



ELSOFT RESEARCH BERHAD

Registration No. 200301015084 (617504-K)



FLOURISHING FUTURES AHEAD

ANNUAL REPORT 2021



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FLOURISHING FUTURES AHEAD

Elsoft Research Berhad has ambitions to usher in a bright and flourishing future, a future in which the company thrives in research and developments. The company has been devoted to intensify its research and development efforts which will bring in opportunities for growth to the company. By continuing to intensify these features and encourage growth, Elsoft Research Berhad will be recognized as a shining beacon of greatness in the future.



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

CORPORATE INFORMATION

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

(SSM PC NO. 201908002912/MAICSA 719692)

Ooi Yoong Yoong

(SSM PC NO. 202008002042/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: <http://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

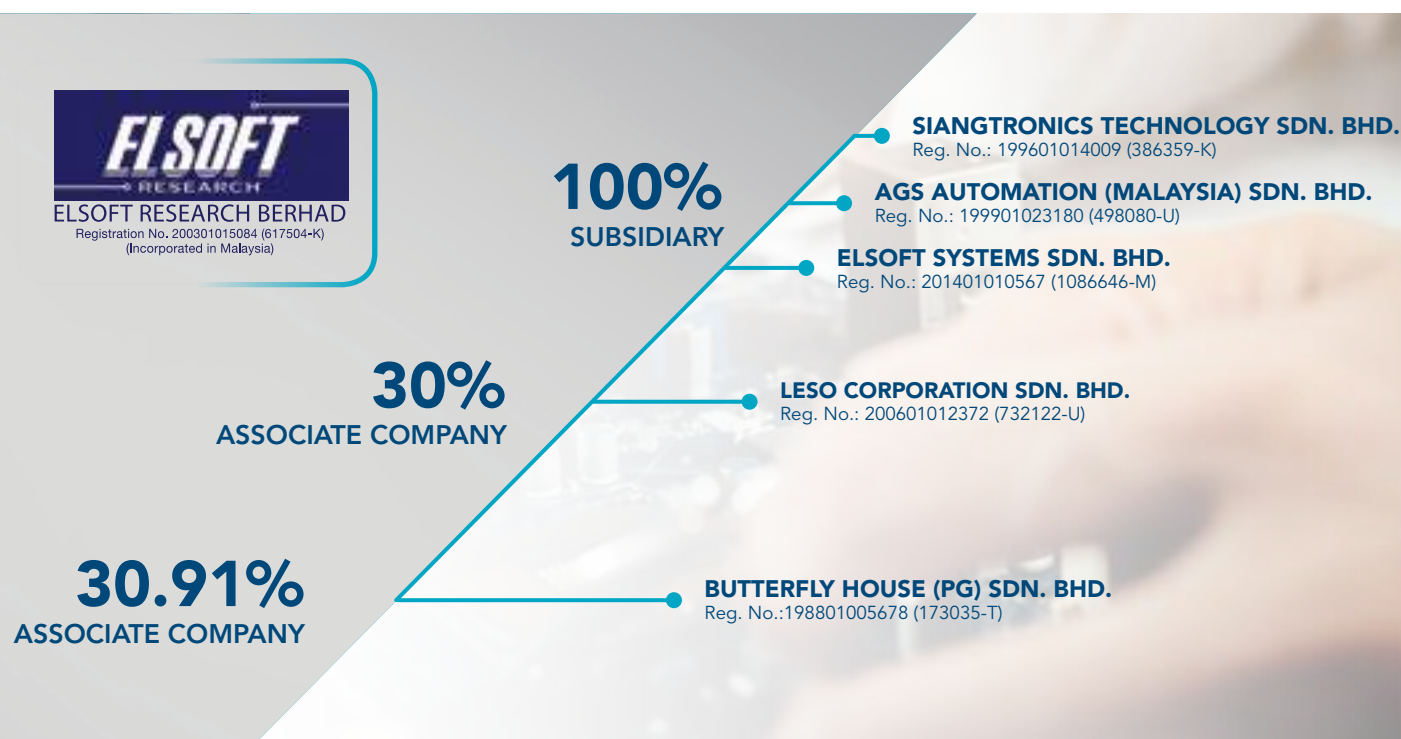
CORPORATE STRUCTURE

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. ("BHSB") | 18.08.1988/ Malaysia | 30.91 | Operating a butterfly farm. |

The structure of the Group is as set out below:

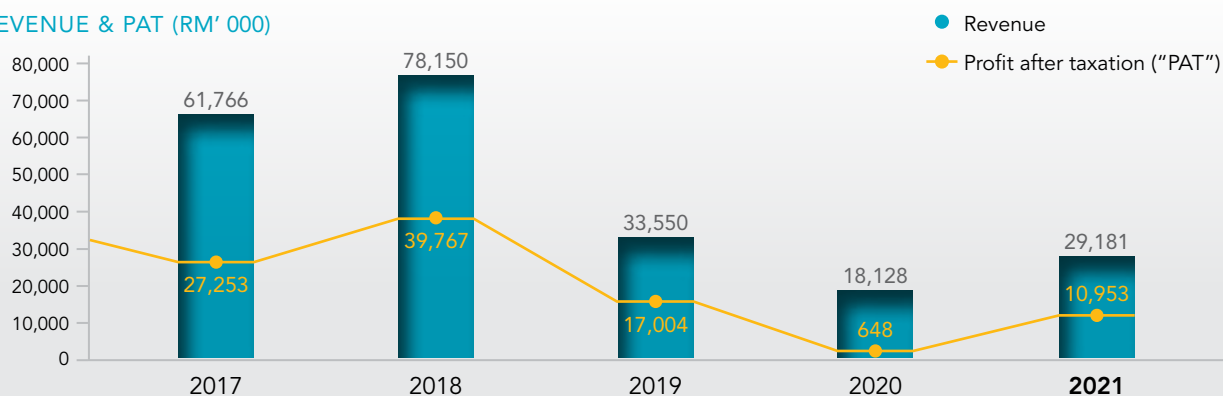


FINANCIAL HIGHLIGHTS

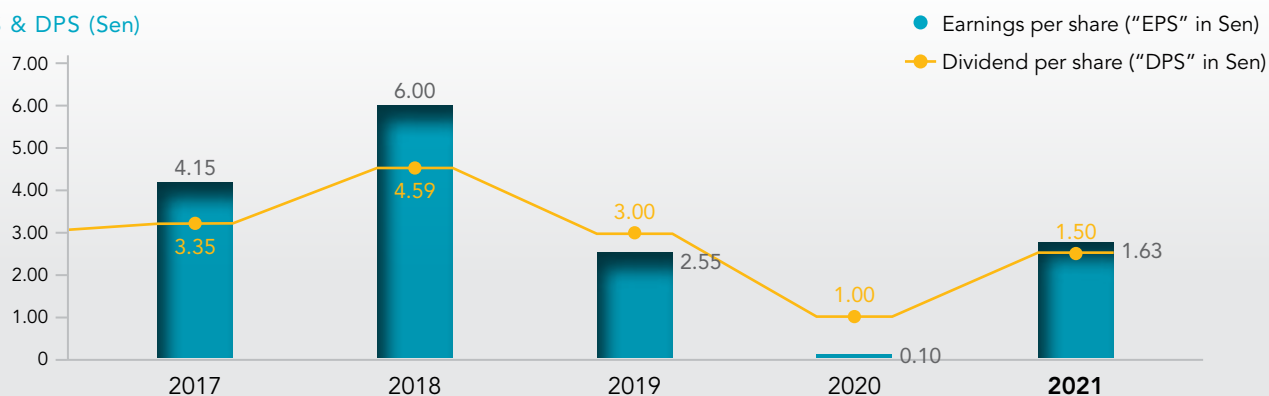
| | Group | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2017 RM' 000 | 2018 RM' 000 | 2019 RM' 000 | 2020 RM' 000 | 2021 RM' 000 |
| Revenue | 61,766 | 78,150 | 33,550 | 18,128 | 29,181 |
| Profit before taxation | 27,707 | 40,295 | 17,557 | 942 | 11,470 |
| Profit after taxation ("PAT") | 27,253 | 39,767 | 17,004 | 648 | 10,953 |
| No. of shares assumed in issue (in Thousand) * | 657,067 | 663,171 | 667,097 | 670,657 | 673,905 |
| Earnings per share ("EPS" in Sen) | 4.15 | 6.00 | 2.55 | 0.10 | 1.63 |
| Dividend per share ("DPS" in Sen) | 3.35 | 4.59 | 3.00 | 1.00 | 1.50 |
| Dividend payout (in percentage) | 81% | 77% | 118% | 1035% | 92% |
| Return on equity ("ROE" in percentage) | 27% | 35% | 16% | 0.6% | 10% |

* The number of shares has been adjusted for bonus issue and share split retrospectively.

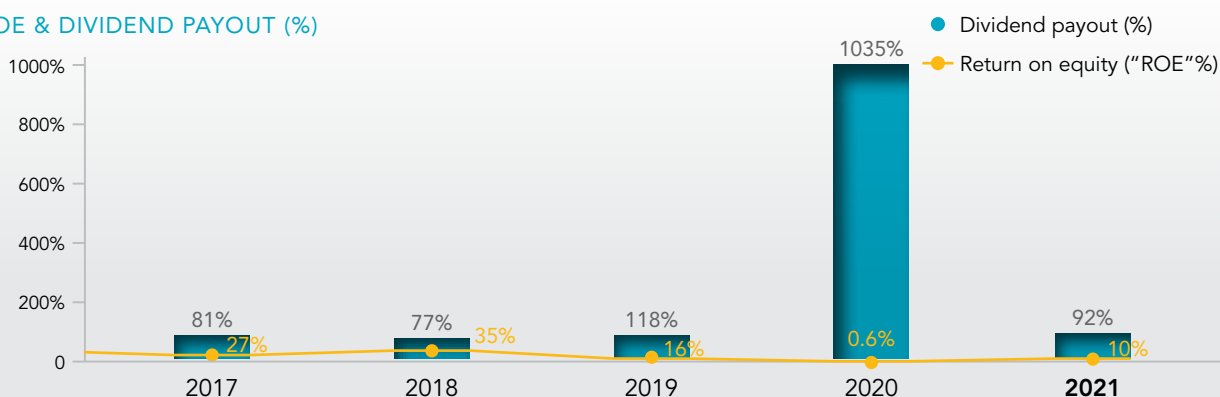
REVENUE & PAT (RM' 000)



EPS & DPS (Sen)



ROE & DIVIDEND PAYOUT (%)



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 76, 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 five Board of Directors Meetings held in the financial year 2021. 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 aged 57, 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 five Board of Directors Meetings held in the financial year 2021. 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.



TAN CHEIK EAIK

Executive Director and Chief Executive Officer

PROFILE OF DIRECTORS (CONT'D)



KOAY KIM CHIEW

Executive Director

TAN AH LEK aged 66, 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 four out of five Board of Directors Meetings held in the financial year 2021. 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 AH LEK

Non-Independent Non-Executive Director

TAN AI JIEW aged 72, 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 five Board of Directors Meetings held in the financial year 2021. 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.



TAN AI JIEW

Non-Independent Non-Executive Director

PROFILE OF DIRECTORS (CONT'D)



OOI TOON KIT

Independent Non-Executive Director

OOI TOON KIT aged 76, 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 28 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 wholesaling 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 was appointed as Independent Non-Executive Director of Amlex Holdings Berhad on 2 August 2021, a position he holds to date.

He attended all five Board of Directors Meetings held in the financial year 2021. 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 aged 62, 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 five Board of Directors Meetings held in the financial year 2021. 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.



DATO' AGATHA FOO TET SIN

Independent Non-Executive Director

PROFILE OF KEY SENIOR MANAGEMENT

Eng Chin Peng, aged 57, 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, aged 54, 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, aged 67, 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, aged 56, 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. Elsoft's current primary markets are in the Automotive, Smart Devices and General Lighting industries.

The Group's core competency is the ability to offer comprehensive test solutions which include its proprietary software and hardware.

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.

| | 31 Dec 2021 RM'000 | 31 Dec 2020 RM'000 | Changes (%) |
|---|-----------------------|-----------------------|----------------|
| Income Statement | | | |
| Revenue | 29,181 | 18,128 | 61.0% |
| Cost of sales | (15,912) | (11,529) | 38.0% |
| Gross profit | 13,269 | 6,599 | 101.1% |
| Other income & other expenses | 2,526 | 2,939 | -14.1% |
| Administrative expenses | (4,313) | (8,239) | -47.7% |
| Share of loss in associates | (12) | (357) | -96.6% |
| Profit before tax | 11,470 | 942 | 1117.6% |
| Taxation | (517) | (294) | 75.9% |
| Net profit | 10,953 | 648 | 1590.3% |
| Shareholders' equity | 108,669 | 101,695 | |
| Basic earnings per share (Sen) | 1.63 | 0.10 | |
| Net assets per share (Sen) | 16.13 | 15.16 | |
| Dividend payout (%) | 92% | 1035% | |
| Weighted average number of ordinary share | 673,905,311 | 670,656,937 | |

Revenue and Gross Profit

Revenue and Gross Profit of the Group for FYE 2021 increased by 61.0% and 101.1% respectively. The increases were mainly due to the improved demand for ATE in both smart devices and automotive industry.

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 RM2.526 million, a decrease of 14.1% as compared to FYE 2020 and this was mainly attributable to lower return from investments in money market funds and bond funds.

Administrative expenses

The Group's administrative expenses for FYE 2021 decreased significantly to RM4.313 million as compared to RM8.239 million for FYE2020. This decrease was mainly due to no further impairment loss of investment in associate, Butterfly House (PG) Sdn Bhd ("Entopia").

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF FINANCIAL RESULT (CONT'D)

Share of profit and losses in associates

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

Share of losses in Leso was RM12,192 for FYE2021, a decrease of 101.6% as compared to share of profit of RM0.770 million for FYE2020.

Leso's headquarters in Shah Alam was badly affected by the flood caused by continuous heavy rain during a weekend in December 2021. The flash flood incident damaged inventories valued at RM3 million which were subsequently written off in FYE2021.

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

Investment in Entopia was fully impaired in FYE2020 and would not affect the Group's performance in future.

Entopia, after hibernation for about 6 months, re-opened on 18 November 2021 after some operational restructuring and with minimal headcount. The management is hopeful that the operations can be improved with the opening of our borders to foreign visitors.

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..

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

Financial Position and Liquidity

The Group's inventories increased by 72.0% from RM2.776 million as at FYE 2020 to RM4.776 million as at FYE 2021. The increase was mainly due to higher work-in-progress ("WIP") stock as the orders in hand were improved as compared to a year ago.

Total trade and other receivables increased by 93.0% from RM7.448 million as at FYE 2020 to RM14.378 million as at FYE 2021. The increase was due to the higher sales generated towards the end of FYE 2021 resulting in the corresponding increase in trade receivables.

The Group's trade and other payables increased by 75.5% from RM2.763 million as at FYE2020 to RM4.848 million as at FYE2021. The increase was due to higher trade payable as purchases were increased towards the end of FYE 2021 to support the improved orders.

Provision for repair and other services increased by 14.1% from RM1.238 million as at FYE2020 to RM1.413 million as at FYE2021. The increase was in line with higher revenue for FYE2021.

Total contract liabilities increased by 243.0% from RM1.194 million as at FYE2020 to RM4.096 million as at FYE2021. Majority of these contract liabilities brought forward from FYE2020 was fulfilled and recognized in FYE2021. Contract liabilities for FYE2021 was expected to be fulfilled and recognized in FY2022.

The Group's cash and cash equivalents stood at RM12.840 million and RM3.414 million as at FYE 2021 and FYE 2020 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 RM56.088 million and RM61.535 million as at FYE 2021 and FYE 2020 respectively. Other investments comprised investments in Money Market Fund, Bond Fund, Fixed Income Fund and Quoted Investments.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OPERATING ACTIVITIES

Financial year 2021 was not an easy year for the Group with the ongoing challenges of the pandemic, travel restrictions and supply chain disruptions. Notwithstanding, the Group excel and ended the year with a better performance as compared to FY2020.

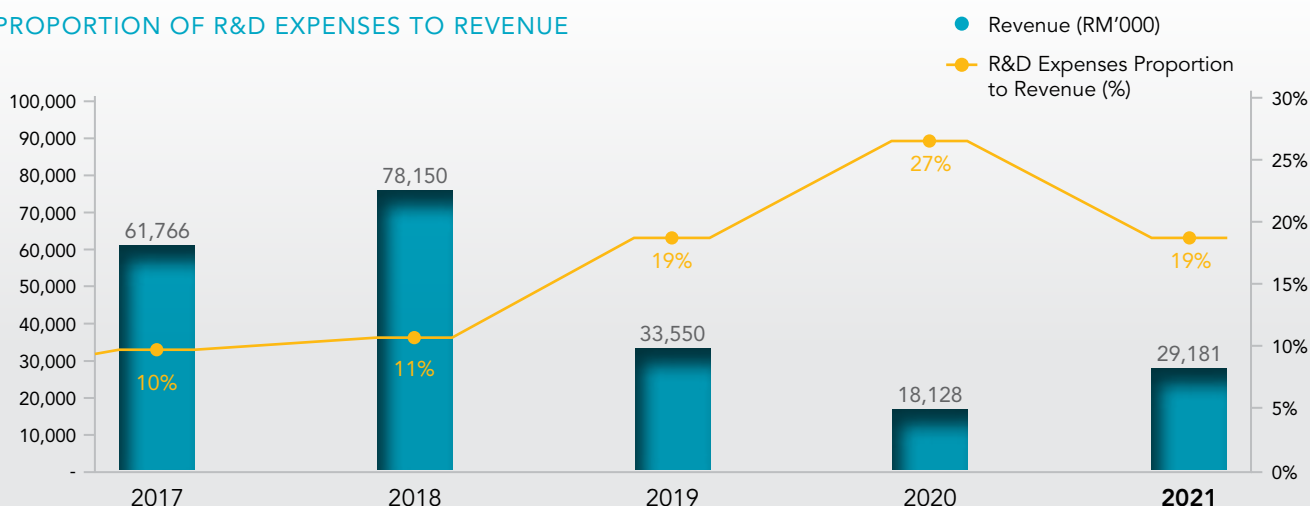
During 2021, the Group committed resources toward research and development ("R&D") of new products and new test applications for both new and existing customers. These R&D activities were mainly in the following areas:

- (a) New ATE and Burn-In System for automotive industry
- (b) New LED Test and Burn-In solution for new model smart devices
- (c) Continuous improvement on second generation controller for medical device

The Group's R&D efforts since last financial year have been successfully resulted in increased orders in FY2021. The smart devices market remained the largest contributor to the Group's revenue, followed by the automotive market.

Research and development ("R&D") will continue to play an important role in our business sustainability. It is the Group's strategy to continuously seek knowledge so as to better develop, design and enhance our products and services.

PROPORTION OF R&D EXPENSES TO REVENUE



Human capital is the greatest asset which contributes to the success of the Group and we need 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.

As at end of 2021, the Group's total workforce was as follows:-

| Category | No. of Employee |
|----------------------|-----------------|
| R&D engineers | 28 |
| Service engineers | 16 |
| Skilled labour | 11 |
| Administrative staff | 15 |
| Total | 70 |

In September 2021, the Group was granted accreditation as a calibration laboratory status under the Skim Akreditasi Makmal Malaysia (SAMM) of the Department Standards of Malaysia. The accreditation under SAMM conforms with the requirements of Malaysia Standards MS ISO/IEC 17025, which is identical with ISO/IEC 17025:2017 published by the International Organization for Standardization (ISO) and International Electrotechnical Commission (IEC). The accreditation recognises that Elsoft's laboratory operates competently and generates valid results, thereby providing best value and service for our customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

PROSPECTS AND OUTLOOK

According to the World Economic Outlook Update published in January 2021 by the International Monetary Fund (IMF), the global economy enters 2022 in a weaker position than previously expected. Rising energy and other raw material prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated. Global growth is expected to moderate from 5.9% in 2021 to 4.4% in 2022.

Sign of business recovery was first seen in Q2 2021 with a gradually improved order book. However, shortage of components and materials due to supply chain disruptions continue to pose a threat to business recovery. Despite the uncertainty of supply chain disruption and other challenges, Management expects the business and financial performance to gradually improve for the financial year ending 31 December 2022.

Associate Companies

Leso Corporation Sdn. Bhd. ("Leso"), a 30% owned associate company of Elsoft, has its presence in Thailand, Philippines, Indonesia and Singapore as part of its geographical diversification strategy. For year 2022, Leso will focus on establishing its branding in the ASEAN region to prepare the Group for growth in the post Covid era.

Butterfly House (PG) Sdn. Bhd. ("Entopia") is a 30.91% owned associate company of Elsoft, and thus far had severely suffered from the impact of the Covid 19 outbreak on the tourism industry. Entopia went into hibernation mode since 1 June 2021 and re-opened on 18 Nov 2021 with minimal headcount and limited operating spending. With the expectation of borders re-opening, Entopia expects the operating environment will further improve in FY2022. Entopia plans to diversify its insects breeding division to insect feed production in order to cater for the livestock and pets feed market by 2023.

RISK EXPOSURES

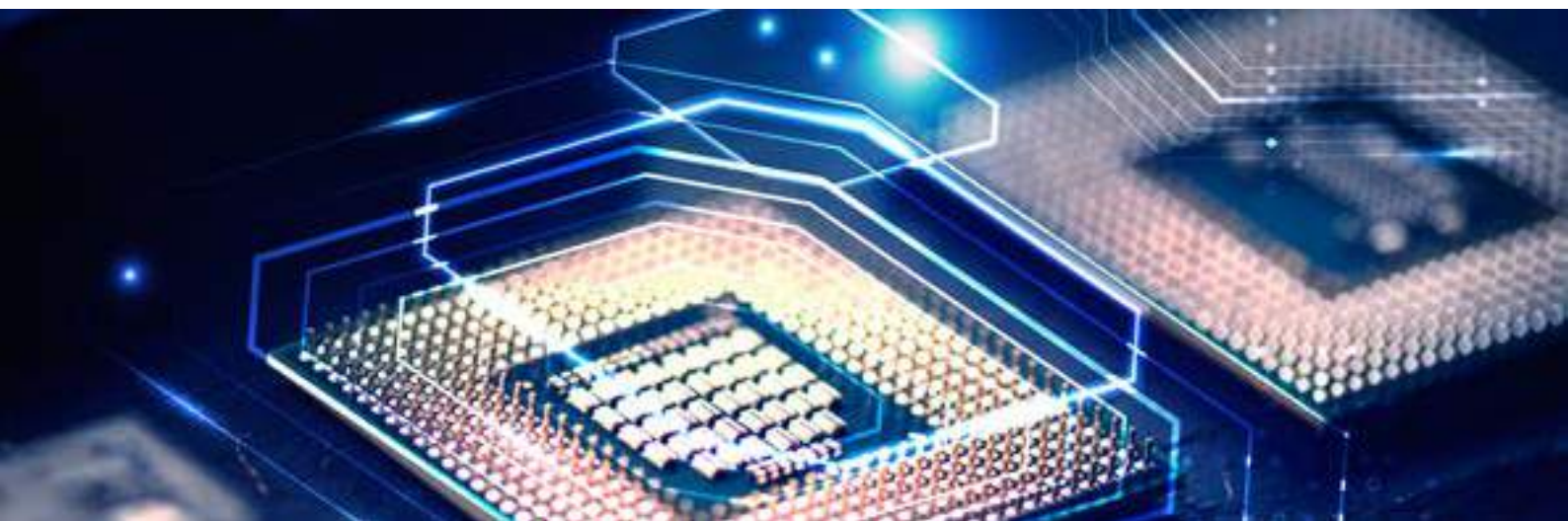
Foreign Currency Risk

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 46% of the Group's total turnover for the financial year ended 31 December 2021. 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.



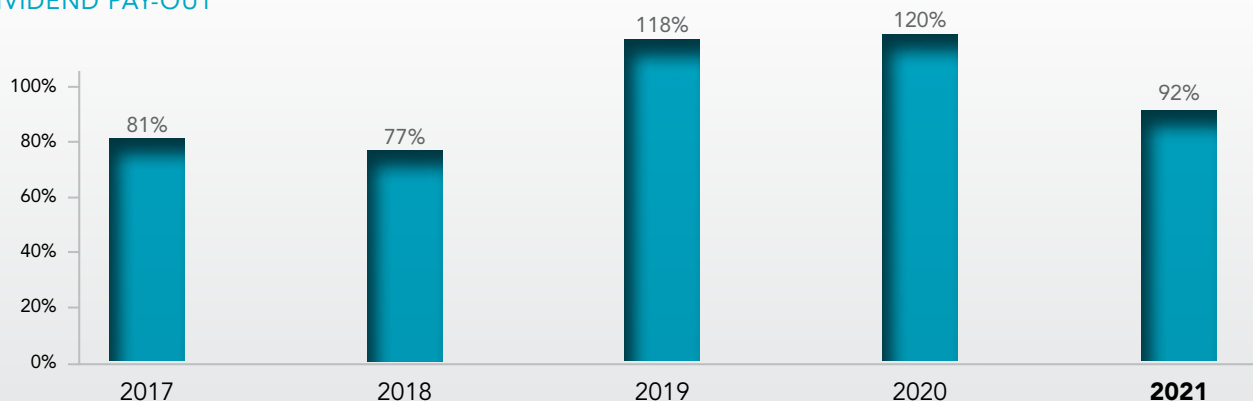
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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 2021, the Company declared two (2) dividend pay-outs and these added up to RM0.015 per ordinary share which represents a total pay-out of 92%.

DIVIDEND PAY-OUT



* The dividend payout percentage for FYE 2020 of 120% was calculated by excluding the one-time impairment loss in associate.

MESSAGE FROM BOARD & MANAGEMENT

Barring any unforeseen circumstances, the management of Elsoft expects the business and financial performance to gradually improve for the financial year ending 31 December 2022 in view of the improved order book.

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 ("MCCG"). As such, the Board will continue to review and enhance good corporate governance practices 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's 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 The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

Dato' Dr Chong Eng Keat @ Teoh Eng Keat is an Independent Non-Executive Chairman of the Board. He is also the Member of Audit Committee and the Chairman of Nomination Committee and Remuneration Committee. Although he is the Chairman of the Board, he has been nominated to sit as a member of the said committees as the Company has a moderate sized Board and has only three (3) Independent Directors. Thus far, he has carried out his duty with integrity and objectivity and constantly challenges and provides advice in boardroom deliberations.

1.5 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 and/or their representative 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.

1.6 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.

Upon conclusion of the Board meetings, the minutes are circulated on a timely basis to enable Board members to ensure that the minutes of meetings accurately reflect the deliberations and decisions of the Board or Board Committees.

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 periodically 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 (CONT'D)

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 Code 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 monitors compliance with the Code and reviews 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 report.

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 it from time to time.

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

4.0 The Board acknowledges that it is important of embedding sustainability principles in setting the Company's strategy.

4.1 Responsibility for oversight and strategic management of sustainability matters

One of the responsibilities of the Board under its Board Charter is to review, approve and adopt strategic plans/direction of the Company and its Group and to ensure that they support long term value creation and has taken into account economic, environmental and social ("EES") considerations underpinning sustainability. The CEO and top management are responsible to implement the policies, strategies and decisions adopted by the Board.

4.2 Public disclosure as well as ongoing internal and external stakeholder's engagement on the management of sustainability matters

Sustainability reporting is prepared in accordance to the Bursa Securities Listing Requirements as a channel to communicate with stakeholders regarding the Company's performance and its impacts on a wide range of sustainability topics, spanning economic, environmental and social parameters.

Sustainability Report forms part of the Company's Annual Report and is available at the Company's website.

4.3 Principles of sustainability forms part and parcel of professional development and board skills matrix

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 Group identifies the sustainability issues through stakeholder's engagement and materiality assessment. The Board has and would continue to actively discuss the sustainability issues and provide recommendations for execution by the CEO and top management.

The Directors also continuously undertake professional trainings to keep abreast with sustainability issues relevant to the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I BOARD RESPONSIBILITIES (CONT'D)

4.4 Integration of sustainability principles in Board and senior management performance evaluation and KPIs

A detailed study is required for developing the criteria for evaluating the performance of the Board and the Management and to address the material sustainability risks and opportunities.

The Board and the Management will review this subject in year 2022.

4.5 Identification of a designated management-level personnel to strategically manage sustainability related risk

The CEO and the management is collectively assigned to manage sustainability related risks at the moment.

II BOARD COMPOSITION

5.0 The Board acknowledges the importance of boardroom diversity and recognises the importance and benefits that it can bring and will work towards achieving this objective through good practices recommended by MCCG as outlined below:-

5.1 Refreshing the Board Composition

The key responsibility of the Nomination Committee is to recommend to the Board suitable persons for appointment as Directors to ensure that the composition of the Board should comprise persons with mixed skills, knowledge, expertise and experience.

In November 2021, in conjunction with the Board's & Sub-Committee's Evaluation and Directors' Self-Evaluation, the Nomination Committee also reviewed the latest Board Composition and concluded that the Board's composition and performance was adequate.

The Nomination Committee is aware of the amendments to the Main Market Listing Requirements in relation to director's appointment, independence and other changes. The Nomination Committee will ensure compliance to the requirements by the implementation date.

| Relevant Amendments | Implementation Date |
|---|-------------------------|
| 1 Requirement to have Directors' Fit and Proper Policy | On or after 1 July 2022 |
| 2 Requirement for at least One (1) Woman Director on Boards | On or after 1 June 2023 |
| 3 12-Year tenure limit for Independent Directors | On or after 1 June 2023 |

5.2 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 will continue 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's composition would comply with the MCCG recommended practice wherein at least half the Board comprises independent directors.

5.3 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 said Director as an Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval through a two-tier voting process at the Annual General Meeting of the Company.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II BOARD COMPOSITION (CONT'D)

5.3 Tenure of Independent Directors (Cont'd)

The Nomination Committee and the Board, through their annual assessment, recommended the retention 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 nine (9) years, 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 operations provide the Board with a diverse set of experience and expertise which enhances the skills and experience profile of the Board.

Two-tier voting process 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 and Mr Ooi Toon Kit to continue to act as Independent Non-Executive Directors.

5.4 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's 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 in the best interest of the Elsoft Group.

5.5 Appointment of the Board and Senior Management

The Board delegates to the Nomination Committee the responsibility of reviewing any new candidate as a Director or the recruitment 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.

5.6 Identification of Candidates

The Board has established a clear and transparent Nomination Process for the Appointment of Directors regardless of the source of recommendation. The nomination process involves the following stages:

- (i) Identifying of candidates;
- (ii) Evaluation of suitability of the candidates;
- (iii) Meeting up with the candidates;
- (iv) Final deliberation by Nomination & Remuneration Committee; and
- (v) Recommendation to Board.

There was no appointment of any new director in 2021 for the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II BOARD COMPOSITION (CONT'D)

5.7 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, is satisfied that the size of the Board is optimum and that there is an 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.

5.8 Chairman of Nominating Committee is Independent Director

The Nomination Committee is chaired by an Independent Non-Executive Director, Dato' Dr Chong Eng Keat @ Teoh Eng Keat to ensure objectivity in the process of recruiting directors, evaluating their performance and driving the continuous performance of the board.

5.9 Gender Diversity

Presently, the Board has two (2) female directors out of a total of seven (7) which represent 28% of the Board Composition.

The Group would like to fulfil gender diversity expected by MCCG 2021 in its Board renewal exercise. Nonetheless, the main consideration of the Board's candidate is based on relevant qualifications, experience, knowledge and expertise that will enhance the Board's value.

5.10 Gender Diversity Policy

During the period under review, the Group does not have a gender diversity policy in relation to Board and Senior Management. The Board will strive to comply with the requirement in MCCG 2021 in relation to gender diversity.

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

6.1 Annual Evaluation

The Nomination Committee carried out an annual assessment in November 2021. 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.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II BOARD COMPOSITION (CONT'D)

6.1 Annual Evaluation (Cont'd)

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.

The Board met five 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 | 5/5 |
| Mr Tan Cheik Eaik Chief Executive Officer/Executive Director | 5/5 |
| Mr Koay Kim Chiew Executive Director | 5/5 |
| Mr Tan Ah Lek Non-Independent Non-Executive Director | 4/5 |
| Ms Tan Ai Jiew Non-Independent Non-Executive Director | 5/5 |
| Mr Ooi Toon Kit Independent Non-Executive Director | 5/5 |
| Dato' Agatha Foo Tet Sin Independent Non-Executive Director | 5/5 |

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.

The Board and Nomination Committee are aware of the amendment to the Main Market Listing Requirement in relation to director's appointment, independence and other changes. The Board and Nomination Committee will ensure compliance to the requirement by the implementation date.

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)

6.1 Annual Evaluation (Cont'd)

Directors' Training (Cont'd)

The training programs and seminars attended by the Directors during the financial year ended 31 December 2021 include:

| Name of Directors | Title of training programs and seminars | Mode of Training | No. of Days |
|--|--|------------------|-------------|
| Dato' Dr Chong Eng Keat @ Teoh Eng Keat | <ul style="list-style-type: none"> Frequently Committed Offences Under the Companies Act 2016 and Statutory Records Updates | Seminar | 1 |
| Mr Tan Cheik Eaik | <ul style="list-style-type: none"> The Vistage Chief Executive Program | Seminar | 12 |
| Mr Koay Kim Chiew | <ul style="list-style-type: none"> Termination Without Violating The Law | Seminar | 1 |
| Mr Tan Ah Lek | <ul style="list-style-type: none"> 2021 Budget Seminar by LHDN Malaysia | Seminar | 1 |
| Ms Tan Ai Jiew | <ul style="list-style-type: none"> 2021 Budget Seminar by LHDN Malaysia | Seminar | 1 |
| Mr Ooi Toon Kit | <ul style="list-style-type: none"> RCEP Impacts on Regional and Malaysian Economy Marketing Technology Stacks How to deal with Anxiety? 2022 World and Domestic Economic Updates | Seminar | 2 |
| Dato' Agatha Foo Tet Sin | <ul style="list-style-type: none"> Frequently Committed Offences Under the Companies Act 2016 and Statutory Records Updates | Seminar | 1 |

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

7.0 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's strategies in the long term.

7.1 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.

The Remuneration Policy is available at the Company's website.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III REMUNERATION (CONT'D)

7.2 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.

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

8.1 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 | - | 36,000 | 91,000 |
| Mr Tan Ah Lek | 45,000 | - | 27,000 | 72,000 |
| Ms Tan Ai Jiew | 45,000 | - | 27,000 | 72,000 |
| Mr Ooi Toon Kit | 45,000 | - | 27,000 | 72,000 |
| Dato' Agatha Foo Tet Sin | 40,000 | - | 27,000 | 67,000 |
| Mr Tan Cheik Eaik | - | 187,872 | - | 187,872 |
| Mr Koay Kim Chiew | - | 378,391 | - | 378,391 |

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III REMUNERATION (CONT'D)

8.2 Remuneration of Senior Management

The Group has disclosed the Senior Management's remuneration in bands of RM50,000 but not on a named basis due to confidentiality and sensitivity of each remuneration package.

| 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 | - |

The remuneration packages of the Management Team are reviewed annually and adjusted based on their individual performance and contributions to the Group as well as the Group's overall performance. The Group also conducts surveys and evaluations in benchmarking its remuneration practices.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I AUDIT COMMITTEE

9.0 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 32 to 33.

9.1 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.

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

The Board has adopted a policy of not appointing any current or ex-partner of our Company's external auditors who have responsibility over the audit of the Group's accounts or the provision of other services to the Group, to the Board and the Audit Committee until after a 3-years cooling-off period from their last date of audit or services. This also applies to partners of their affiliated firms such as those providing advisory, tax and consulting services.

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

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

The Audit Committee makes recommendations on the appointment of new external auditors or the reappointment or discontinuance of the current external auditors to the Board. In making such recommendations, the Audit Committee shall assess the competency, independence, previous audit quality, governance and leadership structure of the audit firm and the measures undertaken by the firm to train its staff to uphold audit quality and manage risks.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

I AUDIT COMMITTEE (CONT'D)

9.3 Assess the Suitability, Objectivity and Independence of the External Auditors (Cont'd)

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 22 April 2022 assessed the independence of the external auditors, BDO PLT and was satisfied with BDO PLT's competency and audit independence.

9.4 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.

9.5 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 Foo Tet Sin 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.

9.6 Provision of Non-Audit Services by External Auditor

The provision of non-audit services by the external auditor and their affiliates must receive the prior approval of the Audit Committee. In granting such approval, the Committee shall consider the nature and the extent of such services and the appropriateness of the quantum of fees.

II RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

10.0 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 34 to 36 of the Annual Report provides an overview on the state of internal controls within the Group.

10.1 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

II RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

10.1 Risk Management and Internal Control Framework (Cont'd)

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.

10.2 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.

11.0 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.

11.1 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.

11.2 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

12.0 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.

12.1 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)

The 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.

12.2 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

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

13.1 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.

13.2 Attendance of Directors

All directors attended the 18th AGM held on 28 May 2021. The Chairmen of Audit Committee, Remuneration Committee and Nomination Committee were also present to provide responses, if necessary, to any question addressed to them.

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

13.3 Leverage technology to facilitate voting and shareholders' participation

At the 18th AGM held on 28 May 2021 via a fully virtual basis, the shareholders were able to carry out online remote voting.

13.4 Shareholder Participation at AGM

The virtual meeting portal was opened for login 30 minutes before the commencement of the meeting. Upon logging in, shareholders were allowed to use the messaging window facility via the Virtual Meeting portal to submit their questions.

The Chairman of the Board read out all the questions raised by shareholders during the meeting. The CEO responded to all the questions raised.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

II CONDUCT OF GENERAL MEETINGS (CONT'D)

13.5 Virtual General Meeting

The Company conducted the 18th AGM on 28 May 2021 via a fully virtual basis through live streaming from the Broadcast Venue and online remote voting. The virtual meeting portal was accessible to all shareholders and enabled engagement between shareholders and the Board. Shareholders were able to pose questions through the virtual meeting portal. The Chairman and Board Members responded to all the questions raised by shareholders during the meeting.

13.6 Minutes of the general meeting

The Summary of AGM minutes, the agenda and the decisions reached will be uploaded to the website.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has complied with most of the principles and recommendations of the MCCG, as described in this statement. This statement is issued in accordance with a Board Resolution dated 22 April 2022.

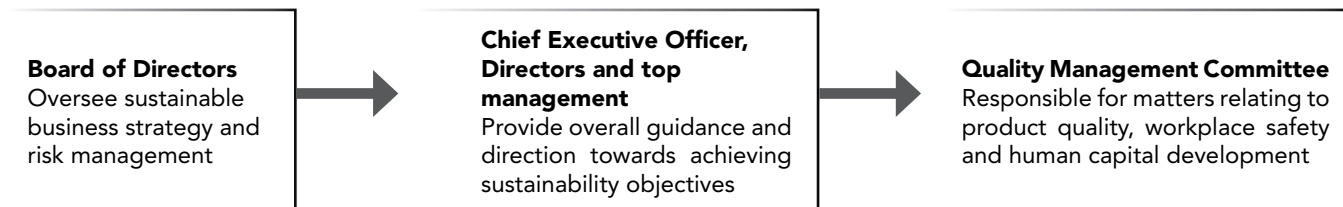
SUSTAINABILITY STATEMENT

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 continuing guide in 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 of our business operation 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 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">• Supplier performance evaluation• Regular feedback to suppliers on their quality and performance |
| Government Agencies | <ul style="list-style-type: none">• Participation in social programs and exhibitions• Participation in seminars related to new government Acts and regulations |

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.

SUSTAINABILITY STATEMENT (CONT'D)

Materiality Assessment (Cont'd)

| 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" |
|----------------|---|

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 since 2018 and MS ISO/IEC 17025 in 2021. 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 |
|------|--|
| 2021 | Approximately 61% |
| 2020 | Approximately 80% |

ENVIRONMENTAL

Elsoft strives to minimize harm and destruction to 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:

- (a) 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.
- (b) 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 personnel 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 |
| 2021 | 31 December 2021 | In compliance |
| 2020 | 25 November 2020 | In compliance |

- (d) The Use of Renewable Energy
Solar energy is a renewable, 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 responsibility, we focus on our engagement with employees, shareholders and the community.

Human capital development

As a research company, Elsoft considers talent management 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 employees' health care by incorporating dental, optical and medical checkups as part of employees' benefits funded by the company.

In response to Covid-19 pandemic, the Group assigned its Human Resource Department to be responsible for the Covid-19 preventive measures in the workplace. The Group adopted the guidelines and Standard Operating Procedure ("SOP") which are mandated by the Government.

The Group also participated in the Public-Private Partnership Covid-19 Industry Immunisation Programme ("PIKAS") to augment the Government's efforts to accelerate vaccination for the Rakyat and to achieve herd immunity by increasing the vaccination uptake among the Malaysian work force and reduce the number of COVID-19 workplace clusters.

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.

| Financial Year | Contribution |
|----------------|--|
| 2020 | 60 units of temperature scanners to Penang Island City Council and Seberang Perai City Council as part of the effort to fight against the Covid-19 pandemic |
| 2021 | 2 units Sky Atmosphere Air Purifier System to Hospital Kepala Batas and 200 sets of disposable triple lumen Bbraun Certofix Trio V720 to Hospital Pulau Pinang to help Covid-19 patients |

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 that Elsoft moves on the same trajectory. The company has already taken the maiden steps in this direction.

STATEMENT OF DIRECTORS' RESPONSIBILITY

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 five (5) meetings held for the financial year ended 31 December 2021 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 | 5/5 |
| Dato' Dr. Chong Eng Keat @ Teoh Eng Keat | 5/5 |
| Madam Tan Ai Jiew | 5/5 |
| Dato' Agatha Foo Tet Sin | 5/5 |

3.0 Summary of Activities

The Committee had carried out the following activities in the five (5) meetings during the financial year ended 31 December 2021 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 the following activities with the external auditors three (3) times during the year without the presence of the Management:
 - (i) their audit plan for the financial year 2021
 - (ii) their understanding of the system of internal control
 - (iii) their audit report
- 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.

AUDIT COMMITTEE REPORT (CONT'D)

3.0 Summary of Activities (Cont'd)

- Reviewed the adequacy of the scope, functions, competency and resources of the internal auditors and that they have the necessary authority to carry out their work.
- 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) Property, Plant and Equipment Management
 - (ii) Anti-Bribery and Anti-Corruption Policy and Practices
 - (iii) Credit Control
 - (iv) Procurement
- 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 2021.

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 improvement of 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 2021 was RM23,000.

The Board of Directors and the Audit Committee relied on discussions with the Management and Executive Directors, in their review of the quarterly financial statements and on the 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 page 34 to 36.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance 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.

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.

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

RISK MANAGEMENT (CONT'D)

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:

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 2021, 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 22 April 2022.

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

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 May 2021, 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 (19th) AGM, which has been scheduled to be held on Friday, 10 June 2022 unless the approval is renewed.

On 22 April 2022, 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 19th 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 19th AGM. The notice of the 19th AGM and the form of proxy are set out in page 103 to 106 and 107 to 108 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 19TH 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 19th 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 2022 ("LPD"), the total issued share capital of our Company based on the Record of Depositors is RM48,809,025.00 comprising of 677,739,580 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 67,773,958 Shares based on the issued share capital of our Company as at the LPD.

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)

2.1 Maximum Number or Percentage of Shares to be Acquired (Cont'd)

As at the LPD, our Company has outstanding options of 2,686,000 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.

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 |
|---|-----------|------------|
| 2021 | | |
| April | 0.680 | 0.775 |
| May | 0.635 | 0.725 |
| June | 0.640 | 0.815 |
| July | 0.680 | 0.910 |
| August | 0.825 | 0.950 |
| September | 0.810 | 0.960 |
| October | 0.825 | 1.07 |
| November | 0.920 | 1.12 |
| December | 0.940 | 1.08 |
| 2022 | | |
| January | 0.860 | 1.20 |
| February | 0.865 | 0.985 |
| March | 0.835 | 0.955 |
| Last transacted market price on 31 March 2022 (being the latest practicable date prior to the printing of this Statement) | | 0.910 |

(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:

- 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.
- 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.
- 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.
- 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 2021, being the latest available audited financial statements, the audited accumulated retained earnings of our Company were RM12,057,514.

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.

SHARE BUY-BACK STATEMENT (CONT'D)

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

5. FUNDING (CONT'D)

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.

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 | 677,739,580 | 677,739,580 |
| Shares to be issued upon full exercise of all Outstanding ESOS Options as at the LPD | - | 2,686,000 |
| | 677,739,580 | 680,425,580 |
| | - | |
| Assuming all the Purchased Shares pursuant to the Proposed Renewal of Authority for Share Buy-Back are cancelled ⁽ⁱⁱⁱ⁾ | (67,773,958) | (68,042,558) |
| Resultant issued share capital after the Proposed Renewal of Authority for Share Buy-Back | 609,965,622 | 612,383,022 |

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 Gearing

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 Shareholders 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 | | Indirect | | Direct | | Indirect | |
| No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| <u>Directors and Substantial Shareholders</u> | | | | | | | |
| Tan Cheik Eaik | 159,389,440 | 23.56 | - | - | 159,389,440 | 26.13 | - |
| Koay Kim Chiew | 74,020,060 | 10.94 | - | - | 74,020,060 | 12.14 | - |
| Tan Ah Lek | 63,434,498 | 9.38 | (iv)370,000 | 0.05 | 63,434,498 | 10.40 | (iv)370,000 |
| Tan Ai Jiew | 85,616,600 | 12.66 | (iv)6,464,000 | 0.96 | 85,616,600 | 14.04 | (iv)6,464,000 |
| <u>Directors</u> | | | | | | | |
| Dato’ Dr Chong Eng Keat @ Teoh Eng Keat | 3,524,500 | 0.52 | - | - | 3,524,500 | 0.58 | - |
| Ooi Toon Kit | 2,454,000 | 0.36 | - | - | 2,454,000 | 0.40 | - |
| Dato’ Agatha Foo Tet Sin | 150,000 | 0.02 | - | - | 150,000 | 0.02 | - |
| <u>Substantial Shareholder</u> | | | | | | | |
| Tan Cheik Kooi | 48,534,360 | 7.17 | - | - | 48,534,360 | 7.96 | - |

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 (11)(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 | 677,739,580 | 34.49% |
| 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>(67,773,958)</u> | |
| Total number of issued Shares after the Proposed Renewal of Authority for Share Buy-Back | <u>609,965,622</u> | 27.22% |

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) | Consideration Paid (RM) | Total Consideration Paid (RM) |
|-------------|-------------------------|--------------------------|---------------------------|---------------------------|-------------------------|-------------------------------|
| 2021 | | | | | | |
| April | - | - | - | - | - | - |
| May | - | - | - | - | - | - |
| June | - | - | - | - | - | - |
| July | - | - | - | - | - | - |
| August | - | - | - | - | - | - |
| September | - | - | - | - | - | - |
| October | - | - | - | - | - | - |
| November | - | - | - | - | - | - |
| December | - | - | - | - | - | - |
| 2022 | | | | | | |
| 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 2021.

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.

SHARE BUY-BACK STATEMENT (CONT'D)

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

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 19th AGM.

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 19th 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 2020 and 2021.

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 22 April 2022.

ADDITIONAL COMPLIANCE INFORMATION

1. Audit Fees

The audit fees charged by the external auditors for the financial year ended 31 December 2021 amounted to RM16,000 for the Company and RM62,000 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 2021 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 | 12,000 | 2,000 |
| 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 2021 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 2021 | | | | Balance as at 31 December 2021 |
|--------------|---------------------------------------|------------------|------------------|--------------------|-----------------------------------|
| | Balance as at 1 January 2021 | Addition | Retracted | Exercised | |
| Directors | 576,000 | 800,000 | - | (588,000) | 788,000 |
| Employees | 3,976,100 | 3,200,000 | (216,000) | (3,312,600) | 3,647,500 |
| Total | 4,552,100 | 4,000,000 | (216,000) | (3,900,600) | 4,435,500 |

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, 33% 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 2021 | | | |
|--|---------------------------------------|----------------|------------------|-----------------------------------|
| | Balance as at 1 January 2021 | Addition | Exercised | Balance as at 31 December 2021 |
| Dato' Dr Chong Eng Keat @ Teoh Eng Keat | - | 200,000 | - | 200,000 |
| Ooi Toon Kit | - | 150,000 | (150,000) | - |
| Tan Ai Jiew | - | 150,000 | - | 150,000 |
| Tan Ah Lek | - | 150,000 | - | 150,000 |
| Dato Agatha Foo Tet Sin | - | 150,000 | (150,000) | - |
| Total | - | 800,000 | (300,000) | 500,000 |

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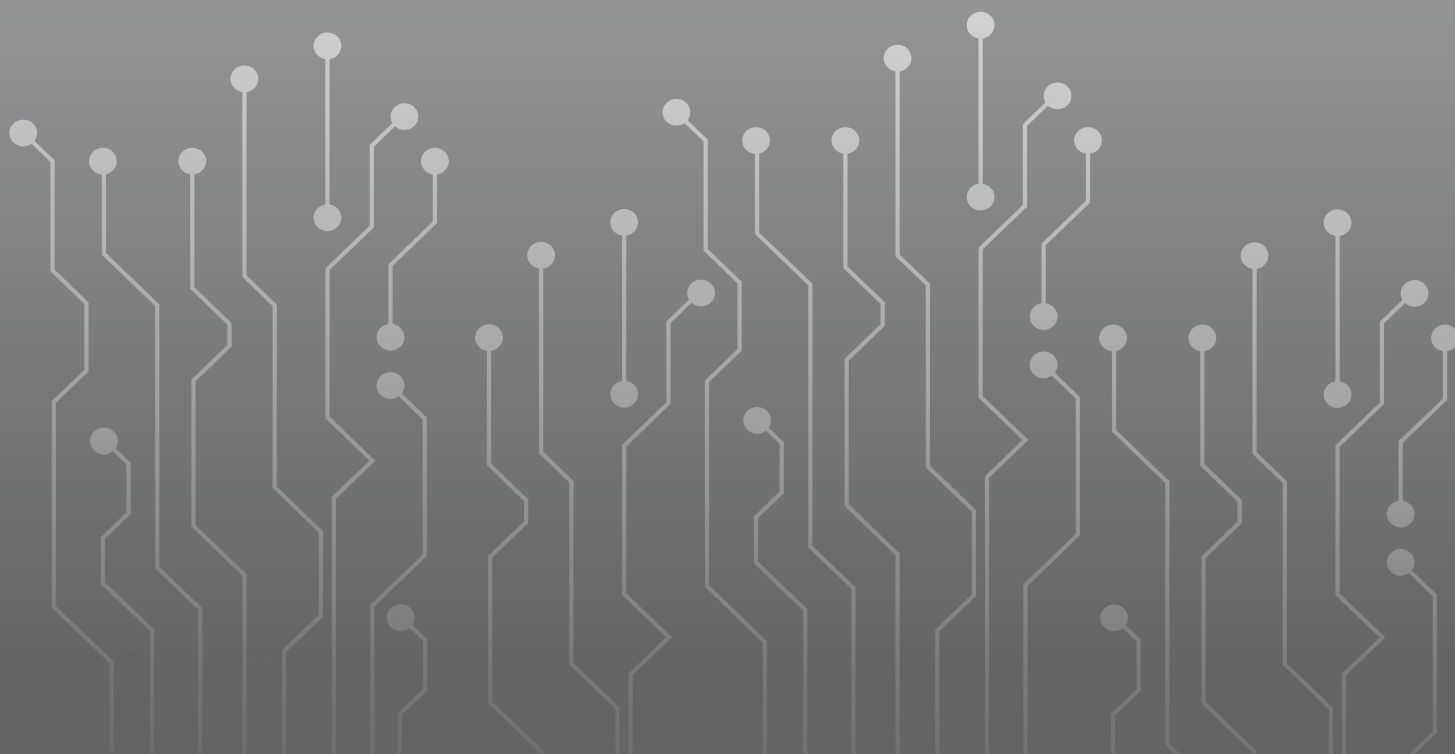
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DIRECTORS' REPORT

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 2021.

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 disclosed 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>10,952,550</u> | <u>10,434,973</u> |
| Attributable to: | | |
| Owners of the parent | <u>10,952,550</u> | <u>10,434,973</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 2020: | |
| Third interim single tier dividend of RM0.005 per ordinary share, paid on 16 April 2021 | 3,360,951 |
| In respect of the financial year ended 31 December 2021: | |
| First interim single tier dividend of RM0.005 per ordinary share, paid on 8 October 2021 | 3,368,389 |
| | <u>6,729,340</u> |

On 18 February 2022, the Directors declared a second interim single tier dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2021, amounting to RM6,765,422, which is paid on 15 April 2022. 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 2022.

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 other than those disclosed in the financial statements.

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 672,089,480 to 675,990,080 by way of issuance of 3,900,600 new ordinary shares pursuant to options exercised under the Employees' Share Option Scheme ("ESOS") at an average exercise price of RM0.52 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 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. 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 salient features and other terms of the ESOS are disclosed in Note 23 to the financial statements.

During the financial year, the Company granted 4,000,000 shares under the ESOS to eligible Directors and employees of the Group.

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 1-1-2021 | Granted | Exercised | Retracted* | Outstanding as at 31-12-2021 | Exercisable as at 31-12-2021 |
| Grant date | | | | | | |
| 2 June 2016 | 3,356,100 | 0 | (2,070,100) | 0 | 1,286,000 | 1,286,000 |
| 10 April 2018 | 1,196,000 | 0 | 0 | (216,000) | 980,000 | 980,000 |
| 5 July 2021 | 0 | 4,000,000 | (1,830,500) | 0 | 2,169,500 | 2,169,500 |
| | 4,552,100 | 4,000,000 | (3,900,600) | (216,000) | 4,435,500 | 4,435,500 |

* 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 share in the Company during the financial year ended 31 December 2021 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 1-1-2021 | Bought | Sold | Balance as at 31-12-2021 |
| Shares in the Company | | | | |
| Direct interests: | | | | |
| Dato' Dr Chong Eng Keat @ Teoh Eng Keat | 3,324,500 | 0 | 0 | 3,324,500 |
| Tan Cheik Eaik | 161,101,440 | 288,000 | (2,000,000) | 159,389,440 |
| Koay Kim Chiew | 76,020,060 | 0 | (2,000,000) | 74,020,060 |
| Tan Ai Jiew | 85,466,600 | 0 | 0 | 85,466,600 |
| Tan Ah Lek | 63,284,498 | 0 | 0 | 63,284,498 |
| Ooi Toon Kit | 2,304,000 | 150,000 | 0 | 2,454,000 |
| Dato' Agatha Foo Tet Sin | 0 | 150,000 | 0 | 150,000 |
| Deemed interests: | | | | |
| Tan Ai Jiew # | 6,264,000 | 0 | 0 | 6,264,000 |
| Tan Ah Lek # | 270,000 | 0 | 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 1-1-2021 | Granted | Exercised | Balance as at 31-12-2021 |
| Share options in the Company: | | | | |
| Dato' Dr Chong Eng Keat @ Teoh Eng Keat | 0 | 200,000 | 0 | 200,000 |
| Tan Cheik Eaik | 288,000 | 0 | (288,000) | 0 |
| Koay Kim Chiew | 288,000 | 0 | 0 | 288,000 |
| Tan Ai Jiew | 0 | 150,000 | 0 | 150,000 |
| Tan Ah Lek | 0 | 150,000 | 0 | 150,000 |
| Ooi Toon Kit | 0 | 150,000 | (150,000) | 0 |
| Dato' Agatha Foo Tet Sin | 0 | 150,000 | (150,000) | 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.

DIRECTORS' REPORT (CONT'D)

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) 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 a substantial financial interest except for any benefits which may be 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 except for the share options granted pursuant to the ESOS disclosed in Note 23 to the financial statements.

TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ("AGM") held on 28 May 2021, renewed the approval for the Company to repurchase its own shares.

As at 31 December 2021, the Company held a total of 1,197,360 ordinary shares as treasury shares out of its 675,990,080 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, DIRECTORS AND AUDITORS

There were no indemnity given to or insurance effected for the officers, Directors 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.

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

- (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.
- (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 the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period 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 2021 amounted to RM19,000 and RM46,000 respectively.

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

Tan Cheik Eaik

Director

Penang

22 April 2022

Koay Kim Chiew

Director

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 59 to 99 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 2021 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

Penang

22 April 2022

Koay Kim Chiew

Director

STATUTORY DECLARATION

I, Tan Cheik Eaik, 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 59 to 99 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 22 April 2022

Tan Cheik Eaik

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ELISOFT 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 2021 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 59 to 99.

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 2021, 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 2021 were RM14,204,705 as disclosed in Note 11 to the financial statements.

We determined this to be a 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.

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;
- (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:

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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)

- (d) 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.
- (e) 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.
- (f) 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

Penang

22 April 2022

Goh Chee Beng

03535/11/2022 J

Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

| | | Group | | Company | |
|---|-------|-------------|-------------|-------------|-------------|
| | Note | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 5 | 17,110,380 | 17,678,650 | 25,543 | 36,710 |
| Right-of-use asset | 6 | 2,697,535 | 2,761,377 | 0 | 0 |
| Investment properties | 7 | 2,595,306 | 2,678,629 | 0 | 0 |
| Investment in subsidiaries | 8 | 0 | 0 | 30,549,876 | 29,973,876 |
| Investment in associates | 9 | 9,447,771 | 9,459,963 | 4,470,000 | 4,470,000 |
| | | 31,850,992 | 32,578,619 | 35,045,419 | 34,480,586 |
| Current assets | | | | | |
| Inventories | 10 | 4,776,238 | 2,775,618 | 0 | 0 |
| Trade and other receivables | 11 | 14,377,510 | 7,448,413 | 5,000 | 0 |
| Current tax assets | | 49,004 | 37,029 | 4,773 | 2,580 |
| Other investments | 12 | 56,088,202 | 61,534,535 | 24,119,427 | 18,386,402 |
| Cash and bank balances | 13 | 12,839,712 | 3,414,300 | 322,447 | 171,326 |
| | | 88,130,666 | 75,209,895 | 24,451,647 | 18,560,308 |
| TOTAL ASSETS | | 119,981,658 | 107,788,514 | 59,497,066 | 53,040,894 |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to owners of the parent | | | | | |
| Share capital | 14(a) | 47,405,508 | 44,685,543 | 47,405,508 | 44,685,543 |
| Treasury shares | 14(b) | (1,087,439) | (1,087,439) | (1,087,439) | (1,087,439) |
| Reserves | 15 | 62,351,112 | 58,097,255 | 12,932,373 | 9,196,093 |
| TOTAL EQUITY | | 108,669,181 | 101,695,359 | 59,250,442 | 52,794,197 |
| LIABILITIES | | | | | |
| Non-current liability | | | | | |
| Deferred tax liabilities | 16 | 955,400 | 898,000 | 0 | 0 |
| Current liabilities | | | | | |
| Trade and other payables | 17 | 4,848,037 | 2,763,455 | 246,624 | 246,697 |
| Provisions | 18 | 1,413,184 | 1,237,739 | 0 | 0 |
| Contract liabilities | 19 | 4,095,856 | 1,193,961 | 0 | 0 |
| | | 10,357,077 | 5,195,155 | 246,624 | 246,697 |
| TOTAL LIABILITIES | | 11,312,477 | 6,093,155 | 246,624 | 246,697 |
| TOTAL EQUITY AND LIABILITIES | | 119,981,658 | 107,788,514 | 59,497,066 | 53,040,894 |

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 2021

| | Note | Group | | Company | |
|--|-------|---------------------|--------------|-------------------|-------------|
| | | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Revenue | 20 | 29,181,292 | 18,128,593 | 0 | 0 |
| Cost of sales | | (15,912,087) | (11,529,387) | 0 | 0 |
| Gross profit | | 13,269,205 | 6,599,206 | 0 | 0 |
| Other income | | 3,600,581 | 4,988,494 | 11,345,281 | 12,191,080 |
| Other expenses | | (1,074,329) | (2,049,611) | (377,713) | (789,697) |
| Administrative expenses | | (4,297,749) | (8,202,267) | (532,595) | (6,391,005) |
| Impairment losses on trade and other receivables, net | | (15,406) | (36,766) | 0 | 0 |
| Share of loss of associates, net of tax | 9(f) | (12,192) | (356,709) | 0 | 0 |
| Profit before tax | 21 | 11,470,110 | 942,347 | 10,434,973 | 5,010,378 |
| Taxation | 24 | (517,560) | (294,001) | 0 | 17 |
| Profit for the financial year | | 10,952,550 | 648,346 | 10,434,973 | 5,010,395 |
| Other comprehensive income, net of tax | | 0 | 0 | 0 | 0 |
| Total comprehensive income | | 10,952,550 | 648,346 | 10,434,973 | 5,010,395 |
| Profit for the financial year attributable to: | | | | | |
| Owners of the parent | | 10,952,550 | 648,346 | 10,434,973 | 5,010,395 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 10,952,550 | 648,346 | 10,434,973 | 5,010,395 |
| Earnings per ordinary share attributable to equity holders of the Company (sen): | | | | | |
| Basic | 25(a) | 1.63 | 0.10 | | |
| Diluted | 25(b) | 1.62 | 0.10 | | |

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| Group | Note | Share capital RM | Treasury shares RM | Share options reserve RM | Retained earnings RM | Total equity 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 |

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| Group | Note | Share capital RM | Treasury shares RM | Share options reserve RM | Retained earnings RM | Total equity RM |
|---|-------|---------------------|-----------------------|-----------------------------|-------------------------|--------------------|
| Balance as at 1 January 2021 | | 44,685,543 | (1,087,439) | 844,212 | 57,253,043 | 101,695,359 |
| Profit for the financial year | | 0 | 0 | 0 | 10,952,550 | 10,952,550 |
| Other comprehensive income, net of tax | | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | | 0 | 0 | 0 | 10,952,550 | 10,952,550 |
| Transactions with owners | | | | | | |
| Share options vested under ESOS | 22 | 0 | 0 | 720,000 | 0 | 720,000 |
| Ordinary shares issued pursuant to ESOS | 14(a) | 2,719,965 | 0 | (689,353) | 0 | 2,030,612 |
| Dividends paid | 26 | 0 | 0 | 0 | (6,729,340) | (6,729,340) |
| Total transactions with owners | | 2,719,965 | 0 | 30,647 | (6,729,340) | (3,978,728) |
| Balance as at 31 December 2021 | | 47,405,508 | (1,087,439) | 874,859 | 61,476,253 | 108,669,181 |

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 2021

| Company | Note | Share capital RM | Treasury shares RM | Share options reserve RM | Retained earnings RM | Total equity RM |
|---|-------|---------------------|-----------------------|-----------------------------|-------------------------|--------------------|
| 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 |
| 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 |

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| Company | Note | Share capital RM | Treasury shares RM | Share options reserve RM | Retained earnings RM | Total equity RM |
|---|-------|---------------------|-----------------------|-----------------------------|-------------------------|--------------------|
| Balance as at 1 January 2021 | | 44,685,543 | (1,087,439) | 844,212 | 8,351,881 | 52,794,197 |
| Profit for the financial year | | 0 | 0 | 0 | 10,434,973 | 10,434,973 |
| Other comprehensive income, net of tax | | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | | 0 | 0 | 0 | 10,434,973 | 10,434,973 |
| Transactions with owners | | | | | | |
| Share options vested under ESOS | 22 | 0 | 0 | 720,000 | 0 | 720,000 |
| Ordinary shares issued pursuant to ESOS | 14(a) | 2,719,965 | 0 | (689,353) | 0 | 2,030,612 |
| Dividends paid | 26 | 0 | 0 | 0 | (6,729,340) | (6,729,340) |
| Total transactions with owners | | 2,719,965 | 0 | 30,647 | (6,729,340) | (3,978,728) |
| Balance as at 31 December 2021 | | 47,405,508 | (1,087,439) | 874,859 | 12,057,514 | 59,250,442 |

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| | | Group | | Company | |
|--|-------|-------------------|-------------|---------------------|--------------|
| | Note | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Profit before tax | | 11,470,110 | 942,347 | 10,434,973 | 5,010,378 |
| Adjustments for: | | | | | |
| Depreciation of: | | | | | |
| - investment properties | 7 | 83,323 | 83,323 | 0 | 0 |
| - property, plant and equipment | 5 | 648,767 | 652,473 | 11,167 | 18,263 |
| - right-of-use asset | 6 | 63,842 | 63,842 | 0 | 0 |
| Dividend income from: | | | | | |
| - subsidiaries | 27(b) | 0 | 0 | (11,040,000) | (11,280,000) |
| - other investments | 21 | (805,698) | (2,304,611) | (305,281) | (911,080) |
| Loss on fair value adjustment on other investments | 21 | 211,120 | 952,292 | 166,517 | 500,330 |
| Loss on disposal of other investments | 21 | 780,750 | 856,299 | 211,196 | 289,368 |
| Impairment losses on investment in an associate | 21 | 0 | 4,951,231 | 0 | 6,007,000 |
| Impairment losses on trade receivables | 11(e) | 15,406 | 45,292 | 0 | 0 |
| Interest income | 21 | (46,664) | (59,690) | 0 | 0 |
| Provision for repair and other services | 18 | 875,445 | 527,992 | 0 | 0 |
| Property, plant and equipment written off | | 776 | 0 | 0 | 0 |
| Balance carried forward | | 13,297,177 | 6,710,790 | (521,428) | (365,741) |

STATEMENTS OF CASH FLOW (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| | | Group | | Company | |
|---|-------|--------------------|-------------|------------------|------------|
| | Note | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D) | | | | | |
| Balance brought forward | | 13,297,177 | 6,710,790 | (521,428) | (365,741) |
| Reversal of impairment losses on other receivables | 11(f) | 0 | (8,526) | 0 | 0 |
| Reversal of provision for repair and other services | 18 | (671,758) | (899,683) | 0 | 0 |
| Share of loss of associates | 9(e) | 12,192 | 356,709 | 0 | 0 |
| Share options vested under ESOS | | 720,000 | 31,969 | 144,000 | 8,315 |
| Unrealised (gain)/loss on foreign exchange | 21 | (331,868) | 216,266 | 0 | 0 |
| Operating profit/(loss) before working capital changes | | 13,025,743 | 6,407,525 | (377,428) | (357,426) |
| (Increase)/Decrease in inventories | | (2,000,620) | 904,386 | 0 | 0 |
| (Increase)/Decrease in trade and other receivables | | (6,753,101) | 1,868,103 | (5,000) | 10,517 |
| Increase/(Decrease) in trade and other payables | | 2,094,009 | (3,080,703) | (73) | (39,783) |
| Decrease in provisions | 18 | (28,242) | (50,317) | 0 | 0 |
| Increase in contract liabilities | | 2,901,895 | 277,010 | 0 | 0 |
| Cash generated from/(used in) operations | | 9,239,684 | 6,326,004 | (382,501) | (386,692) |
| Tax paid | | (472,135) | (501,045) | (2,193) | (2,580) |
| Tax refunded | | 0 | 194,166 | 0 | 1,911 |
| Net cash from/(used in) operating activities | | 8,767,549 | 6,019,125 | (384,694) | (387,361) |

STATEMENTS OF CASH FLOW (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| | | Group | | Company | |
|--|-------|-------------|--------------|-------------|--------------|
| | Note | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Dividends received from subsidiaries | 27(b) | 0 | 0 | 11,040,000 | 11,280,000 |
| Interest received | | 46,664 | 59,690 | 0 | 0 |
| Sales/(Purchase) of other investments | | 5,305,019 | (3,609,173) | (5,805,457) | (1,912,767) |
| Purchase of property, plant and equipment | 5 | (81,273) | (525,299) | 0 | 0 |
| Net cash from/(used in) investing activities | | 5,270,410 | (4,074,782) | 5,234,543 | 9,367,233 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Purchase of treasury shares | 14(b) | 0 | (44,655) | 0 | (44,655) |
| Dividends paid | | (6,729,340) | (10,030,115) | (6,729,340) | (10,030,115) |
| Proceeds from issuance of ordinary shares pursuant to ESOS | | 2,030,612 | 1,092,405 | 2,030,612 | 1,092,405 |
| Net cash used in financing activities | | (4,698,728) | (8,982,365) | (4,698,728) | (8,982,365) |
| Net changes in cash and cash equivalents | | 9,339,231 | (7,038,022) | 151,121 | (2,493) |
| Effects of exchange rate changes on cash and cash equivalents | | 86,181 | 10,593 | 0 | 0 |
| Cash and cash equivalents at beginning of the financial year | | 3,414,300 | 10,441,729 | 171,326 | 173,819 |
| Cash and cash equivalents at end of the financial year | 13 | 12,839,712 | 3,414,300 | 322,447 | 171,326 |

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

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 Georgetown, 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 Bayan Lepas, Penang.

The consolidated financial statements for the financial year ended 31 December 2021 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 22 April 2022.

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 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 |
|--|-------------------------------|
| Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 <i>Interest Rate Benchmark Reform - Phase 2</i> | 1 January 2021 |
| Amendment to MFRS 16 <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> | 1 April 2021 (early adopt) |

Adoption of the above Amendments to the 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 2021

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 2022

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 |
|---|----------------|
| 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 |
| MFRS 17 <i>Insurance Contracts</i> | 1 January 2023 |
| Amendments to MFRS 17 <i>Insurance Contracts</i> | 1 January 2023 |
| Amendments to MFRS 17 <i>Insurance Contracts Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i> | 1 January 2023 |
| Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i> | 1 January 2023 |
| Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i> | 1 January 2023 |
| Amendments to MFRS 108 <i>Definition of Accounting Estimates</i> | 1 January 2023 |
| Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</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 are in the process of assessing the impact of implementing these Standards and Amendments to the Standards, since the effects would only be observable for the future financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

5. PROPERTY, PLANT AND EQUIPMENT

| Group | Factory building RM | Industrial and research and development equipment RM | Motor vehicles RM | Furniture and fittings, office and other equipment RM | Electrical installation and renovation RM | Solar panel system RM | Total RM |
|---------------------------------|------------------------|---|-------------------------|--|---|--------------------------------|-------------|
| At cost | | | | | | | |
| Balance as at 1 January 2021 | 17,428,253 | 1,104,842 | 250,609 | 1,264,978 | 715,958 | 1,902,615 | 22,667,255 |
| Additions | 0 | 32,997 | 0 | 45,076 | 3,200 | 0 | 81,273 |
| Written off | 0 | 0 | 0 | (1,424) | 0 | 0 | (1,424) |
| Balance as at 31 December 2021 | 17,428,253 | 1,137,839 | 250,609 | 1,308,630 | 719,158 | 1,902,615 | 22,747,104 |
| Accumulated depreciation | | | | | | | |
| Balance as at 1 January 2021 | 2,813,763 | 889,667 | 198,435 | 670,458 | 313,223 | 103,059 | 4,988,605 |
| Current charge | 308,566 | 64,295 | 20,196 | 114,744 | 45,835 | 95,131 | 648,767 |
| Written off | 0 | 0 | 0 | (648) | 0 | 0 | (648) |
| Balance as at 31 December 2021 | 3,122,329 | 953,962 | 218,631 | 784,554 | 359,058 | 198,190 | 5,636,724 |
| Carrying amount | | | | | | | |
| Balance as at 31 December 2021 | 14,305,924 | 183,877 | 31,978 | 524,076 | 360,100 | 1,704,425 | 17,110,380 |
| 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 | 17,678,550 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Industrial and research and development equipment RM | Furniture and fittings, office and other equipment RM | Electrical installation and renovation RM | Total RM |
|---|--|--|---|-------------|
| Company | | | | |
| At cost | | | | |
| Balance as at 1 January 2021/31 December 2021 | 489,592 | 455,903 | 260,011 | 1,205,506 |
| Accumulated depreciation | | | | |
| Balance as at 1 January 2021 | 488,601 | 420,197 | 259,998 | 1,168,796 |
| Current charge | 953 | 10,214 | 0 | 11,167 |
| Balance as at 31 December 2021 | 489,554 | 430,411 | 259,998 | 1,179,963 |
| Carrying amount | | | | |
| Balance as at 31 December 2021 | 38 | 25,492 | 13 | 25,543 |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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 off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation 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 1.1.2021 RM | Depreciation RM | Balance as at 31.12.2021 RM |
|--|------------------------------------|--------------------|--------------------------------------|
|--|------------------------------------|--------------------|--------------------------------------|

Carrying amount

| | | | |
|----------------|------------------|-----------------|------------------|
| Leasehold land | <u>2,761,377</u> | <u>(63,842)</u> | <u>2,697,535</u> |
|----------------|------------------|-----------------|------------------|

| | Balance as at 1.1.2020 RM | Depreciation RM | Balance as at 31.12.2020 RM |
|--|------------------------------------|--------------------|--------------------------------------|
|--|------------------------------------|--------------------|--------------------------------------|

Carrying amount

| | | | |
|----------------|------------------|-----------------|------------------|
| Leasehold land | <u>2,825,219</u> | <u>(63,842)</u> | <u>2,761,377</u> |
|----------------|------------------|-----------------|------------------|

- (a) The right-of-use asset comprise of leasehold land in the location which the Group operates 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 | 43 years (2020: 44 years) |
|----------------|---------------------------|

- (b) The following are the amounts recognised in profit or loss:

| | Group | |
|---|---------------|---------------|
| | 2021 RM | 2020 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 2021

6. LEASES (CONT'D)

The Group as a lessor

- (a) The Group has entered into operating lease agreements on certain properties for terms of between one (1) to two (2) years (2020: one (1) to two (2) 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 period are as follows:

| | Group | |
|-----------------------------------|------------------|------------------|
| | 2021 RM | 2020 RM |
| Future minimum lease receivables: | | |
| Less than one (1) year | 1,782,344 | 1,947,000 |
| One (1) to two (2) years | 310,184 | 1,021,800 |
| | <u>2,092,528</u> | <u>2,968,800</u> |

7. INVESTMENT PROPERTIES

| | Balance as at 1.1.2021 RM | Depreciation charge for the financial year RM | Balance as at 31.12.2021 RM |
|--|------------------------------------|---|--------------------------------------|
|--|------------------------------------|---|--------------------------------------|

Group

Carrying amount

| | | | |
|-----------------------------|------------------|-----------------|------------------|
| Leasehold land and building | <u>2,678,629</u> | <u>(83,323)</u> | <u>2,595,306</u> |
|-----------------------------|------------------|-----------------|------------------|

| | <----- Balance as at 31.12.2021 -----> | | |
|-----------------------------|--|-----------------------------------|--------------------------|
| | Cost RM | Accumulated depreciation RM | Carrying amount RM |
| Leasehold land and building | <u>4,413,197</u> | <u>(1,817,891)</u> | <u>2,595,306</u> |

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

Group

Carrying amount

| | | | |
|-----------------------------|------------------|-----------------|------------------|
| Leasehold land and building | <u>2,761,952</u> | <u>(83,323)</u> | <u>2,678,629</u> |
|-----------------------------|------------------|-----------------|------------------|

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

7. INVESTMENT PROPERTIES (CONT'D)

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

- (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 off 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) The fair value of investment properties for disclosure purposes, which are at Level 3 fair value are estimated at approximately RM21.5 million (2020: 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 price per square foot of comparable properties. The estimated fair value would increase if the historical sales transaction prices were higher and vice versa.
- (c) Rental income generated from rental of investment properties of the Group during the financial year amounted to RM740,800 (2020: RM719,300).
- (d) Direct operating expenses from investment properties which generated rental income to the Group during the financial year amounted to RM38,719 (2020: RM42,529).

8. INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|-------------------|-------------------|
| | 2021 RM | 2020 RM |
| Unquoted shares, at cost | 31,864,845 | 31,864,845 |
| Share options paid to employees of a subsidiary | 3,625,739 | 3,049,739 |
| Less: Impairment losses | (4,940,708) | (4,940,708) |
| | <u>30,549,876</u> | <u>29,973,876</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

- (a) Investment in subsidiaries, which is eliminated on consolidation, are 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:

| Equity interest held | | | |
|--------------------------------------|-----------|-----------|--|
| Name of company | 2021 % | 2020 % | Principal activities |
| 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 fair value less cost to sell of the respective subsidiaries.

9. INVESTMENT IN ASSOCIATES

| | Group | | Company | |
|---|-------------------|-------------------|------------------|------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 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) | (7,800,000) |
| | <u>12,270,000</u> | <u>12,270,000</u> | <u>4,470,000</u> | <u>4,470,000</u> |
| Redeemable cumulative preference shares* | 4,200,000 | 4,200,000 | 4,200,000 | 4,200,000 |
| Less: Impairment losses | (4,200,000) | (4,200,000) | (4,200,000) | (4,200,000) |
| | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Share of post acquisition profit/(loss), net of dividend received | (1,077,998) | (1,065,806) | 0 | 0 |
| Less: Impairment losses | (1,744,231) | (1,744,231) | 0 | 0 |
| | <u>9,447,771</u> | <u>9,459,963</u> | <u>4,470,000</u> | <u>4,470,000</u> |

* The Group and the Company held 38.5% in the Redeemable Cumulative Preference Shares ("RCPS").

- (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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

9. INVESTMENT IN ASSOCIATES (CONT'D)

(c) The details of the associates, which are incorporated in Malaysia, are as follows:

| Name of company | Equity interest held | | Principal activities |
|----------------------------------|----------------------|-----------|--------------------------|
| | 2021 % | 2020 % | |
| 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 |
|--|--|--|---------------------|
| 2021 | | | |
| Assets and liabilities | | | |
| Non-current assets | 3,266,934 | 37,299,283 | 40,566,217 |
| Current assets | 30,029,528 | 3,215,911 | 33,245,439 |
| Non-current liabilities | (134,278) | (25,195,313) | (25,329,591) |
| Current liabilities | (1,669,615) | (14,174,815) | (15,844,430) |
| Net assets | 31,492,569 | 1,145,066 | 32,637,635 |
| Results | | | |
| Revenue | 24,277,510 | 2,209,520 | 26,487,030 |
| Loss for the financial year | (40,641) | (4,497,050) | (4,537,691) |
| Total comprehensive loss | (40,641) | (4,497,050) | (4,537,691) |
| Cash flows from operating activities | 978,466 | 356,449 | 1,334,915 |
| Cash flows used in investing activities | (1,909,359) | 0 | (1,909,359) |
| Cash flows (used in)/from financing activities | (189,300) | 700,544 | 511,244 |
| Net (decrease)/increase in cash and cash equivalents | (1,120,193) | 1,056,993 | (63,200) |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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 |
|--|--|--|--------------------|
| 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 | <u>31,533,210</u> | <u>5,642,116</u> | <u>37,175,326</u> |
| 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) | <u>2,568,162</u> | <u>(3,646,050)</u> | <u>(1,077,888)</u> |
| Cash flows from/(used in) operating activities | 6,259,500 | (2,757,375) | 3,502,125 |
| Cash flows (used in)/from 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 | <u>1,569,976</u> | <u>(261,962)</u> | <u>1,308,014</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 2021 | | | |
| Share of net assets of the Group | 9,447,771 | 1,744,231 | 11,192,002 |
| Less: Impairment losses | 0 | (1,744,231) | (1,744,231) |
| Carrying amount in the statements of financial position | <u>9,447,771</u> | <u>0</u> | <u>9,447,771</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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 2021 | | | |
| Share of profit/(loss) of the Group | (12,192) | 0 | (12,192) |
| Share of other comprehensive income of the Group | 0 | 0 | 0 |
| Share of total comprehensive income/(loss) of the Group | (12,192) | 0 | (12,192) |
| 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 | 9,459,963 | 0 | 9,459,963 |
| 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) |

- (f) Unrecognised share of losses of an associate, Butterfly House (PG) Sdn. Bhd. amounted to RM1,390,038 in current financial year and RM1,390,038 cumulatively. The Group stopped recognising its share of losses since there is no further obligation in respect of those losses using the equity method of accounting.
- (g) In previous financial year, the Group and the Company recognised impairment losses on investment in an associate, Butterfly House (PG) Sdn. Bhd. amounting to RM4,951,231 and RM6,007,000 respectively, as a result of the decline in business operations due to COVID-19 pandemic. The Group and the Company determined 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 % |
|-----------------------|-----------------------------------|
| Growth rates | 0.00 |
| Pre-tax discount rate | 14.10 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

10. INVENTORIES

| | Group | |
|------------------|------------------|------------------|
| | 2021 RM | 2020 RM |
| At cost | | |
| Raw materials | 1,823,383 | 1,468,217 |
| Work-in-progress | 2,952,855 | 1,307,401 |
| | 4,776,238 | 2,775,618 |

- (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 RM7,336,542 (2020: RM4,902,499).

11. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--------------------------|-------------------|------------------|--------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Trade receivables | | | | |
| Third parties | 14,204,705 | 7,461,856 | 0 | 0 |
| Less: Impairment losses | (212,589) | (197,183) | 0 | 0 |
| Total trade receivables | 13,992,116 | 7,264,673 | 0 | 0 |
| Other receivables | | | | |
| Other receivables | 760,160 | 729,990 | 733,000 | 728,000 |
| Less: Impairment losses | (728,000) | (728,000) | (728,000) | (728,000) |
| Deposits | 181,750 | 181,750 | 0 | 0 |
| Total other receivables | 213,910 | 183,740 | 5,000 | 0 |
| Total receivables | 14,206,026 | 7,448,413 | 5,000 | 0 |
| Prepayments | 171,484 | 0 | 0 | 0 |
| | 14,377,510 | 7,448,413 | 5,000 | 0 |

- (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 (2020: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

11. TRADE AND OTHER RECEIVABLES (CONT'D)

(c) Foreign currency exposure of total receivables of the Group and of the Company are as follows:

| | Group | | Company | |
|----------------------|-------------------|------------|--------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Ringgit Malaysia | 7,885,596 | 2,893,595 | 5,000 | 0 |
| United States Dollar | 6,308,189 | 4,551,174 | 0 | 0 |
| Singapore Dollar | 12,241 | 3,644 | 0 | 0 |
| | 14,206,026 | 7,448,413 | 5,000 | 0 |

(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 ("ECL") 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 in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying amount 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.

Lifetime expected loss provision for trade receivables of the Group as at 31 December 2021 and 31 December 2020 are as follows:

| Group | Current | More than 30 days past due | More than 90 days past due | Total |
|-------------------------------|-------------------|----------------------------------|----------------------------------|-------------------|
| As at 31 December 2021 | | | | |
| Expected loss rate | 0.05% | 0.51% | 10.25% | |
| Gross carrying amount (RM) | 11,223,811 | 1,011,777 | 1,969,117 | 14,204,705 |
| Impairment (RM) | 5,687 | 5,130 | 201,772 | 212,589 |
| 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 |

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

11. TRADE AND OTHER RECEIVABLES (CONT'D)

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

| Group | Lifetime ECL allowance RM | Credit impaired RM | Total RM |
|--------------------------------|------------------------------------|--------------------------|-------------|
| Balance as at 1 January 2021 | 59,633 | 137,550 | 197,183 |
| Charge for the financial year | 15,406 | 0 | 15,406 |
| Balance as at 31 December 2021 | 75,039 | 137,550 | 212,589 |
| 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 |

Trade receivables that are credit-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 twelve (12) months past due.

(f) Impairment for other receivables are recognised based on the general approach within MFRS 9 *Financial Instruments* 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 (12) 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 six (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 (12)-month or lifetime expected credit loss for other receivables.

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

| | Group | |
|---------------------------------------|------------|------------|
| | 2021 RM | 2020 RM |
| Lifetime ECL - Credit impaired | | |
| Balance as at 1 January | 728,000 | 770,458 |
| Reversal of impairment losses | 0 | (8,526) |
| Written off during the financial year | 0 | (33,932) |
| Balance as at 31 December | 728,000 | 728,000 |
| | | |
| | Company | |
| | 2021 RM | 2020 RM |
| Lifetime ECL - Credit impaired | | |
| Balance as at 1 January/ 31 December | 728,000 | 728,000 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

11. TRADE AND OTHER RECEIVABLES (CONT'D)

Other receivables that are credit-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 twelve (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 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Financial assets at fair value through profit or loss | | | | |
| - unit trust and bond funds | 56,079,152 | 61,534,535 | 24,110,377 | 18,386,402 |
| - quoted shares in Malaysia | 9,050 | 0 | 9,050 | 0 |
| | <u>56,088,202</u> | <u>61,534,535</u> | <u>24,119,427</u> | <u>18,386,402</u> |

- (a) Other investments classified as financial assets at fair value through profit or loss are measured at fair value.
- (b) Unit trust, bond funds and quoted shares in Malaysia of the Group and of the Company categorised as Level 1 in 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 were no transfer between levels in the fair value hierarchy during the financial year.
- (e) The currency exposure of other investments are as follows:

| | Group | | Company | |
|----------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Ringgit Malaysia | 55,651,149 | 60,710,460 | 24,119,427 | 18,386,402 |
| United States Dollar | 437,053 | 824,075 | 0 | 0 |
| | <u>56,088,202</u> | <u>61,534,535</u> | <u>24,119,427</u> | <u>18,386,402</u> |

13. CASH AND BANK BALANCES

| | Group | | Company | |
|------------------------|------------|------------|------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Cash and bank balances | 12,839,712 | 3,414,300 | 322,447 | 171,326 |

- (a) No expected credit losses were recognised arising from deposits with licensed banks because of the probability of default by these licensed banks were negligible.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

13. CASH AND BANK BALANCES (CONT'D)

(b) The currency exposure of cash and bank balances are as follows:

| | Group | | Company | |
|----------------------|-------------------|------------|----------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Ringgit Malaysia | 6,562,236 | 2,873,791 | 322,447 | 171,326 |
| United States Dollar | 6,257,272 | 527,950 | 0 | 0 |
| Others | 20,204 | 12,559 | 0 | 0 |
| | 12,839,712 | 3,414,300 | 322,447 | 171,326 |

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

14. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

| | Group and Company | | | |
|--|---------------------|-------------------|---------------------|------------|
| | 2021 | | 2020 | |
| | Number of shares | RM | Number of shares | RM |
| Issued and fully paid with no par value | | | | |
| Balance as at 1 January | 672,089,480 | 44,685,543 | 669,457,180 | 43,220,229 |
| Issuance of ordinary shares pursuant to ESOS exercised | 3,900,600 | 2,719,965 | 2,632,300 | 1,465,314 |
| Balance as at 31 December | 675,990,080 | 47,405,508 | 672,089,480 | 44,685,543 |

- (i) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 672,089,480 to 675,990,080 (2020: 669,457,180 to 672,089,480) by way of issuance of 3,900,600 (2020: 2,632,300) new ordinary shares pursuant to options exercised under the Employees' Share Option Scheme ("ESOS") at an average exercise price of RM0.52 (2020: 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 May 2021, renewed the approval for the Company to repurchase its own shares.

| | Group and Company | | | |
|-----------------------------|---------------------|--------------------|---------------------|-------------|
| | 2021 | | 2020 | |
| | Number of shares | RM | Number of shares | RM |
| Treasury shares | | | | |
| Balance as at 1 January | (1,197,360) | (1,087,439) | (1,097,360) | (1,042,784) |
| Purchase of treasury shares | 0 | 0 | (100,000) | (44,655) |
| Balance as at 31 December | (1,197,360) | (1,087,439) | (1,197,360) | (1,087,439) |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

14. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

(b) Treasury shares (Cont'd)

- (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) In previous 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.

Of the total 675,990,080 (2020: 672,089,480) issued and fully paid ordinary shares as at 31 December 2021, 1,197,360 (2020: 1,197,360) are held as treasury shares by the Company. As at 31 December 2021, the number of outstanding ordinary shares in issue after the set-off against the treasury shares is therefore 674,792,720 (2020: 670,892,120) ordinary shares.

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

15. RESERVES

| | Group | | Company | |
|-----------------------|-------------------|------------|-------------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Share options reserve | 874,859 | 844,212 | 874,859 | 844,212 |
| Retained earnings | 61,476,253 | 57,253,043 | 12,057,514 | 8,351,881 |
| | 62,351,112 | 58,097,255 | 12,932,373 | 9,196,093 |

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. Whenever options are exercised, an amount from the share options reserve is transferred to share capital. Whenever the share options expire, an amount from share options reserve is transferred to retained earnings.

16. DEFERRED TAX LIABILITIES

| | Group | |
|--|----------------|------------|
| | 2021 RM | 2020 RM |
| Balance as at 1 January | 898,000 | 843,400 |
| Recognised in profit or loss (Note 24) | 57,400 | 54,600 |
| Balance as at 31 December | 955,400 | 898,000 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

16. DEFERRED TAX LIABILITIES (CONT'D)

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

| | Group | |
|--------------------------------------|----------------|------------|
| | 2021 RM | 2020 RM |
| Property, plant and equipment | | |
| Balance as at 1 January | 898,000 | 843,400 |
| Recognised in profit or loss | 57,400 | 54,600 |
| Balance as at 31 December | 955,400 | 898,000 |

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

| | Group | |
|---|----------------|------------|
| | 2021 RM | 2020 RM |
| Unabsorbed capital allowances | 72,719 | 72,719 |
| Unused tax losses: expiring by 31 December 2028 | 69,506 | 69,506 |
| | 142,225 | 142,225 |

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.

Any unused tax losses shall be deductible for a maximum period of ten (10) consecutive years of assessment immediately following that year of assessment. Any amount which is not deducted at the end of the period of ten (10) years of assessment shall be disregarded.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the local tax authority.

17. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|------------------------------|------------------|------------|----------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Trade payables | | | | |
| Third parties | 1,715,034 | 505,119 | 0 | 0 |
| Amount owing to an associate | 0 | 11,385 | 0 | 0 |
| | 1,715,034 | 516,504 | 0 | 0 |
| Other payables | | | | |
| Other payables | 212,947 | 84,919 | 11,024 | 11,097 |
| Accruals | 2,134,170 | 1,525,882 | 235,600 | 235,600 |
| Deposits received | 785,886 | 636,150 | 0 | 0 |
| | 4 848,037 | 2,763,455 | 246,624 | 246,697 |

(a) Trade and other payables are classified as financial liabilities measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

17. TRADE AND OTHER PAYABLES (CONT'D)

(b) Trade payables are non-interest bearing and the normal credit terms granted to the Group and the Company ranged from 30 to 120 days (2020: 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 | |
|----------------------|------------------|------------------|----------------|----------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Ringgit Malaysia | 4,247,616 | 2,722,236 | 246,624 | 246,697 |
| Singapore Dollar | 33,086 | 1,160 | 0 | 0 |
| United States Dollar | 567,116 | 40,059 | 0 | 0 |
| Other | 219 | 0 | 0 | 0 |
| | 4,848,037 | 2,763,455 | 246,624 | 246,697 |

(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 | |
|---|------------------|------------|
| | 2021 RM | 2020 RM |
| Current | | |
| Provision for repair and other services | 1,413,184 | 1,237,739 |

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.

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

| | Group | |
|--|------------------|------------|
| | 2021 RM | 2020 RM |
| Balance as at 1 January | 1,237,739 | 1,659,747 |
| Provision made during the financial year | 875,445 | 527,992 |
| Utilisation of provision during the financial year | (28,242) | (50,317) |
| Provision reversed during the financial year | (671,758) | (899,683) |
| Balance as at 31 December | 1,413,184 | 1,237,739 |

19. CONTRACT LIABILITIES

| | Group | |
|------------------|------------------|------------|
| | 2021 RM | 2020 RM |
| Deferred revenue | 4,095,856 | 1,193,961 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

19. CONTRACT LIABILITIES (CONT'D)

- (a) 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.

Contract liabilities have increased by RM2,901,895 (2020: RM277,010) as a result of increase in overall contract activity.

- (b) The amount of RM747,263 (2020: RM378,115) recognised in contract liabilities at the beginning of the respective financial years have been recognised as revenue for the financial years ended 31 December 2021 and 31 December 2020.

- (c) 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 | |
|------------------|------------|------------|
| | 2021 RM | 2020 RM |
| 31 December 2022 | 4,095,856 | 0 |
| 31 December 2021 | 0 | 1,193,961 |

20. REVENUE

| | Group | |
|--|------------|------------|
| | 2021 RM | 2020 RM |
| Revenue from contracts with customers | | |
| Sale of goods/Services rendered | 29,181,292 | 18,128,593 |

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 (12) months.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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21. PROFIT BEFORE TAX

| | | Group | | Company | |
|---|-------|------------------|------------|-------------------|------------|
| | Note | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| <i>Profit before tax is arrived at after charging:</i> | | | | | |
| Auditors' remuneration | | | | | |
| - current year provision | | 65,000 | 63,000 | 19,000 | 19,000 |
| - overprovision in prior year | | (1,000) | 0 | 0 | 0 |
| Depreciation of investment properties | 7 | 83,323 | 83,323 | 0 | 0 |
| Depreciation of property, plant and equipment | 5 | 648,767 | 652,473 | 11,167 | 18,263 |
| Depreciation of right-of-use asset | 6 | 63,842 | 63,842 | 0 | 0 |
| Impairment losses on investment in an associate | | 0 | 4,951,231 | 0 | 6,007,000 |
| Impairment losses on trade receivables | 11(e) | 15,406 | 45,292 | 0 | 0 |
| Loss on disposal of other investments | | 780,750 | 856,299 | 211,196 | 289,368 |
| Loss on fair value adjustment on other investments | | 211,120 | 952,292 | 166,517 | 500,330 |
| Realised loss on foreign exchange | | 76,311 | 0 | 0 | 0 |
| Unrealised loss on foreign exchange | | 0 | 216,266 | 0 | 0 |
| <i>Profit before tax is arrived at after crediting:</i> | | | | | |
| Dividend income received from: | | | | | |
| - subsidiaries | 27(b) | 0 | 0 | 11,040,000 | 11,280,000 |
| - other investments | | 805,698 | 2,304,611 | 305,281 | 911,080 |
| Unrealised gain on foreign exchange | | 331,868 | 0 | 0 | 0 |
| Realised gain on foreign exchange | | 0 | 14,105 | 0 | 0 |
| Interest income | | 46,664 | 59,690 | 0 | 0 |
| Rental income | | 2,400,904 | 2,585,332 | 0 | 0 |
| Reversal of impairment losses on other receivables | 11(f) | 0 | 8,526 | 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)

31 DECEMBER 2021

22. EMPLOYEE BENEFITS

| | Group | | Company | |
|--|-------------------|------------|----------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Research and development staff: | | | | |
| Directors | | | | |
| - remuneration | 474,300 | 508,500 | 0 | 0 |
| - defined contribution plan | 90,117 | 96,615 | 0 | 0 |
| - social security contribution | 1,847 | 1,847 | 0 | 0 |
| | 566,264 | 606,962 | 0 | 0 |
| Other staff | | | | |
| - salaries, wages and bonus | 4,116,795 | 3,501,017 | 0 | 0 |
| - defined contribution plan | 517,554 | 610,476 | 0 | 0 |
| - social security contribution | 23,623 | 25,236 | 0 | 0 |
| - share options vested/ granted under ESOS | 298,800 | 3,804 | 0 | 0 |
| | 5,523,036 | 4,747,495 | 0 | 0 |
| Non-research and development staff: | | | | |
| Directors | | | | |
| - fee | 230,000 | 190,000 | 230,000 | 190,000 |
| - share options vested/ granted under ESOS | 144,000 | 8,315 | 144,000 | 8,315 |
| | 374,000 | 198,315 | 374,000 | 198,315 |
| Other staff | | | | |
| - salaries, wages and bonus | 3,483,493 | 2,726,860 | 0 | 0 |
| - defined contribution plan | 415,349 | 438,563 | 0 | 0 |
| - social security contribution | 34,737 | 34,493 | 0 | 0 |
| - share options vested/ granted under ESOS | 277,200 | 19,850 | 0 | 0 |
| | 4,584,779 | 3,418,081 | 374,000 | 198,315 |
| Total employee benefits | 10,107,815 | 8,165,576 | 374,000 | 198,315 |

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. 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 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)

31 DECEMBER 2021

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

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. 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: (Cont'd)

- (e) 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.
- (f) 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 the options over ordinary shares of the Company are as follows:

| | <----- Number of options over ordinary shares -----> | | | | | |
|--|--|-----------|-------------|------------|------------------------------------|------------------------------------|
| Grant date | Outstanding as at 1-1-2021 | Granted | Exercised | Retracted* | Outstanding as at 31-12-2021 | Exercisable as at 31-12-2021 |
| 2 June 2016 | 3,356,100 | 0 | (2,070,100) | 0 | 1,286,000 | 1,286,000 |
| 10 April 2018 | 1,196,000 | 0 | 0 | (216,000) | 980,000 | 980,000 |
| 5 July 2021 | 0 | 4,000,000 | (1,830,500) | 0 | 2,169,500 | 2,169,500 |
| | 4,552,100 | 4,000,000 | (3,900,600) | (216,000) | 4,435,500 | 4,435,500 |
| Weighted average exercise price (RM) | 0.55 | 0.64 | 0.52 | 0.92 | 0.64 | 0.64 |
| Weighted average remaining contractual life (months) | 3 | | | | | 51 |

* Due to resignation

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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

The details of the options over ordinary shares of the Company are as follows: (Cont'd)

| | 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 |
| | <u>7,274,400</u> | <u>(2,632,300)</u> | <u>(90,000)</u> | <u>4,552,100</u> | <u>4,552,100</u> |
| Weighted average exercise price (RM) | 0.50 | 0.42 | 0.92 | 0.55 | 0.55 |
| Weighted average remaining contractual life (months) | <u>15</u> | | | | <u>3</u> |

* Due to resignation

Share options exercised during the financial year resulted in the issuance of 3,900,600 (2020: 2,632,300) ordinary shares at an average price of RM0.52 (2020: RM0.42).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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 |
|---------------|---------------------------------|---------|---------------------------|
| | 2021 RM | 2020 RM | |
| 2 June 2016 | 0.415 | 0.415 | 02.06.2016 - 31.03.2026 * |
| 10 April 2018 | 0.915 | 0.915 | 04.10.2018 - 31.03.2026 * |
| 5 July 2021 | 0.640 | 0 | 05.07.2021 - 31.07.2022 * |

* The Company resolved to extend the duration of the exercisable of unexercised ESOS shares, expiring on 31 March 2021 for another 5 years to 31 March 2026 in accordance with the provisions of the ESOS By-Laws.

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:

| | 5 July 2021 | 10 April 2018 | 2 June 2016 |
|--|--------------|---------------|-------------|
| Fair value of share options (RM) | 0.18 | 0.74 | 0.51 |
| Average share price at grant date (RM) | 0.69 | 2.40 | 1.52 |
| Exercise price (RM) | 0.64 | 2.20 | 1.50 |
| Expected volatility (%) | 56.73 | 44.38 | 41.68 |
| Expected life (years) | 1.07 | 2.98 | 4.83 |
| Risk free rate (%) | 1.77 | 3.82 | 3.77 |
| Expected dividend yield (%) | 1.05 | 3.51 | 2.53 |

24. TAXATION

| | Group | | Company | |
|---|----------------|-----------|----------|---------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Current tax expense based on profit for the financial year: | | | | |
| Current year provision | 459,996 | 434,200 | 0 | 0 |
| Under/(Over)provision of tax expense in prior years | 164 | (194,799) | 0 | (17) |
| | 460,160 | 239,401 | 0 | (17) |
| Deferred tax (Note 16): | | | | |
| Relating to origination and reversal of temporary differences | 61,800 | 57,900 | 0 | 0 |
| Overprovision of deferred tax liabilities in prior years | (4,400) | (3,300) | 0 | 0 |
| | 57,400 | 54,600 | 0 | 0 |
| Taxation | 517,560 | 294,001 | 0 | (17) |

The Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2020: 24%) of the estimated taxable profits for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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 | |
|---|--------------------|-------------|--------------------|-------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Profit before tax | 11,470,110 | 942,347 | 10,434,973 | 5,010,378 |
| Taxation at Malaysian statutory tax rate of 24% (2020: 24%) | 2,752,826 | 226,163 | 2,504,394 | 1,202,491 |
| Tax effects in respect of: | | | | |
| - expenses not deductible for tax purposes | 728,053 | 1,533,299 | 0 | 0 |
| - income not subject to tax | (44,666) | (229,372) | (2,504,394) | (1,202,491) |
| - tax exempt income under pioneer status | (2,917,317) | (1,123,600) | 0 | 0 |
| - share of loss in associates | 2,900 | 85,610 | 0 | 0 |
| | 521,796 | 492,100 | 0 | 0 |
| Under/(Over)provision of tax expense in prior years | 164 | (194,799) | 0 | (17) |
| Overprovision of deferred tax liabilities in prior years | (4,400) | (3,300) | 0 | 0 |
| Taxation for the financial year | 517,560 | 294,001 | 0 | (17) |

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 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 January 2025.

25. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share of the Group has been 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 | |
|---|--------------------|-------------|
| | 2021 RM | 2020 RM |
| Profit attributable to equity holders of the parent | 10,952,550 | 648,346 |
| Weighted average number of ordinary shares in issue | 672,089,480 | 669,378,139 |
| Effects of: | | |
| - Exercise of ESOS | 1,815,831 | 1,278,798 |
| Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share | 673,905,311 | 670,656,937 |
| Basic earnings per ordinary share (sen) | 1.63 | 0.10 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

25. EARNINGS PER ORDINARY SHARE (CONT'D)

(b) Diluted

Diluted earnings per ordinary share for the financial year has been 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 | |
|---|--------------------|-------------|
| | 2021 RM | 2020 RM |
| Profit attributable to equity holders of the parent | 10,952,550 | 648,346 |
| Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share | 673,905,311 | 670,656,937 |
| Effect of dilution: | | |
| - ESOS | 1,107,800 | 1,132,100 |
| Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share | 675,013,111 | 671,789,037 |
| Diluted earnings per ordinary share (sen) | 1.62 | 0.10 |

26. DIVIDENDS

| | Group and Company | | | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2021 | | 2020 | |
| | Dividend per share RM | Amount of dividend RM | Dividend per share RM | Amount of dividend RM |
| In respect of financial year ended 2019: | | | | |
| Interim dividend paid | 0 | 0 | 0.005 | 3,341,299 |
| In respect of financial year ended 2020: | | | | |
| Interim dividend paid | 0.005 | 3,360,951 | 0.005 | 3,351,917 |
| In respect of financial year ended 2021: | | | | |
| Interim dividend paid | 0.005 | 3,368,389 | 0 | 0 |
| | 0.010 | 6,729,340 | 0.010 | 6,693,216 |

On 18 February 2022, the Directors declared a second interim single tier dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2021, amounting to RM6,765,422, which is paid on 15 April 2022. 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 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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 | |
|-------------------|--------------------|--------------------|
| | 2021 RM | 2020 RM |
| Associates: | | |
| Purchase of goods | 3,941 | 49,403 |
| Rental income | 48,000 | 48,000 |

| | Company | |
|-----------------|--------------------|--------------------|
| | 2021 RM | 2020 RM |
| Subsidiaries: | | |
| Dividend income | 11,040,000 | 11,280,000 |

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 | |
|------------------|--------------------|--------------------|--------------------|--------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Directors | | | | |
| Fees | 230,000 | 190,000 | 230,000 | 190,000 |
| Other emoluments | 710,264 | 615,277 | 144,000 | 8,315 |
| | 940,264 | 805,277 | 374,000 | 198,315 |

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

| | Group | | Company | |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Other key management personnel | | | | |
| Other emoluments | 241,570 | 207,296 | 0 | 0 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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 2021 and 31 December 2020.

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, provisions, less cash and bank balances. Capital includes equity attributable to the equity holders of the Group.

| | Group | | Company | |
|-------------------------------------|---------------------|-------------|-------------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Trade and other payables | 4,848,037 | 2,763,455 | 246,624 | 246,697 |
| Provisions | 1,413,184 | 1,237,739 | 0 | 0 |
| Less: Cash and bank balances | (12,839,712) | (3,414,300) | (322,447) | (171,326) |
| Net (cash)/debt | (6,578,491) | 586,894 | (75,823) | 75,371 |
| Total capital | 108,669,181 | 101,695,359 | 59,250,442 | 52,794,197 |
| Net (cash)/debt | 0 | 586,894 | 0 | 75,371 |
| Total capital plus net (cash)/debts | 108,669,181 | 102,282,253 | 59,250,442 | 52,869,568 |
| Gearing ratio (%) | * | 0.57% | * | 0.14% |

* Gearing ratio is not presented as the Group and the Company are in net cash position.

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 2021.

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 2021

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 profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of the reporting period are as follows:

| | Group | | | |
|----------------------------|-------------------|-------------|------------------|-------------|
| | 2021 | | 2020 | |
| | RM | % of total | RM | % of total |
| By country: | | | | |
| Malaysia | 7,698,492 | 55% | 2,830,219 | 39% |
| Singapore | 3,153,481 | 23% | 159,522 | 2% |
| United States | 1,959,086 | 14% | 221,799 | 3% |
| People's Republic of China | 1,092,959 | 8% | 3,629,798 | 50% |
| Taiwan | 42,910 | * | 286,673 | 4% |
| Others | 45,188 | * | 136,662 | 2% |
| | 13,992,116 | 100% | 7,264,673 | 100% |

* Less than 1%

At the end of the reporting period, approximately 70% (2020: 24%) of the Group's trade receivables were due from three (3) (2020: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

28. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management (Cont'd)

(ii) Foreign currency risk (Cont'd)

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 RM6,277,476 (2020: RM540,509) 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.

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

| | Group | | Company | |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| | Increase/ (Decrease) | Increase/ (Decrease) | Increase/ (Decrease) | Increase/ (Decrease) |
| Profit after taxation | | | | |
| USD/RM | | | | |
| - Strengthen by 3% | 283,527 | 133,680 | 0 | 0 |
| - Weaken by 3% | (283,527) | (133,680) | 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

29. OPERATING SEGMENTS (CONT'D)

(a) Geographical information (Cont'd)

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

| | Group | |
|---------------|-------------------|-------------------|
| | 2021 RM | 2020 RM |
| Malaysia | 19,147,399 | 12,859,827 |
| Singapore | 3,367,324 | 0 |
| United States | 3,134,421 | 152,584 |
| China | 1,861,564 | 4,003,332 |
| Japan | 1,026,823 | 175,828 |
| Taiwan | 336,134 | 352,052 |
| Others | 307,627 | 584,970 |
| | 29,181,292 | 18,128,593 |

(b) Major customers

The following are major customers with revenue equal or more than ten percent (10%) of Group revenue:

| | Group | |
|------------|-------------------|------------------|
| | 2021 RM | 2020 RM |
| Customer A | 13,435,986 | 7,793,434 |
| Customer B | 3,394,120 | 0 |
| Customer C | 3,134,044 | 0 |
| | 19,964,150 | 7,793,434 |

30. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 16 March 2022, Siangtronics Technology Sdn. Bhd., a wholly-owned subsidiary of the Company, had entered into a conditional sale and purchase agreement with SRM Integration (Malaysia) Sdn. Bhd. for the disposal of a piece of leasehold land together with a 2-storey factory-cum-office building located in Bayan Lepas Industrial Park Phase 4, Penang for a total cash consideration of RM38,000,000.

As at the date of this report, the transaction has yet to completed.

STATISTICS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 31st MARCH, 2022

Number of issued shares : 677,739,580
 Class of share : Ordinary Shares
 Voting right : One vote for one ordinary share

DISTRIBUTION OF SHAREHOLDERS AS AT 31st MARCH, 2022

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|------------------------|---------------------|--------|---------------|--------|
| Less than 100 | 104 | 2.29 | 4,226 | 0.00 |
| 100 – 1,000 | 1,075 | 23.70 | 560,971 | 0.08 |
| 1,001 – 10,000 | 2,043 | 45.03 | 10,522,745 | 1.56 |
| 10,001 – 100,000 | 1,093 | 24.09 | 35,787,120 | 5.29 |
| 100,001 – Less than 5% | 217 | 4.78 | 198,672,200 | 29.37 |
| Above 5% | 5 | 0.11 | 430,994,958 | 63.70 |
| | 4,537 | 100.00 | 676,542,220 | 100.00 |

* Excluding of 1,197,360 treasury shares

TOP THIRTY SHAREHOLDERS AS AT 31st MARCH, 2022

| | Name | Shareholdings | % |
|----|---|---------------|-------|
| 1 | TAN CHEIK EAIK | 158,790,400 | 23.47 |
| 2 | TAN AI JIEW | 85,616,600 | 12.65 |
| 3 | KOAY KIM CHIEW | 74,020,060 | 10.94 |
| 4 | TAN AH LEK | 53,371,026 | 7.89 |
| 5 | TAN CHEIK KOOI | 48,534,360 | 7.17 |
| 6 | CHAN HONG HENG | 29,739,600 | 4.40 |
| 7 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD | 21,012,980 | 3.11 |
| 8 | TAY CHENG KOON | 17,473,300 | 2.58 |
| 9 | TAN AH LEK | 9,051,472 | 1.34 |
| 10 | CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14) | 8,016,000 | 1.18 |
| 11 | HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY CHENG KOON | 7,753,000 | 1.15 |
| 12 | MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR ARECA DIVIDEND INCOME FUND (412723) | 6,800,000 | 1.01 |
| 13 | AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH GROWTH FUND | 6,000,000 | 0.89 |
| 14 | LAU KHENG TAT | 5,148,000 | 0.76 |
| 15 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS SMALL-CAP FUND | 4,827,200 | 0.71 |
| 16 | YAP WING CHUN | 3,700,000 | 0.55 |
| 17 | CHONG ENG KEAT @ TEOH ENG KEAT | 3,524,500 | 0.52 |
| 18 | MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR ARECA EQUITY GROWTH FUND (427458) | 3,000,000 | 0.44 |
| 19 | MAYBANK NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR ARECA CAPITAL SDN BHD | 2,765,800 | 0.41 |

STATISTICS OF SHAREHOLDINGS (CONT'D)

TOP THIRTY SHAREHOLDERS AS AT 31st MARCH, 2022 (CONT'D)

| | Name | Shareholdings | % |
|----|--|--------------------|--------------|
| 20 | LIN, CHIN-HSIUNG | 2,640,000 | 0.39 |
| 21 | HUANG, MAO-HSIUNG | 2,520,000 | 0.37 |
| 22 | OOI TOON KIT | 2,454,000 | 0.36 |
| 23 | ANG HOOI ENG | 2,310,100 | 0.34 |
| 24 | GOLDEN FRESH SDN BHD | 2,000,000 | 0.30 |
| 25 | UOBM NOMINEES (TEMPATAN) SDN BHD UOB ISLAMIC ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI | 1,793,000 | 0.27 |
| 26 | HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT AL-FAID (4389) | 1,602,100 | 0.24 |
| 27 | HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST | 1,569,600 | 0.23 |
| 28 | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR MAYBANK MALAYSIA SMALLCAP FUND | 1,500,000 | 0.22 |
| 29 | HOONG KIM CHAI | 1,500,000 | 0.22 |
| 30 | WONG HOO CHONG | 1,368,000 | 0.20 |
| | Total | 570,401,098 | 84.31 |

DIRECTORS' SHAREHOLDINGS AS AT 31st MARCH, 2022

| | Name | Direct Shareholdings | % | Indirect Shareholdings | % |
|---|---|-------------------------|-------|---------------------------|------|
| 1 | Tan Cheik Eaik | 159,389,440 | 23.56 | - | - |
| 2 | Tan Ai Jiew | 85,616,600 | 12.66 | 6,464,000* | 0.96 |
| 3 | Koay Kim Chiew | 74,020,060 | 10.94 | - | - |
| 4 | Tan Ah Lek | 63,434,498 | 9.38 | 370,000* | 0.05 |
| 5 | Dato' Dr Chong Eng Keat @ Teoh Eng Keat | 3,524,500 | 0.52 | - | - |
| 6 | Ooi Toon Kit | 2,454,000 | 0.36 | - | - |
| 7 | Dato' Agatha Foo Tet Sin | 150,000 | 0.02 | - | - |

* 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, 2022

| | Name | Direct Shareholdings | % | Indirect Shareholdings | % |
|---|----------------|-------------------------|-------|---------------------------|------|
| 1 | Tan Cheik Eaik | 159,389,440 | 23.56 | - | - |
| 2 | Tan Ai Jiew | 85,616,600 | 12.66 | 6,464,000* | 0.96 |
| 3 | Koay Kim Chiew | 74,020,060 | 10.94 | - | - |
| 4 | Tan Ah Lek | 63,434,498 | 9.38 | 370,000* | 0.05 |
| 5 | Tan Cheik Kooi | 48,534,360 | 7.17 | - | - |

* 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 31.12.2021 |
|---|---|---|---|--|--|---|
| 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. | 21 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 | RM2,480,772 |
| 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. | 21 years/ Freehold building/ Not applicable | Office lot/ Office | Not applicable/ 1,049 | Nil | RM213,930/ 10.01.1997/ 02.10.1998 | RM114,534 |
| 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. | 16 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 | RM7,950,162 |
| | 8 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 | RM8,837,322 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Nineteenth 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 Pulau Pinang on Friday, 10 June 2022 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 2021 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 2022.
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. Tan Cheik Eaik
 - (ii) Mr. Tan Ah Lek
4. To re-appoint Messrs. 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

AS SPECIAL BUSINESS

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

5. **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 5

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

6. 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 2021, the audited retained profits of the Company was RM12,057,514.
- (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 6

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. 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 until the conclusion of the next annual general meeting."
- (ii) "THAT, Mr Ooi Toon Kit be retained as Independent Non-Executive Director of the Company until the conclusion of the next annual general meeting."

Ordinary Resolution 7

Ordinary Resolution 8

8. 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
29 April 2022

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, Pulau Pinang.
 - (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 the proxy is 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 2 June 2022 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 2022**

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.

10. **Ordinary Resolutions 2 and 3 – To re-elect Directors who retire pursuant to Article 18.3 of the Company's Constitution**

Article 18.3 of the Company's Constitution states that one-third (1/3) of the Directors shall retire from office and shall be eligible for re-election at each Annual General Meeting. Each Director shall retire from office at least once in every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

In determining the eligibility of the Directors to stand for re-election at the forthcoming Annual General Meeting, the Nominating Committee has assessed the Directors and satisfied with the assessment.

The Board approved the Nomination Committee's recommendation for the re-election of the retiring Directors pursuant to Article 18.3 of the Company's Constitution at the forthcoming Annual General Meeting of the Company. During a Board Meeting, all the retiring Directors have consented to their re-election, and abstained from deliberation as well as decision on their own eligibility to stand for re-election at the forthcoming Annual General Meeting.

11. **Ordinary Resolution 4 – To re-appoint Messrs. 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**

The Audit Committee has assessed the suitability and independence of the external auditors and recommended the re-appointment of Messrs. BDO PLT as external auditors of the Company until the next Annual General Meeting of the Company. The Board has in turn at its meeting held on 22 April 2022, reviewed the recommendation of the Audit Committee and recommended the same to be tabled to the shareholders for approval at the forthcoming Annual General Meeting of the Company. The Board and the Audit Committee collectively agreed that Messrs. BDO PLT have met the relevant criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes: (Cont'd)

Special Business

12. Ordinary Resolution 5 - Authority under Sections 75 and 76 of the Companies Act, 2016 for the Directors to issue shares

The proposed Ordinary Resolution 5, 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 Nineteenth 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.

13. Ordinary Resolution 6 - Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 6, 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 37 to 46 of the 2021 Annual Report.

14. Ordinary Resolutions 7 and 8 - Continuation in Office as an Independent Non-Executive Directors

The proposed Ordinary Resolutions 7 and 8, 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 nine (9) years, 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 2021.

15. Voting at Nineteenth AGM

Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, all resolutions set out in the Notice of Nineteenth 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 Nineteenth 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.

IMPORTANT NOTICE

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:

- a. **ONLY FULLY VACCINATED** Attendees (referring to members, proxies, corporate representatives, management staff and invited guests) **ARE ALLOWED** to attend the AGM.
- b. All Attendees are required to show their fully vaccinated status through their MySejahtera app.
- c. All Attendees will be required to undergo a temperature check at the entrance of the AGM venue and to provide a negative result from a COVID-19 test using a self-testing kit or alternatively PT-PCR or RTK swab test at any health facility within 48 hours before the date of the AGM at their own cost which is to be presented at the registration counter.
- d. All Attendees must sanitise their hands and are required to wear face masks at all time and also to download MySejahtera mobile application and scan the QRcode at the AGM venue for contact tracing, if required in the future by any relevant parties.
- e. All Attendees are required to practise social distancing of 1 meter throughout the AGM with seats allocated for Attendees at the AGM venue.
- f. Members/proxies/corporate representatives who are feeling unwell or have been placed on quarantine orders or stay-at-home notices, are advised to refrain from attending the AGM in person.
- g. Members 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.
- h. There will be no refreshment and no door-gift provided to the Attendees.
- i. Members/proxies are advised to arrive early at the AGM venue given that the above-mentioned precautionary measures may cause delay in the registration process.
- j. Members are required to pre-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 us at agriteumrs@gmail.com.



ELSOFT RESEARCH BERHAD

Registration No. 200301015084 (617504-K)

PROXY FORM

CDS account no.:

*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 Nineteenth 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 Pulau Pinang on Friday, 10 June 2022 at 10.00 a.m. and at any adjournment thereof, on the following resolutions referred to in the Notice of Nineteenth 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 2022. | Ordinary Resolution 1 | | |
| 2. | To re-elect Mr. Tan Cheik Eaik as Director of the Company. | Ordinary Resolution 2 | | |
| 3. | To re-elect Mr. Tan Ah Lek as Director of the Company. | Ordinary Resolution 3 | | |
| 4. | To re-appoint Messrs. BDO PLT as Auditors of the Company and to authorize the Directors to fix their remuneration. | Ordinary Resolution 4 | | |
| 5. | Authority under Sections 75 and 76 of the Companies Act, 2016 for the Directors to issue shares. | Ordinary Resolution 5 | | |
| 6. | Proposed Renewal of Share Buy-Back Authority. | Ordinary Resolution 6 | | |
| 7. | Continuation in office as an Independent Non-Executive Director - Dato' Dr. Chong Eng Keat @ Teoh Eng Keat. | Ordinary Resolution 7 | | |
| 8. | Continuation in office as an Independent Non-Executive Director - Mr Ooi Toon Kit. | Ordinary Resolution 8 | | |

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 2022

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, Pulau Pinang.
 - (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 the proxy is 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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Several small, semi-transparent squares in white, blue, and teal are scattered around the central text box.

ELSOFT RESEARCH BERHAD

Registration No. 200301015084 (617504-K)

Plot 85B, Lintang Bayan Lepas 9,
Bayan Lepas Industrial Park,
Phase 4, 11900 Penang.

Tel: 04-6468122 Fax: 04-6433918

Email: info@elsoftresearch.com

<https://elsoftresearch.com>

