021 shall be entitled to attend this Annual General Meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

Ordinary Business

9. Ordinary Resolution 1 – Proposed payment of Directors' fees of not exceeding RM300,000.00 to the Non-Executive Directors for the financial year ending 31 December 2021

The proposed Ordinary Resolution 1 is to facilitate the payment of Directors' fees on current year basis. In the event, the Directors' fees proposed is insufficient, the Board will seek the approval from the shareholders at the next annual general meeting for additional fees to meet the shortfall.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes: (Cont'd)

Special Business

10. Special Resolution - Proposed Amendment to the Company's Constitution ("Proposed Amendment")

The Proposed Amendment to the Company's Constitution is to enhance administrative efficiency and provide greater clarity.

11. Ordinary Resolution 6 - Authority under Sections 75 and 76 of the Companies Act, 2016 for the Directors to issue shares

The proposed Ordinary Resolution 6, if passed, will give authority to the Board of Directors to issue and allot ordinary shares in the Company at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last annual general meeting which will lapse at the conclusion of the Eighteenth Annual General Meeting.

This renewed general mandate will provide flexibility to the Company for any possible fund-raising activities, including but not limited to placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

12. Ordinary Resolution 7 - Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 7, if passed, will give the authority to the Company to purchase its own shares up to 10% of the total number of issued shares of the Company. This authority, unless renewed or revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting after that date is required by the law to be held, whichever occurs first.

Detail information on the Proposed Renewal of Share Buy-Back Authority are set out in page 34 to 43 of the 2020 Annual Report.

13. Ordinary Resolutions 8 and 9 - Continuation in Office as an Independent Non-Executive Directors

The proposed Ordinary Resolutions 8 and 9, if passed, will allow Dato' Dr. Chong Eng Keat @ Teoh Eng Keat and Mr. Ooi Toon Kit to be retained as an Independent Non-Executive Directors of the Company. The Board of Directors, had vide the Nomination Committee, conducted annual performance evaluation and assessment of Dato' Dr. Chong Eng Keat @ Teoh Eng Keat and Mr. Ooi Toon Kit, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than twelve (12) years and nine (9) years respectively, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the justification as set out under Corporate Governance Overview Statement in the Company's Annual Report 2020.

14. Voting at Eighteenth AGM

Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, all resolutions set out in the Notice of Eighteenth AGM will be put to vote on a poll.

General Meeting Arrangements

Due to the constant evolving Coronavirus Disease (COVID-19) situation in Malaysia, we may require to change the arrangements of our Eighteenth AGM at short notice. Kindly visit Bursa Malaysia Securities Berhad's website or the Company's website at <https://elsoftresearch.com> for the latest updates on the status of the said meeting.

The health and safety of our members and staff who will attend the AGM are the top priority of the Company. Hence, the following precautionary measures will be taken for the conduct of the AGM:

- All attendees must sanitise their hands and will be required to wear face masks, undergo temperature check, provide contact details and make health declaration prior to entering the meeting venue.
- All attendees are required to wear face mask at all times, download MySejahtera mobile application and scan the QRcode at the AGM venue for contact tracing, if required in the future by any relevant parties.
- All attendees are required to practise social distancing of 1 meter throughout the AGM and only allowed to sit at the place arranged by the Company.
- Shareholders/proxies who are feeling unwell or have been placed on quarantine orders or stay-at-home notices, you are advised to refrain from attending the AGM in person.
- Any attendee with body temperature at 37.5°C and above or exhibits flu-like symptoms will not be allowed to enter the meeting hall.
- Shareholders are encouraged to appoint the Chairman of the Meeting to act as proxy to attend and vote at the AGM on their behalf by submitting the proxy form with predetermined voting instruction.
- There will be no refreshment and no door-gift provided to the attendees.
- Shareholders/proxies are advised to arrive early at the AGM venue given that the above-mentioned precautionary measures may cause delay in the registration process.
- Shareholders are required to register ahead of the AGM to allow the Company to make the necessary arrangements in relation to the meeting i.e. infrastructure, logistics and meeting venue(s) to accommodate the meeting participants. Thus, kindly RSVP your intention to attend the AGM by email to our share registrar at agriteumsrs@gmail.com.



PROXY FORM

CDS account no.:



ELSOFT RESEARCH BERHAD

Registration No. 200301015084 (617504-K)
(Incorporated in Malaysia)

*I/We _____ Tel: _____

(Full name in block, NRIC/Passport/Company No.)

of _____

(Full address and e-mail address)

being member(s) of ELSOFT RESEARCH BERHAD, hereby appoint:

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address, telephone no. and email address			

*and/or failing him/her

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address, telephone no. and email address			

or failing whom, the Chairman of the meeting, as * my/our proxy to vote for * me/us on * my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at the Conference Hall of the Company, Plot 85B, Lintang Bayan Lepas 9, Bayan Lepas Industrial Park, Phase 4, 11900 Penang on Friday, 28 May 2021 at 10.00 a.m. and at any adjournment thereof, on the following resolutions referred to in the Notice of Eighteenth Annual General Meeting.

No.	Resolutions		For	Against
1.	To approve the payment of Directors' fees of not exceeding RM300,000.00 to the Non-Executive Directors for the financial year ending 31 December 2021.	Ordinary Resolution 1		
2.	To re-elect Mr. Koay Kim Chiew as Director of the Company.	Ordinary Resolution 2		
3.	To re-elect Madam Tan Ai Jiew as Director of the Company.	Ordinary Resolution 3		
4.	To re-elect Dato' Agatha Foo Tet Sin as Director of the Company.	Ordinary Resolution 4		
5.	To re-appoint BDO PLT as Auditors of the Company and to authorize the Directors to fix their remuneration.	Ordinary Resolution 5		
6.	Proposed Amendment to the Company's Constitution.	Special Resolution		
7.	Authority under Sections 75 and 76 of the Companies Act, 2016 for the Directors to issue shares.	Ordinary Resolution 6		
8.	Proposed Renewal of Share Buy-Back Authority.	Ordinary Resolution 7		
9.	Continuation in office as an Independent Non-Executive Director - Dato' Dr. Chong Eng Keat @ Teoh Eng Keat.	Ordinary Resolution 8		
10.	Continuation in office as an Independent Non-Executive Director - Mr Ooi Toon Kit.	Ordinary Resolution 9		

Please indicate with an "X" in the appropriate space provided above on how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy may vote as he thinks fit.

Signed this day of 2021

Number of shares held

Signature(s) of member(s)/
Common Seal

* *Strike out whichever is not desired.*

Notes :-

1. A member may appoint any person to be his proxy save that the proxy must be of full age. There is no restriction as to the qualification of the proxy.
2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.
3. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorized.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 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.
6. Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, 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.
7. For a proxy to be valid, the instrument appointing a proxy must be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting:
 - (a) In hard copy form
The Proxy Form must be deposited at the Registered Office at 39 Irving Road 10400 Georgetown, Penang.
 - (b) By electronic means via email
The Proxy Form must be received via email at investor.relations@elsoftresearch.com. The member is required to deposit the original executed Proxy Form at the Registered Office before the day of meeting or to bring the original executed Proxy Form on the day of meeting for verification purpose

Personal Data Privacy

By submitting the duly executed Proxy Form, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM, and any adjournment thereof.

Please fold across the line and close

STAMP

ELSOFT RESEARCH BERHAD
Registration No.: 200301015084 (617504-K)
(Incorporated in Malaysia)

**39 Irving Road
10400 Georgetown
Pulau Pinang, Malaysia**

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ELSOFT RESEARCH BERHAD

Registration No. 200301015084 (617504-K)

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