

4. INFORMATION ON THE GROUP

4.1 BACKGROUND

4.1.1 Incorporation and Commencement of Business

Elsoft was incorporated in Malaysia under the Companies Act, 1965 on 4 June 2003 as a private limited company under the name of Elsoft Research Sdn Bhd. Subsequently, on 10 August 2004 it was converted to a public limited company and since then assumed its present name. On 31 December 2003, Elsoft was granted MSC status from MDC. It commenced operations in January 2004.

4.1.2 Share Capital And Changes In Share Capital

The present authorised share capital of Elsoft is RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each. The issued and paid-up share capital of Elsoft is RM14,825,000 comprising 148,250,000 ordinary shares of RM0.10 each.

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

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Consideration	Total Issued And Paid-up Share Capital RM
04.06.2003	2	1.00	Subscribers' shares	2
02.07.2003	99,998	1.00	Cash	100,000
16.05.2005	6,125,000	1.00	Bonus Issue	6,225,000
17.05.2005	8,600,000	1.00	Acquisition of STSB	14,825,000
18.05.2005	-	0.10	Sub-division	14,825,000

4.1.3 Listing Scheme

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of Elsoft on the MESDAQ Market Board of Bursa Securities, the Company undertook a listing scheme which involved the following:-

(a) Bonus Issue

Elsoft has undertaken a bonus issue of 6,125,000 new ordinary shares of RM1.00 each to the existing shareholders of Elsoft on the basis of 61.25 new ordinary shares of RM1.00 each for every 1 existing ordinary share of RM1.00 each held in Elsoft. All the bonus issue shares rank pari passu in all respects with the existing ordinary shares of Elsoft. The Bonus Issue was completed on 16 May 2005. With the completion of the Bonus Issue, the issued and paid-up share capital of Elsoft was increased from 100,000 ordinary shares of RM1.00 each to 6,225,000 ordinary shares of RM1.00 each.

4. INFORMATION ON THE GROUP (Cont'd)**(b) (i) Acquisition of STSB**

Elsoft had on 6 September 2004 entered into a share sale agreement with Tan Cheik Eaik, Tan Ai Jiew, Koay Kim Chiew, Tan Ah Lek, Tan Cheik Kooi, Chan Hong Heng, Tay Cheng Koon and Ooi Seang Jin to acquire the entire issued and paid-up share capital of STSB comprising 500,000 ordinary shares of RM1.00 each for a purchase consideration of RM8,600,000 satisfied by the issuance of 8,600,000 new ordinary shares of RM1.00 each in Elsoft at an issue price of RM1.00 per share.

The purchase consideration for STSB was based on the audited NTA as at 30 June 2004 of RM8,600,000.

The vendors' shareholdings in Elsoft after the acquisition of STSB are as follows:-

Shareholders	No. of Ordinary Shares of RM1.00 Each in STSB	Interest %	Purchase Consideration RM	No. of Elsoft Ordinary Shares of RM1.00 Each Issued
Tan Cheik Eaik	160,000	32.00	2,752,000	2,752,000
Tan Ai Jiew	90,000	18.00	1,548,000	1,548,000
Koay Kim Chiew	75,000	15.00	1,290,000	1,290,000
Tan Ah Lek	62,500	12.50	1,075,000	1,075,000
Tan Cheik Kooi	45,000	9.00	774,000	774,000
Chan Hong Heng	30,000	6.00	516,000	516,000
Tay Cheng Koon	30,000	6.00	516,000	516,000
Ooi Seang Jin	7,500	1.50	129,000	129,000
Total	500,000	100.00	8,600,000	8,600,000

(ii) Acquisition of AGS

Elsoft had on 18 May 2005 entered into a share sale agreement with STSB to acquire sixty percent (60%) of the issued and paid-up share capital of AGS comprising 300,000 ordinary shares of RM1.00 each for a purchase consideration of RM464,845 based on the audited NTA value as at 30 June 2004. The purchase consideration was satisfied wholly by cash of RM464,845.

Shareholders	No. of Ordinary Shares of RM1.00 each in AGS	Interest %	Purchase Consideration RM	Cash Consideration RM
STSB	300,000	60.00	464,845	464,845
Total	300,000	60.00	464,845	464,845

4. INFORMATION ON THE GROUP (Cont'd)

The Acquisition of STSB and AGS were completed on 17 May 2005 and 18 May 2005 respectively. The Acquisitions resulted in the issued and paid-up share capital of Elsoft being increased from 6,225,000 ordinary shares of RM1.00 each to 14,825,000 ordinary shares of RM1.00 each.

(c) Sub-division

Upon completion of the Acquisitions, the existing par value of RM1.00 per ordinary share of Elsoft was subdivided into ten (10) ordinary shares of RM0.10 each. Consequently, the number of issued and paid-up share capital of Elsoft was increased from 14,825,000 ordinary shares of RM1.00 each to 148,250,000 ordinary shares of RM0.10 each. The Sub-division was completed on 18 May 2005.

(d) Public Issue

The Public Issue of 31,750,000 new ordinary shares at an issue price of RM0.60 are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

(i) Public

2,500,000 Public Issue Shares representing approximately 1.39% of the enlarged issued and paid-up share capital will be made available for application by Public.

(ii) Eligible Employees, Directors and/or Business Associates of the Group

7,500,000 Public Issue Shares representing approximately 4.17% of the enlarged issued and paid-up share capital will be reserved for the eligible Directors, employees and business associates (which include the suppliers, sales agents and customers) of the Group.

The shares have been allocated to eligible Directors, eligible employees and business associates of the Group based on the following criteria as approved by the Company's Board of Directors:-

- (a) At least eighteen (18) years old;
- (b) Job position;
- (c) Length of service;
- (d) Confirmed employees; and
- (e) Business associates who have contributed to the success of the Group.

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4. INFORMATION ON THE GROUP (Cont'd)

Details of the Pink Form Shares allocation to the eligible Directors, employees and business associates of Elsoft Group are as follows:-

Directors

Name of Directors	Designation	Pink Form Shares Allocation
Tan Cheik Eaik	Executive Chairman/ Chief Executive Officer	800,000
Koay Kim Chiew	Executive Director	500,000
Tan Ah Lek	Executive Director	400,000
Tan Ai Jiew	Non-Independent Non-Executive Director	100,000
Dato' Dr Chong Eng Keat @ Teoh Eng Keat	independent Non-Executive Director	100,000
Ong Eng Choon	Independent Non-Executive Director	100,000
Total		2,000,000

Employees and Business Associates

Category	Number	Pink Form Shares Allocations
Management	2	500,000
Engineering/ R&D	20	1,500,000
Production/ QA	22	600,000
Sales, Finance and Administration	8	400,000
Total eligible employees	52	3,000,000
Business associates	65	2,500,000
Total eligible employees and business associates	117	5,500,000

The above Pink Form Shares allocation is subject to the eligible Directors, employees and business associates subscribing to their respective allocations.

(iii) Places

21,750,000 Public Issue Shares representing approximately 12.08% of the enlarged issued and paid-up share capital are reserved for private placement to selected investors, which have been identified who are deemed public.

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4. INFORMATION ON THE GROUP (Cont'd)**(e) Summary**

In summary, the Public Issue Shares will be allocated in the following manner:-

	Public Issue Shares
Public	2,500,000
Eligible Directors, employees and business associates of the Group	7,500,000
Placees	21,750,000
Total	31,750,000

All the Public Issue Shares available for application by the Public and the eligible Directors, employees and business associates of the Group have been fully underwritten. The Public Issue Shares available for application by identified placees are not underwritten. The Placement Agent has received irrevocable undertakings from the identified placees to take up the Public Issue Shares available for application under the private placement.

In the event of an under-subscription of the Public Issue Shares by the Public, the unsubscribed Public Issue Shares will be made available to identified placees.

Any Public Issue Share which are not taken up by the eligible Directors, employees and business associates of the Group will be made available for application by the Public and/or identified placees via private placement.

(f) ESOS

In conjunction with its proposed listing, Elsoft proposes to implement an ESOS involving up to fifteen percent (15%) of the Company's issued and paid-up share capital at any time during the existence of the ESOS, to be issued pursuant to the Options to be granted under the ESOS to the Directors and eligible employees of the Group.

On the date of listing of Elsoft on the MESDAQ Market, the Directors of the Company propose to grant up to 27,000,000 Options to the Directors and eligible employees of the Group ("**Initial Grant**"). The exercise price of the Options which are the subject matter of the Initial Grant is the Issue Price of the Shares.

In addition to the Initial Grant, the Board shall, within the duration of the ESOS, make offers to grant Options to the Directors and eligible employees of the Group in accordance with the ESOS Bye-Laws adopted by the shareholders of the Company. Each such Option which is not part of the Initial Grant shall be exercisable at a price which is the weighted average market price of the Company's Shares for the five (5) Market Days immediately preceding the date on which the Option is granted less, if the Directors of the Company shall decide at their discretion from time to time, a discount of not more than ten percent (10%).

4. INFORMATION ON THE GROUP (Cont'd)

The ESOS shall be in force for a duration of five (5) years. However, the ESOS may be extended for up to five (5) years at the discretion of the Board upon the recommendation of the ESOS Committee. The new Shares to be allotted upon any exercise of the Option will upon allotment and issue rank pari passu in all respect with the then existing issued Shares of the Company except that the new Shares so issued shall **NOT** be entitled for any dividend, rights, allotment and/or other distribution declared, made or paid to shareholders unless the new Shares so allotted have been credited into the relevant securities accounts of the shareholders maintained by Bursa Depository before the entitlement date and will be subject to all provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise.

The Bye-Laws of the ESOS are set out in Section 13 of this Prospectus.

(g) Listing

Upon completion of the abovementioned Bonus Issue, Acquisitions, Sub-division and Public Issue, Elsoft will seek a listing of and quotation for its entire enlarged issued and paid-up share capital comprising 180,000,000 Shares and the new Shares to be issued pursuant to the exercise of the ESOS Options of up to fifteen percent (15%) of the issued and paid-up share capital of Elsoft at any point in time during the duration of the ESOS on the MESDAQ Market of Bursa Securities.

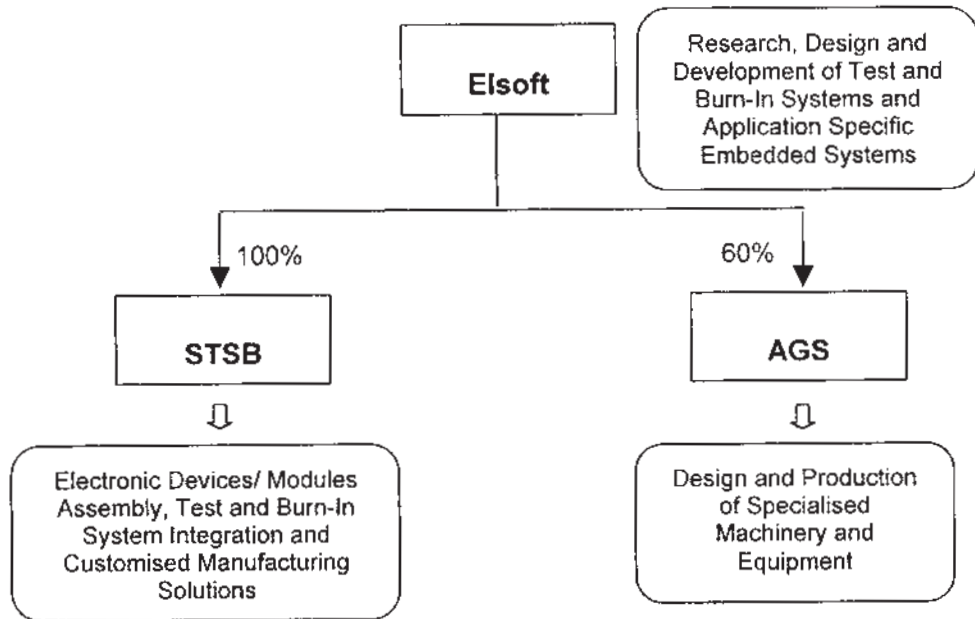
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4. INFORMATION ON THE GROUP (Cont'd)

4.2 BUSINESS

4.2.1 Group Structure

An overview of the Group's structure is set out below:-



The details of the Elsoft Group are as follows:-

Corporation	Date/Place of Incorporation	Issued and Paid-up Share Capital RM	Effective Equity Interest %	Principal Activities
Elsoft	04.06.2003/ Malaysia	14,825,000	-	Research, design and development of test and burn-in systems and application specific embedded systems.
Subsidiaries of Elsoft				
STSB	07.05.1996/ Malaysia	500,000	100.00	Electronic devices/ modules assembly, test and burn-in system integration and customised manufacturing solutions.
AGS	03.11.1999/ Malaysia	500,000	60.00	Design and production of specialised machinery and equipment namely material handling equipment and robotic factory automation equipment.

4. INFORMATION ON THE GROUP (Cont'd)

4.2.2 Types of Products and/or Services

The Group's business activities can be divided into four (4) main divisions:-

- (a) Test and Burn-In System Development Division;
- (b) Embedded Peripherals Division;
- (c) Electronic Devices/ Modules Assembly Division; and
- (d) Automation Equipment/ System Division.

(a) Test and Burn-In System Development Division

ATE, or tester, is used in the process of testing the electrical characteristics and performance of electronic devices. The ATE varies widely, depending on the types of products it tests. In general, however, it consists of an elaborate PC controller or MicroP-based system that control boards or modules which supply electrical excitation to the device under test and measure the electrical characteristics and behaviour of the device under test in response to the applied excitation.

Additional paraphernalia such as family boards and device under test boards are attached to the tester to configure it to the specific needs of the device under test as the tester is often designed to be as generic as possible.

The test and burn-in system development involves multiple disciplines of advanced engineering capabilities, covering both hardware and software aspects of the semiconductor and optoelectronic application solutions. Shrinking time-to-market and short product life raise the level of competition as it reduces the need of design cycle time for test program developments. Functional verification and highly accelerated stress screening (also known as "**Burn-In**") are two of the major components of the product design cycle time. Present advanced technology products of importance in the marketplace are demanding short development cycle with high performance test solutions to meet today's stringent specifications. Extended environmental testing is also performed to ensure the product will continue to function properly over its entire service life.

The biggest challenge in designing this type of test system is dealing with the high number of channels the system must monitor and the surroundings of the test system. The rapid advancement of technological breakthrough enhances the Group's prospects in several diverse and futuristic fields such as massive computing power, wireless components, devices and instruments, global personal communication devices and high-resolution devices. This has stretched the traditional test and burn-in approaches to new limits.

4. INFORMATION ON THE GROUP (Cont'd)

The test and burn-in system development involves cross-disciplines, dealing with metrology, materials, electrical and electronics design, mechanical engineering, software engineering, IC design, automation design, manufacturability of ICs and many other relevant fields. The challenge in producing high quality performance products lies in developing the products at a competitive cost.

As a test and burn-in solution provider, in-house developers of the Group can improve an existing test system or design new test solutions to meet a specified test strategy required by its customers. The switching trend of the industry's evolution from high cost test and burn-in solutions towards cost effective test and burn-in solutions has bridged the Group to the stage of the global ATE arena. Elsoft offers its customers a new paradigm of alternative test solutions which aims to provide high performance and cost effective application solutions.

The Group leverages on over eight (8) years of technology innovation and customer knowledge in the design, development, manufacture and support of functional test and diagnostic systems. This enables its customers to increase their engineering and manufacturing efficiency and lowering their cost of test and burn-in. The Group delivers high standard of design diagnostic and test engineering services by applying its highly skilled resources at critical steps in the test and burn-in development cycle. The solutions offered by the Group include engineering design expertise in the field of advance analog, high speed digital, mixed signal and embedded systems architecture with electrical measurement accuracy of +/- 0.03%. These advanced electronic disciplines provide a wide range of innovative solution development potential to meet the customers' requirements. The Group's customers include IC manufacturers, optoelectronics components manufacturers, EMS companies, test houses and foundries. The Group's cross boundaries support network enable it to deliver value-added products and services that meet customers' key design and engineering challenges at all times.

The Group is also moving towards the upper end digital test development. The design engineering team plays an important role in the customers' product development stage by participating in the design of new applications to either increase its testability, efficiency or to develop new ways of test solutions. In addition, the new generation test development which migrates towards higher test speed and performance will increase the value added component of the Group's solutions.

By working closely with its customers, the Group is able to provide innovative customised design solutions to maintain its competitiveness with the current market players. The Group's abilities range from design to test, applying specific test and enhancement of previous test solution. These lead to minimal switching cost for its potential customers. The Group's test developments are completed using its ISO 9001:2000 compliance process. The test developers start with a provided test specification or study the product and generate a specification.

4. INFORMATION ON THE GROUP (Cont'd)

Competition in this industry arises mainly from ATE companies in the developed countries such as Germany and USA. However, the Group believes that it will be able to compete effectively with its unique technology innovation, close relationship with customers and proven track records.

(b) Embedded Peripherals Division

The embedded peripherals division offer its customers a wide range of PC based embedded products range such as I/O products, motion control card and motor drivers. The Elsoft Group is committed in applying innovative I/O technologies and customer knowledge in the design, development, manufacture and support of I/O Cards to enable their customers increase their engineering and manufacturing efficiency as well as lowering their cost of development. Its customers include IC manufacturers, automation house, equipment manufacturers and foundries.

The in-house capabilities in developing embedded peripherals also provide the Group with competitive advantage and differentiation from other competitors in the industry. This is due to its ability to design and customise customers' needs with a high level of flexibility at competitive cost.

(c) Electronic Devices/ Modules Assembly Division

The Elsoft Group has achieved a remarkable production system with strict quality control, maximisation of productivity and flexible production facilities.

Subsequent to the Group restructuring exercise, STSB is currently specialising in electronic devices/modules assembly, test and burn-in system integration and customised manufacturing solutions to semiconductor, optoelectronic and automation industries. STSB is mainly positioned to provide in-house assembly and system integration support to the Group as well as serving customers in the prototype development, new product introduction and high mix low volume segment.

The Group offers a series of customised valued added manufacturing services, including material management, electronic devices/modules assembly, mechanical assembly and box build and system integration. The Group's system assembly and integration facilities provides a high level of flexibility and fast turnaround which is suitable for building prototype pre-production builds, configure to order and high complexity system integration.

With the Group's years of involvement in the assembly and integration operation, its customers will be able to benefit from a combined eight (8) years of experience available through a highly trained and skilled operation resources. Quality assurance is fully monitored and inspected through its ISO 9001:2000 Quality Management System.

4. INFORMATION ON THE GROUP (Cont'd)

(d) Automation Equipment/ System Division

Since AGS's incorporation in 1999, the automation division has been designing innovative and advanced machineries for the handling of electronic components, namely the test handling system and robotic factory automation system. Combining both technical excellence in mechanical and electronic engineering encompassing robotic design, pneumatic mechanisation and electronic circuitry design for smart control applications, the division positions to provide high standard of design and engineering solution to meet the customers' automation requirements.

Mass production electrical testing can be made possible by attaching a test handler to an ATE. A test handler refers to the equipment used in presenting the unit to be tested to the test site of the ATE, allowing the ATE to test the unit. After testing, the handler puts the unit to the appropriate output location based on the ATE test results.

The test handler varies widely in configuration. Certain handlers use gravity to bring the device under test to the test site and to reload them back into tubes while others use special electromechanical or pick-and-place systems to accomplish this. Some handlers can only be assigned to one tester, yet some can be allocated to eight or more testers. A typical test handler is equipped with a loading or input stage, a test site, a sort shuttle, an unloading or output stage, various sensors and interfaces to the tester.

For gravity-fed handlers, the input stage usually consists of input tracks in which the input tubes containing the units to be tested are inserted. The units slide down the input track into the test site for testing. After testing, the unit is then transported by the sort shuttle to the appropriate output track based on the condition of the unit. Pick-and-place handlers usually pick the units for testing from a tray and present them to the test site for testing. After testing, the pick-and-place system takes the unit and puts it into the appropriate output tray.

With the synergistic support from other divisions, it provides the Group with the competitive advantage to compete in the backend automation industry and position it to be a leading player in the design, development, manufacture and sale of semiconductor test handling equipment.

4.2.3 Technology Capabilities

The Elsoft Group is equipped with modern technology in its development facilities to ensure implementation of design standards. The Group has a strong development team whose talents and skills have contributed towards the design and development of various test solutions such as Optoelectronic/Semiconductor Parametric Test, Advance Electronics System Design, Photometric, Radiometric and Colorimetric Test, Burn-in Systems and Reliability Thermal Stressors, Specific Integrated Parametric and Optical Test, etc. As a result, the Elsoft Group is able to offer comprehensive test solutions which include the Group's proprietary software and hardware.

4. INFORMATION ON THE GROUP (Cont'd)

The Group applies CAD software technologies in its product design and daily development process. The Group's design team consists of technical staff who are highly trained with years of expertise in the design softwares such as C Language, Visual C++, Visual Basic, Embedded Real Time Assembly Language (Machine Language), Algorithm development and in-house development proprietary test programs.

The Elsoft Group's design capabilities include competencies in advance analog, digital test, mixed signal, embedded systems, MicroP and MicroC applications and design of High Speed PCB design. The test systems are designed to cater for high speed and high performance testing with output above 10,000 units per hour, electrical measurement accuracy of +/- 0.03% and test capability to measure from range of nano-amp to amp scales. Besides, the Group's unique and self-developed proprietary, SMU, conforms to the high industry standard in the market it serves. Through the Group's SMU platform, the customers are able to cut down on the costs of development, thus reducing the test costs significantly.

The Group has also developed and possessed technologies in the area of optoelectronic metrologies and spectroscopy development, optic design, illumination, image acquisition and analysis. These capabilities position the Group in a strong position to become the test solution partner of choice of its customers.

With the rapid changes and evolution in the development of new technology, the Group always spearheads its efforts to be one of the first to roll-out improved test solutions based on its cutting edge technology development.

The level of technology in automated products is determined by the advancement of the software technology. Hence, software is a vital component in an automated system. As a dynamic and versatile integrated test and burn-in solution provider, the Group's ability to offer both hardware and software solution to its potential customers puts the Group at the top of the customers' selection list.

4.2.4 Approvals, Major Licences and Permits Obtained

The major licences and permits obtained by the Group are as follows:-

STSB

Authority	Description	Date of Issuance/ Expiry	Major Conditions Imposed	Status of Compliance
MITI	Manufacturing Licence	21.07.2004/ Not Applicable	(a) The site of manufacturing is subject to the approval from the State Authority and Environment Department.	Complied
			(b) STSB shall notify MITI of any sale of shares of the company.	Complied
			(c) STSB shall train Malaysian citizens to enable the transfer of technology and expertise at all levels of employment.	Complied

4. INFORMATION ON THE GROUP (Cont'd)





Authority	Description	Date of Issuance/ Expiry	Major Conditions Imposed	Status of Compliance
			(d) STSB is required to execute the projects in accordance to all the abovementioned conditions and to comply with the laws and other regulations in Malaysia.	Complied

AGS

Authority	Description	Date of Issuance/ Expiry	Major Conditions Imposed	Status of Compliance
Majlis Perbandaran Pulau Pinang	Trading Licence	20.04.2004/ 31.12.2005	Nil	Not applicable

4.2.5 Brand Names, Patents, Trade Marks, Licences, Technical Assistance Agreements, Franchises and Other Intellectual Property Rights

The Elsoft Group does not presently hold any brand names, patents, trade marks, technical assistance agreements, franchises and other intellectual property rights. However, the Group has submitted its application to the Registrar of Trade Marks to register the following trade marks:-

Trade Mark	Class	Status
	7 and 9	Pending Approval
	7 and 9	Pending Approval
	7 and 9	Pending Approval
	7 and 9	Pending Approval

The successful registration of the trade marks will prevent unauthorised third party exploitation of these trade marks, which may have an adverse effect on the Group's business.

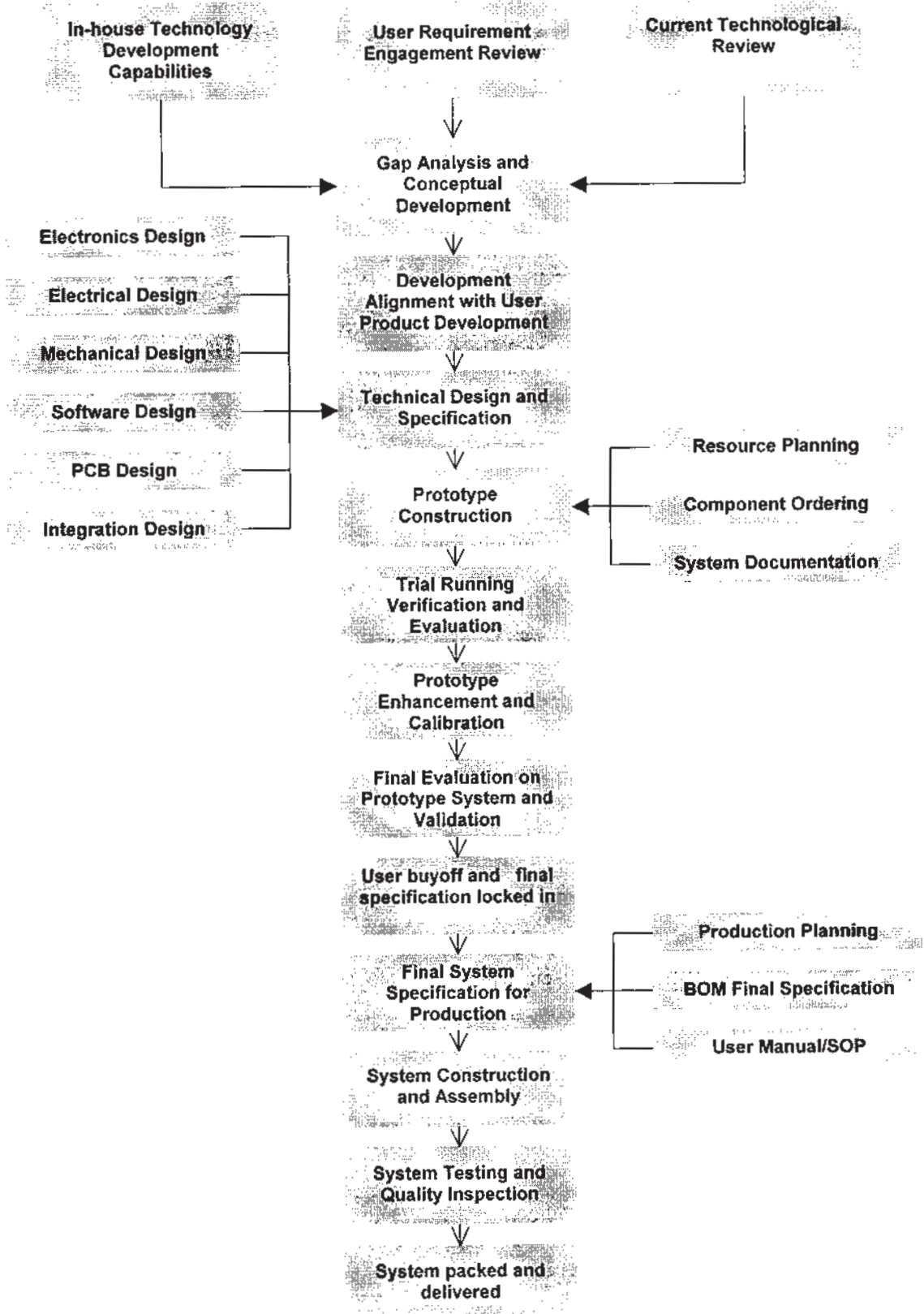
4.2.6 Dependency on Licences and Registration

The Elsoft Group currently holds various licences and registrations under its operating subsidiaries. Details of the licences and registration are set out in Section 4.2.4 of this Prospectus.

4. INFORMATION ON THE GROUP (Cont'd)

4.2.7 Operation Process Flow

(a) Test and Burn-In System Development



4. INFORMATION ON THE GROUP (Cont'd)

Under the test and burn-in system development division, the Group receives from the customers the technical and design specification engagement request of a product or the physical object. The programme manager will then engage together the designing and R&D team to analyse each application requirements from multiple design parameters. This process involves examination of the availability of the resource and the technology requirements, followed by matching of the Group's in-house capabilities and resources to fill up any gaps.

The Group has a systematic developed engagement protocol which consists of the appropriate tools, processes and communication schemes to be compatible with the customers' needs. This would facilitate correct and timely decisions, leading to successful project execution.

Most product development projects require cross-disciplinary expertise which encompasses electronic design, electrical design, mechanical design, software design, PCB design and system integration design elements. A project plan designed to carry out a product development will result in a list of tasks and linked resources often described by a Project Gantt Chart. The Gantt chart shows the order of tasks, the critical paths and relationships of the product development.

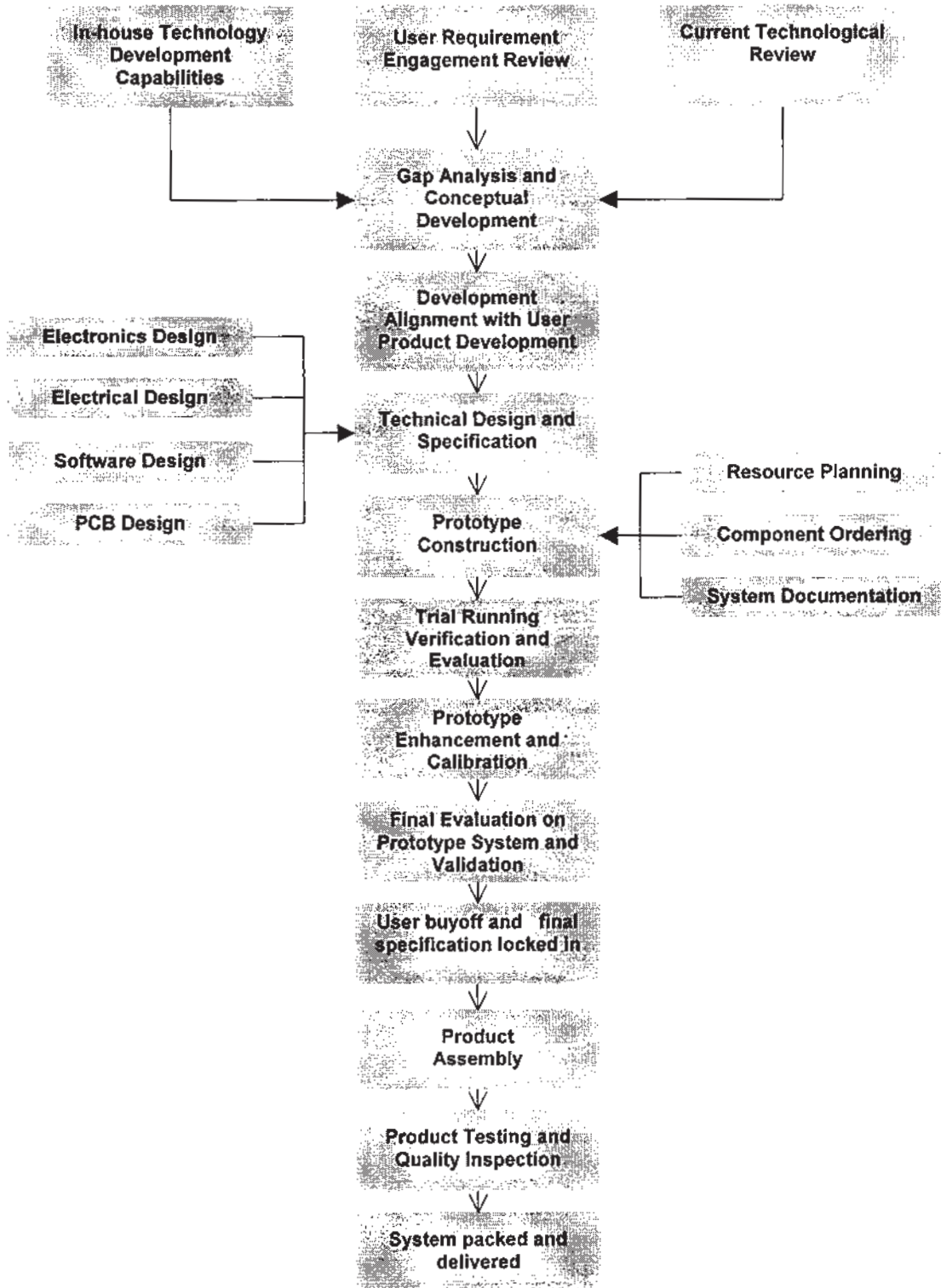
Upon approval from customers of the prototype, the approved system specification will be sent for production planning. A dedicated programme coordinator will oversee the order processing and technical support coordination with customers. Component and resource planning will be sourced from designated suppliers both locally and abroad. The status of the production will be monitored and tracked closely by the programme coordinator to ensure compliance with the pre-established quality and characteristic specifications.

Ongoing supervision and inspection of the system will be carried out throughout the entire production process to undertake any corrective actions, if necessary, to eradicate causes of deviation from their sources.

The completed systems will then go through a final QA inspection to ensure that the product quality and consistency is maintained before shipping the completed system to customers at the specified date. Besides having its own internal quality audit regularly, the Group's quality management system is also subject to reviews by customers audits in compliance with the criteria set under ISO 9001:2000 certification.

4. INFORMATION ON THE GROUP (Cont'd)

(b) Embedded Peripherals

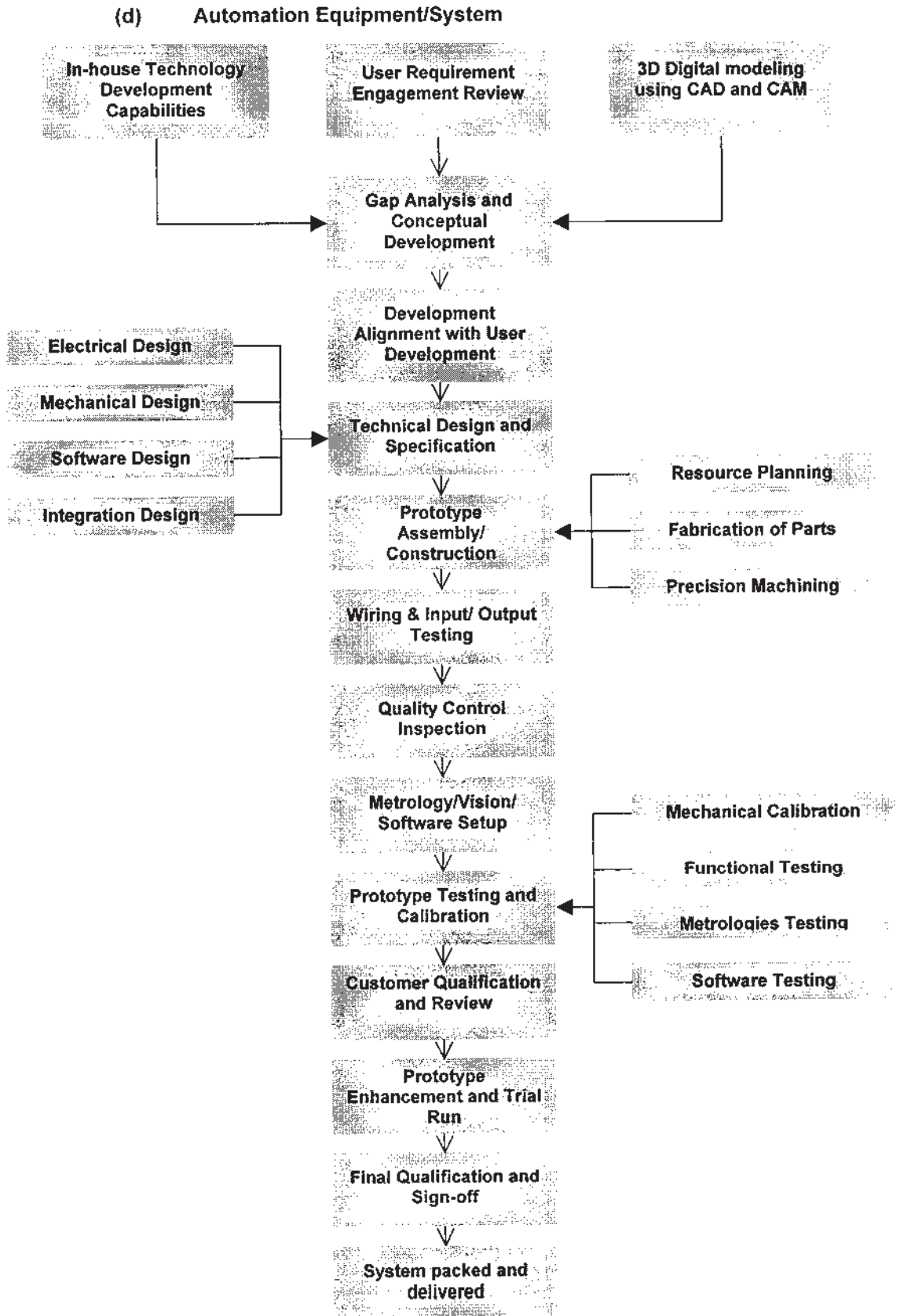


4. INFORMATION ON THE GROUP (Cont'd)

(c) Electronic Devices/ Modules Assembly

	Descriptions
Job Order Specification	Job order specification with full instructions received by production planner
Production Assembler Training	Production planner arranges any training or briefing on any new methods
Receipt of Raw Components and Incoming QA	Raw materials received and goods received note issued for incoming inspection
Job Allocation	Job order worksheets are allocated to assemblers
Soldering	The soldering process is to solder the components on the boards, systems or devices as specified
Inspection	Visual inspections are carried out 100% on all units
Component Level Testing	Finished units are then tested for their functionality
Outgoing QA	Outgoing inspection for tested units
System Assembly	The components and peripherals are then sent for further assembly process
Final System Testing	The systems are then tested for their functionality using in-house developed test program
Final Visual Inspection	Final visual inspections are carried out 100% on all systems
Packing	Approved systems are then packed together with the accessories for shipment
Ship	Packed systems are arranged for shipment

4. INFORMATION ON THE GROUP (Cont'd)



4. INFORMATION ON THE GROUP (Cont'd)**(i) Mechanical Engineering/ Control Software Development**

Upon the acceptance of an engagement from the customers, the mechanical team will conduct a user requirement evaluation and discussion to study the customer's requirement and specification and prepare the project resource planning. If the proposal is accepted, design work will commence with the mechanical team responsible for the designing of the machine. The machine control wiring design will be delegated to the control and instrumentation section.

(ii) Testing and Calibration

When the machine assembly is completed, the machine will go through a series of testing and calibration process across all parameters. The testings include functional testing on both mechanical and wiring.

(iii) Software and Metrologies Engineering

The machine control software design and vision software design will be undertaken by the software engineering and metrologies development teams respectively. The software team is responsible for the development of automation software based on the customer's specification. System integration will be developed to meet the users manufacturing process to minimise the level of modification work of the users current process. Installation of automation system and programme, and machine sequence testing will commence after the metrologies set-up has been completed. The machine sequence testing refers to test on the programming logic and synchronisation of the entire system mechanical movements.

All systems constructed will go through a series of test and evaluation together with the end-users. All products will be tested in compliance with the Elsoft Group's quality control process.

4.2.8 Estimated Market Coverage, Position and Share

To the best knowledge of the Promoters, the Elsoft Group does not have any major competition from any Malaysian-owned companies in the test and burn-in system development.

There is no published industry statistics on the ATE market in Malaysia. Elsoft's claim is based on observations of the marketplace and the Promoters' extensive knowledge and more than ten (10) years experience in the industry. The Group is riding on its extensive and reliable business track record to consolidate its market position. With the long established business track record in test solution providers in the ATE segment, the Group is currently pursuing other target markets to further enhance its business and customer base.

4. INFORMATION ON THE GROUP (Cont'd)**4.2.9 Significant New or Proposed Products/Services**

Competing with other ATE companies, the Elsoft Group embraces the growing demand for thorough, accurate and reliable test solutions at every stage of the development process. The Group has strategically developed an advanced portfolio of debug, validation, characterisation and production test solutions specialising in the optoelectronic applications. These solutions are designed to provide customers with critical information about actual device performance at component level, which significantly accelerate product introduction and reduce the overall test costs.

With continuous R&D, Elsoft Group's product portfolio encompasses Advance Electronics System Design, Optoelectronic and Semiconductor Parametric Test, Photometric, Radiometric and Colorimetric Test, Application Specific Integrated Parametric and Optical Test, Burn-In Systems and Reliability Thermal Stressors, Application Specific Embedded Systems (MicroP and MicroC Applications), System Software Engineering and Algorithm Development. Today, the Elsoft Group believes it is among the few ATE companies in the optoelectronic industry to offer the complete one-stop solution platform from design to test portfolio that helps accelerates time to volume production while lowering total test costs.

The Group also offers automated test manufacturing process development namely test handlers development.

The Group expects to retain its market share in the optoelectronic and semiconductor industries by continuously seeking new customers, increasing its range of test solution development and penetrating new segments of the industry.

Recently, the Group has formulated new marketing strategies for business expansion:-

(a) Tapping into Existing Customer Base

Having established a good working relationship with its existing customers and earned the recognition of timely delivery of quality services, the Group is eager to cement the business partnership with its customers and further grow its business by exploring other types of services which the Group can provide to these customers.

(b) Diversification or Migration into New Industry or Application Segments

With the increasing trend of new application in optoelectronic industry, besides expanding the range of services provided to its existing customer base, the Group is also looking for diversification into other new industry or application segments. Specifically, the Group is looking at venturing into the automotive lighting industry where high customisation test development are the key elements for mass production in such industry.

4. INFORMATION ON THE GROUP (Cont'd)**(c) Strategic Alliance with Distributors**

The Group will continue to identify key players around the world and establish strategic service hub through its distributors' network at the intended areas to ensure effective penetration and also timely response. Established local presence will provide an easier and faster access to the market while minimising costs.

Currently, the Group has representatives/distributors providing marketing support in Taiwan and China. It is the Group's plan to further strengthen this relationship and explore the potential of setting up a service support centre in the intended market.

In the near future, the Elsoft Group plans to explore the potential of developing into the area of high-end SOC, mixed-signal, RF, flash and automotive test systems, with a full suite of debug, validation and characterisation solutions development.

4.2.10 Principal Markets for Products

Currently, the Elsoft Group products and services cover various industries such as semiconductor, electrical and electronics, optoelectronic, automation and automotive electronics within the manufacturing sector. Its customer base comprises MNCs with manufacturing facilities in Malaysia, China, Taiwan, Thailand and Korea. The Group's sales are deemed to be export sales as these MNCs which predominantly operate from free trade zone areas or are licensed manufacturing warehouses in Malaysia will ultimately export their products to globally reputable brand owners in computer and computer peripherals, semiconductor and mobile phone industries. Export sales contributed approximately 89.0% of the Group's total revenue for the financial year ended 31 December 2004 and the remaining 11.0% was contributed by local sales.

For the medium to long term, the Elsoft Group plans to expand its business via two approaches:-

(a) Penetrating New Geographical Territories

The Elsoft Group is planning to increase its market share by penetrating into high growth countries such as the People's Republic of China, Korea and Thailand. Thus, it is important to maintain a strong marketing channel and supporting network to ensure effective expansion to these regions. The Group will be actively establishing and supporting the distributor network to provide a better support and customer service to the customers in those region.

(b) Penetrating New Related Technologies Application Solutions

The Elsoft Group will continue to maintain good relationship with its existing customers who are mainly MNCs. Such close ties have established mutual benefits in the technological development. With its past experiences, the Group plans to expand its current range of solutions and customer base. In addition, the Group will leverage on its competitive advantage on the proven track record with current key customers to extend the products and services beyond the current engagement by offering a "one-stop solution provider" approach.

4. INFORMATION ON THE GROUP (Cont'd)**4.2.11 Types, Sources and Availability of Raw Materials/Inputs**

The main raw materials for each of the principal business activity of the Elsoft Group are as listed below:-

Business activity	Main raw materials
Test and Burn-In System Development	PCB boards, IC components, computer peripherals, electronics devices, wire and metal chassis.
Electronics Devices/ Modules Assembly	PCB boards, IC components, solder and consumable tools.
Automation Equipment/ System and Embedded Peripherals	Alloy, standard parts, driller, steel, aluminium, carbide and consumable tools, wire, automation drivers, I/O Boards, motion control components, electronics peripherals, computer peripherals and metrologies components.

The raw materials are mainly sourced from designated local and overseas suppliers namely from Taiwan, Singapore, Japan, USA and those materials are readily available. Thus, the Group is not overly dependent on any single supplier.

For the financial year ended 31 December 2004, approximately 55.0% of Elsoft Group's purchases were imported from overseas while the remaining 45.0% were sourced locally.

4.2.12 Quality Control Procedures

The Elsoft Group adopts a stringent internal quality management policy to ensure that its products and services are of high quality and meet its customers' specifications and stringent requirements. The Directors believe the Group's ability to continue consistently produce high quality products and services to its MNCs customers will further enhance the Group's position as a preferred vendor specialising in ATE solutions to its existing MNCs customers as well as attracting new customers. The Elsoft Group is thus, committed to maintaining a high standard of quality control throughout the entire design and production process.

The Elsoft Group conducts 100% inspection control checks at various stages of the production process to facilitate corrective actions in order to eradicate any cause of deviation at their sources. Technological advanced inspection instruments and highly trained technical staffs are also in place to ensure that the accuracy and reliability of every system are at the predetermined quality standards.

As an approved vendor of MNCs, the Group is also subject to periodic external audits by its customers to ensure compliance with the high quality production and environmental standards demanded by the MNCs.

The Group is also subject to regular external audits by the quality accreditation bodies for re-certification of its ISO and quality service standards. The Group's strong emphasis on quality is endorsed by an independent quality certification as shown in the table below:-

Company	Quality Award	Date Obtained	Accreditation Body
STSB	ISO 9001:2000	10 March 2004	BM Trada Certification, Ltd

4. INFORMATION ON THE GROUP (Cont'd)**4.2.13 R&D**

To remain resilient in the competitive environment, the Elsoft Group continues to invest in its R&D activities to ensure better performance, improvement in quality and reduction in the development cycle time.

(a) Policy on R&D

The Group's R&D objectives are to create and sustain competitive advantages through:-

- (i) Launching cost competitive solutions to the marketplace on a timely basis; and
- (ii) Challenging the status quo to maintain the Group's leading edge position.

The Group has outlined a R&D master policy based on the Group's aspirations and anticipated developments within the industry. In its R&D master policy, the Group has identified certain projects which will form the thrust of the Group's R&D pursuits for the next five (5) years including structural improvements to facilitate the Group's R&D efforts. The structural improvements include development of the R&D staff force, leverage on information technology to boost its R&D capabilities and investment in the state-of-the-art infrastructure.

(b) R&D Facilities and Personnel

The Group's R&D team, headed by Tan Cheik Eaik and Koay Kim Chiew, currently comprises of twenty (20) design engineers, with an average of more than eight (8) years working experience in R&D and related technical fields of MNCs. The Group intends to expand the expertise of the R&D team by including two (2) specialist design engineers by 2005 and another two (2) specialist software automation engineers in the next two years.

As at to date, the Group has invested approximately RM5.08 million in its R&D expenses over the last three (3) years. To ensure that the Group is able to maintain its leading edge in the industry, the Group plans to invest at least RM1.50 million in R&D related activities. The R&D plan will focus on test technologies and product development where the design facilities will be enhanced and the internal capabilities will be addressed to improve productivity and reduce costs. This is necessary for the Group to remain competitive with those developed countries especially in the current knowledge-based economy.

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4. INFORMATION ON THE GROUP (Cont'd)**(c) Existing and/or Ongoing R&D Projects**

The Group's R&D team has undertaken the following R&D project developments:-

(i) LED Test System Development

In 1996, the Elsoft Group began its path-finding exploration on test metrologies and embedded peripherals in the optoelectronic industry. The Group started the prototype on the input and output board and other automation drivers. The prototype gained market acceptance for its competitive pricing which was dominated by foreign companies then. With the fundamental platform developed, the subsequent development on a modular to system level progressed at an encouraged speed. The development soon evolved from an Input and Output Card and drivers to a full system of High Speed Tester, namely Model EL4500.

This development was the result of cumulative years of technical development with investment of over 100,000 engineering hours spent. Even today, the Group continues to carry out product development to further enhance and explore new technologies on the LED test solution. Presently, the Group's LED test solution is able to perform high speed test at above 10,000 units per hour, electrical measurement at tolerance level of +/-0.03% and colour measurement at +/- 0.5 nanometer.

(ii) Optic Sensors Functional Test System Development

The Group believes that good R&D initiatives will bring great potential to the product development in the long term. The Group's R&D team explored and developed the test solution for optic sensors functional testing. This has presented the Group with a huge opportunity in the subsequent growth of the optoelectronic industry.

The Group's opportunity arrived when the breakthrough of the optic sensor supported the development of optic sensor test solution for the pilot prototype of its customer. Leveraging on the Group's internal development in the electrical test and together with the customer's development team, it was a synergistic match for both Elsoft and the customer on the test development of the optic sensor functional test system. In 2000, Elsoft eventually developed the first prototype of optic sensors functional tester and was successfully qualified by the customer for mass production.

(iii) Image Sensor Test System Development

Being a technology company, accepting and adapting to changes in technology are crucial for the Group's success. As part of the management initiative in the new millennium, the Group focuses in expanding its development in the optoelectronic industry.

4. INFORMATION ON THE GROUP (Cont'd)

The increasingly complex IC products with new materials and dramatically shrinking geometries in the development bring new advances in a myriad of applications especially in the recent mobile phone industry. Image sensor device manufacturers require suppliers that can provide imaging technology excellence, produce millions of units per month and deliver global technical support.

As the image sensor technology enters into the market, the Group's development team work closely with the industry to develop the test solution for its application. Today, the Elsoft Group offers a range of test solution for camera module functional test.

Going forward, the Group will continue to initiate and explore technological innovations that will provide the Group with competitive advantage in the long run.

Based on the Group's R&D direction, the R&D focus can be divided into three distinguished areas namely test and burn-in system development, embedded peripherals design and automation system development.

Under the test and burn-in system division, resources will be dedicated for the exploration and path finding on the digital test technology areas. Improvement and development of hardware and software design will be carried out with priority focus on high speed functional tests and thermo-control areas.

The embedded peripherals division will be focusing in the area of I/O design, remote I/O design, controller drivers and other automation peripherals applications while the automation equipment/system division will be emphasising on the improvement of output performance and other application handler systems.

(d) Achievements in R&D

Over the years, the Group has established itself as one of the major vendors for test and burn-in system development to many of its MNCs clientele. The proven success of the Group's solutions adopted by the MNCs in the industry is a live testimony of the Group's technology superiority and commitment. The Group is proud to be recognised by customers and the industry for providing superior value and innovative solutions to meet the stringent technical challenges.

The Group has approximately eight (8) years of business relationship with world class MNCs customers. Leveraging on the company's clientele profile, the Group has successfully expanded its solutions to other leading industry customers.

Over the years, the Group has grown the business content with these clienteles as the company evolves from a small electrical services company to today's one-stop ATE solution provider.

4. INFORMATION ON THE GROUP (Cont'd)**(e) Future Plans and Timeline for Implementation**

As part of the Group's ongoing efforts to maintain technological advantage over its competitors, the Group has allocated RM4.79 million of the proceeds raised for the development of new hardware and software design and exploration and path finding of test technology areas over the next 36 months. Focus will be placed on the test development of embedded peripherals and image sensor, which are priority areas for the Group in view of the launching of new optoelectronics applications and successful introduction of camera module into the market.

(f) R&D Expenditure

The amount of R&D expenditure spent for the last four (4) financial years ended 31 December 2001 to 2004 were as follows:-

	Financial Year Ended 31 December			
	2001	2002	2003	2004
Total R&D Expenses (RM'000)	710	1,160	1,721	2,198
Total R&D Expenses as a proportion of the Group's total revenue (%)	8.93	9.35	9.32	8.11

4.2.14 Interruptions in Business for the Past Twelve (12) Months

The Group has not experienced any business interruption in the form of trade disputes or major operational breakdown occurring within and outside the Group that may significantly impair the Group's business performance during the past 12 months.

4.2.15 Employees

The Group has a flat organisational structure that enables all levels of employees to be actively involved in projects undertaken. This will facilitate the Group in meeting the dynamic needs of the industry.

As of 31 May 2005, the Group has a total of 55 employees. The Group does not have any contractual or temporary employees. The employees of the Elsoft Group can be categorised as follows:-

Category	No. Of Employees	Average Years Of Service
Management	5	8
Engineering/ R&D	20	6
Production/ QA	19	5
QA/ QC	3	5
Finance and Administration	6	3
Sales and Marketing	2	2
TOTAL	55	

The Group recognises the importance of its employees and updates them on the latest developments in the industry as and when the need arises.

4. INFORMATION ON THE GROUP (Cont'd)

The management of the Group is of the opinion that its dedicated, efficient and trained employees are instrumental to its success. The management of the Group enjoys a good working relationship with the employees.

The Group does not have any employees who are members of labour unions and the employees enjoy cordial relationships with the management. There have not been any industrial disputes in the past between the employees and the management.

4.2.16 Key Achievements/Milestones/Awards

The key milestones and achievements of the Elsoft Group are as set out below:-

Year	Events
1996	STSB was incorporated in Malaysia as a private limited company under the Companies Act, 1965.
1997	<ul style="list-style-type: none"> • STSB commenced operations in Diamond Valley Industrial Park, Penang. • STSB commenced test development for optoelectronic applications.
1999	<ul style="list-style-type: none"> • AGS was incorporated in Malaysia as a private limited company under the Companies Act, 1965. • STSB acquired 2 acres of industrial land in Bayan Lepas Industrial Zone, Phase 4 for the manufacturing expansion. • STSB developed and launched burn-in system for optoelectronic applications.
2000	<ul style="list-style-type: none"> • STSB occupied and commenced operation on the current factory building at Plot 9, Medan Bayan Lepas, Technoplex, Bayan Lepas Industrial Zone Phase 4, 11900, Penang. • STSB delivered its 1st RM10 million sales.
2001	<ul style="list-style-type: none"> • STSB penetrated the Far East optoelectronic market with its test systems for optoelectronic. • STSB developed and launched its test system for optical sensor applications. • STSB developed and launched its test system for the image sensor devices.
2002	<ul style="list-style-type: none"> • AGS explored development on material handling system for semiconductor applications.
2003	<ul style="list-style-type: none"> • STSB entered the machinery and equipment market through acquisition of AGS. • AGS developed its 1st material handling system for optoelectronic applications. • Elsoft was incorporated in Malaysia as a private limited company under the Companies Act, 1965 • Elsoft was granted MSC Status from MDC.

4. INFORMATION ON THE GROUP (Cont'd)

Year	Events
2004	<ul style="list-style-type: none"> • STSB obtained ISO 9001:2000 certification for Quality Management Systems in respect of manufacturing process. • STSB awarded Malaysia Top 100 Small Medium Enterprises Golden Bull Award 2004. • Elsoft converted to Berhad status on 10 August 2004. • STSB awarded Year 2004 Enterprise 50. • STSB awarded Deloitte Technology Fast 500 Asia Pacific Award. • STSB named the Year 2004 Best Overall SMI Award by SMI Malaysia.

4.2.17 Modes of Marketing/ Distributions/ Sales

Currently, the Group's products and services cover various industries such as semiconductor, electrical and electronics, optoelectronic and telecommunication within the manufacturing sector. Its products and services are mainly sold to MNCs located in Malaysia and overseas market, which eventually export their final products worldwide. The current trend which is moving towards highly customised test solution coupled well with the Group's products and services. The Group will capitalise on this trend by offering its expertise, capabilities and services to support the MNCs operations and markets.

The Group in-house marketing team consists of two (2) customer service staff who are spearheaded by the Chief Executive Officer. Due to the nature of the Group's services which involve high level of technical specifications and processes, the marketing department works closely with the development department for both pre-sales and post-sales activities. The marketing process involves a relatively lengthy cycle which begins with the initial contact with a prospective customer, followed by presentations of the Group's capabilities, facilities and track record, site visits, product demonstrations, audit and verification by the potential customer, qualification and finally price negotiations.

The marketing team is also responsible for front line post-sales customer service which covers project management including making the necessary logistic arrangements and overseeing quality matters to ensure scheduled and timely delivery to customers.

The Group's marketing plan has been termed global domination plan. It entails a detailed marketing and positioning strategy to accelerate market share and brand acceptance by global semiconductor and optoelectronic manufacturing companies for its range of products and services.

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4. INFORMATION ON THE GROUP (Cont'd)**4.2.18 Location of Business and Production Capacities**

The location of the Group's assets and operations are tabulated below:-

Company	Location/ Built-up Area	Beneficial/ Registered Owner	Production/ operating capacities and output per annum
Elsoft	Plot 9, Medan Bayan Lepas, Technoplex, Bayan Lepas Industrial Zone Phase 4 11900 Penang 6,000 sq ft	STSB	500-1,000 systems per annum
STSB	Plot 9, Medan Bayan Lepas Technoplex Bayan Lepas Industrial Zone Phase 4 11900 Penang 16,000 sq ft	STSB	7,500-10,000 units per annum
AGS	No. 27, Lintang Beringin 6 Off Jalan Permatang Damar Laut Diamond Valley Industrial Park II Bayan Lepas 11960 Penang 5,000 sq ft	Rented	30-100 systems per annum

4.3 SUBSIDIARIES**4.3.1 STSB****(a) History and Business**

STSB was incorporated in Malaysia on 7 May 1996 under the Companies Act, 1965 as a private limited company under its present name. It commenced operations in January 1997.

STSB is principally engaged in electronic devices/modules assembly, test and burn-in system integration and customised manufacturing solutions. STSB focuses on providing customised manufacturing solution based on its customers' requirements. STSB is mainly the manufacturing arm supporting the internal requirements of the Group.

Currently, STSB is operating in Plot 9, Medan Bayan Lepas, Technoplex, Bayan Lepas Industrial Zone Phase 4, 11900 Penang with a built up area of 16,000 sq ft. As at 31 May 2005 (being the latest practicable date prior to the issuance of the Prospectus), STSB has a total of 16 employees.

(b) Share Capital

STSB's present authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1 each whilst its issued and paid-up share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

4. INFORMATION ON THE GROUP (Cont'd)

The changes in STSB's issued and paid-up share capital since incorporation are as follows:-

Date Issued	No. of shares allotted	Par value RM	Consideration	Cumulative issued and paid up share capital RM
07.05.1996	3	1.00	Subscribers' shares	3
02.12.1996	199,997	1.00	Cash	200,000
28.06.2001	300,000	1.00	Bonus shares	500,000

(c) Substantial Shareholder

STSB is a wholly owned subsidiary of Elsoft.

The substantial shareholders of STSB are as follows:-

Name	Direct Interest		Indirect Interest	
	No. of Ordinary Shares of RM1.00 Each	%	No. of Ordinary Shares of RM1.00 Each	%
Elsoft	500,000	100.00	-	-
Tan Cheik Eaik	-	-	*500,000	100.00

Note:-

* Deemed interested by virtue of his shareholding of not less than 15% in Elsoft pursuant to Section 6A of the Act.

(d) Subsidiary/Associated Corporations

STSB does not have any subsidiary or associated corporations.

4.3.2 AGS**(a) History and Business**

AGS was incorporated in Malaysia on 3 November 1999 under the Companies Act, 1965 as a private limited company under its present name. It commenced operations in December 1999.

AGS is principally engaged in the design and production of specialised machinery and equipment namely material handling equipment and robotic factory automation equipments.

Currently, AGS is operating in No. 27, Lintang Beringin 6, Off Jalan Permatang Damar Laut, Diamond Valley Industrial Park II, Bayan Lepas, 11960 Penang, with a built up area of 5,000 sq ft. As at 15 May 2005 (being the latest practicable date prior to the issuance of the Prospectus), AGS has a total of 15 employees.

4. INFORMATION ON THE GROUP (Cont'd)**(b) Share Capital**

AGS's present authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

The changes in AGS's issued and paid-up share capital since incorporation are as follows:-

Date Issued	No. of shares allotted	Par value RM	Consideration	Cumulative issued and paid up share capital RM
03.11.1999	2	1.00	Subscribers' shares	2
11.05.2000	99,998	1.00	Cash	100,000
06.06.2003	400,000	1.00	Cash	500,000

(c) Substantial Shareholder

The substantial shareholders of AGS are as follows:-

Name	Direct Interest		Indirect Interest	
	No. of Ordinary Shares of RM1.00 Each	%	No. of Ordinary Shares of RM1.00 Each	%
Elsoft	300,000	60.00	-	-
Tan Cheik Eaik	-	-	*300,000	60.00
Oh Kuang Eng	200,000	40.00		

Note:-

* Deemed interested by virtue of his shareholding of not less than 15% in Elsoft pursuant to Section 6A of the Act.

(d) Subsidiary/Associated Corporations

AGS does not have any subsidiary or associated corporations.

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4. INFORMATION ON THE GROUP (Cont'd)**4.4 INDUSTRY OVERVIEW AND PROSPECTS**

The Elsoft Group is principally involved in research, design and development of test and burn-in system and application specific embedded systems, electronic devices/modules assembly, test and burn-in system integration and customised manufacturing solutions and design and production of specialised machinery and equipment. Therefore, the prospects of the Elsoft Group can be linked to the growth of the following:-

- (i) Global Economy;
- (ii) Malaysian Economy;
- (iii) Semiconductor Industry;
- (iv) HB LED Industry; and
- (v) ATE Industry.

4.4.1 Overview of the Global Economy

The global macroeconomic outlook for 2004 has gotten brighter. Since our last update in early April, Global Insight, Gartner Dataquest's preferred provider of economic data, has once again revised its guidance slightly upward from 3.9 percent to 4.3 percent for worldwide gross domestic product growth.

Economic growth in the USA and China continues to be of high importance for accelerating global growth. As we mentioned in an earlier report, risks to worldwide growth are posed by a precarious overdependence on those countries. Both nations bear close watching in the months ahead.

In China, virtually everything will turn on the ability of the central leadership to downshift the economy without stalling it. The key question is not just whether China's leadership has sufficient command of the economy to bring it under control, but also whether the economy can be reined in without shocking it. A few analysts have blown the implications of a Chinese financial meltdown scenario out of proportion to its actual probability. But the risks embodied in this scenario are real. The challenge ahead for China will not only be a significant test of its economic fitness but is also likely to be an important determinant of its geopolitical standing, well beyond the next 12 months.

Given the possible twists the global economy could take in the coming months, it is especially important for companies to have a strategy contingent on simultaneous and potentially sharp slowdowns in the United States and China. Although this remains a distinctly low-probability scenario, its implications for the global economy are such that it deserves particularly careful planning.

With a positive global economic environment, the outlook for electronic equipment is strong for 2004 and 2005. We are forecasting end-user application revenue to expand to 8 percent and 9 percent, respectively. In the near term, solid consumer and strong cellular phone sales and an accelerating PC replacement cycle continue to stimulate growth. And this growth is not just a 2004 affair but a multiyear event. A revival in even-wired communications in late 2004 will provide add-on momentum.

4. INFORMATION ON THE GROUP (Cont'd)

As for semiconductor sales, our forecast outlook as we enter the third quarter is still robust at 25 percent growth, with latest market indicators showing that the industry is still on track and quite possibly may surpass our earlier growth projections. Our third quarter outlook sees device unit shipments rising 15 percent to 16 percent in 2004. Average sales prices are increasing as well, affording a more rapid market expansion in 2004. As for 2005, we hold to a follow-on expansion, albeit at a slower rate of 14 percent. Our view of end-user demand remains largely unchanged and healthy as in our prior forecast.

(Source: Gartner Dataquest Report dated 6 July 2004 by Gartner Ireland Limited)

4.4.2 Overview of the Malaysian Economy

The Malaysian economy accelerated its growth momentum in the first half of 2004, after a strong take-off in 2003, and is expected to surpass earlier expectations with higher growth of 7% for the whole year. Positive signs of a firm economic recovery at the global front, particularly in the first six months as well as higher commodity prices, reinforced the "feel good" factor that contributed to further improvement in consumer and business sentiments. Growth has become more broad based with all sectors registering positive growth. Domestic demand, particularly private consumption, continued to sustain growth for five consecutive years, while private investments, which picked up in 2003, became more entrenched, resulting in a private sector-led growth.

The broad-based growth is evident of the effective measures implemented by the Government to develop new sources of growth to reduce the nation's vulnerability to the external environment. Expanding at 10.5%, the manufacturing sector, which has become more diversified with higher-end, value-added and new emerging industries and products, remains a major contributor to growth. New growth areas in information and communication technology, strong expansion in financial services and revival in tourism activities supported growth in the services sector, enabling it to maintain its premier position in terms of share to gross domestic product ("GDP") at 57%. Meanwhile, the Government's commitment to revitalise the agriculture sector as the third engine of economic growth, particularly in food production, has resulted in the expansion in output of fruits, aquaculture and livestock.

The synchronised upswing in the global economy and upsurge in electronics demand, as well as high prices for palm oil and crude oil, continued to propel export volume and earnings. Import growth was strong, particularly for intermediate and capital goods, reflecting robust domestic economic activities, fuelled by recovery in private investment and higher disposable income. The trade balance in July 2004, remained in surplus for 81 consecutive months since November 1997. Better export earnings and inflow of foreign funds increased the international reserves to USD54.4 billion as at 14 August 2004, sufficient to finance 7.2 months of retained imports and five times the short-term external debt. The national resource position remains strong with gross national savings at 36.5% of gross national product, providing ample liquidity to finance both public and private sector initiatives.

(Source: Economic Report 2004/2005)

4. INFORMATION ON THE GROUP (Cont'd)

The robust domestic economic activities, which supported growth in 2002 through to 2004, are further augmented by favourable external environment. Of significance, the domestic sector is buoyed by the expansion in private consumption and investment activities. The manufacturing sector registered a solid growth of 12.3% during the first half of 2004, while the services sector expanded strongly by 6.8% in the same period. With the Leading Index pointing towards further expansion in the second half of the year, both sectors are envisaged to contribute significantly to the economic growth. The build-up in international reserves arising from larger current account surplus and inflows of foreign capital continues to strengthen Malaysia's macroeconomic fundamentals. Given this favourable scenario, the Malaysian economy is set to surpass its earlier estimate of 6.0-6.5% and post a stronger growth of 7% in 2004 (2003 : 5.3%).

The outlook for 2005 will generally remain favourable although global growth is expected to moderate on account of high oil prices, inflationary pressures, interest rate hikes and a probable slowdown in China's economy. The emergence of these risks, that became apparent in the second half of 2004 and are expected to continue into 2005, will have a larger impact on growth next year. Global economic growth is projected to moderate to 4.4% in 2005 from 4.6% in 2004. The stronger macroeconomic fundamentals and resilience, backed by sturdy domestic demand and broad-based growth, will however, continue to support Malaysia's GDP growth, forecast at 6% in 2005.

(Source: Economic Report 2004/2005)

Growth of the manufacturing sector accelerated since September 2003, underpinned by double-digit and broad-based growth in both export and domestic-oriented industries. Favourable external environment with continued strong growth in China, coupled with the firm recovery in the US and sustained recovery in Japan, fuelled the higher demand for manufactured goods, particularly for electronic products. Meanwhile, growth in domestic-oriented industries strengthened on the back of the improved economic performance. With these positive developments driving the manufacturing sector, its contribution to GDP growth is expected to increase.

Overall capacity utilisation of the manufacturing sector was sustained at a high level with 42% of the manufacturers producing at near-maximum capacity (81%-100%) during the second quarter of 2004 compared with 35% in the first quarter of the year. The percentage of manufacturers with capacity utilisation in the range of 61%-80% has edged up to 40% from 37%, following stronger demand. The expansion in output is reflected in the 18.6% increase in manufacturing sales for the first half of 2004 to reach RM192,559 million (January-June 2003: RM162,331 million). The strong growth in sales value was mainly due to the significant increase in demand for semiconductors and basic metals.

Output growth in 2005 is expected to be broad-based with the manufacturing and servicing sectors remaining the growth drivers. The manufacturing sector is envisaged to expand strongly, propelled by strengthened domestic demand and sustained performance of the external sector. Overall production is expected to grow more than 10%, while exports at 11.3%. Buoyed by the upswing in the electronics market, electrical and electronics will continue to grow at a steady rate despite the overstated fears of an electronics slowdown.

(Source: Economic Report 2004/2005)

4. INFORMATION ON THE GROUP (Cont'd)**4.4.3 Overview of the Semiconductor Industry**

The uptrend in global demand for semiconductors pushed the output of electrical and electronics sharply by 24.4% during the first six months of 2004 (January-June 2003: 4.3%). In addition, greater outsourcing activities as well as software development helped to enhance the sector's growth. Within the group, output of semiconductors, accounting for more than one-third of the total output of the manufacturing sector, increased sharply by 33.4% (January-June 2003: 7.8%). This was also reflected by the higher sales of semiconductors, which recorded 14.1% increase during the same period (January-June 2003: 6.9%). These strong increases were in line with the expansion of broadband infrastructure facilities in the information and communication technology sector to support increasing demand for global supply network and back-office facilities. Given the importance of semiconductor industry in terms of its contribution to gross domestic product growth and export, efforts are ongoing to further develop the industry, especially in advanced integrated circuits design and packaging.

(Source: Economic Report 2004/2005)

4.4.4 Overview of the HB LED Industry

The market for HB LEDs has been one of the more notable success stories in the compound semiconductors over the past decade. The history of this market since 1995 is shown in Figure 1. The compound annual growth rate over 1995-2002 has been 47.4%. Growth has been relatively steady, except for the flattening of the market in 2000-2001. This was due to a variety of reasons, including a worldwide economic slowdown, a flattening of the mobile phone market (the major user of HB LEDs), inventory effects, and several other causes. However, the HB LEDs market bounced back in 2002, growing by more than 50% to reach USD1.84 billion. This growth was led by a dramatic ramp-up in the use of HB LEDs in mobile phones, including both white LCD backlighting for full-colour screens, and keypad backlighting in various colours. Other applications grew as well, although not as strongly as mobile phones.

The total worldwide market for HB LEDs is forecast to grow from USD1.84 billion in 2002 to USD5.9 billion in 2008, for CAGR of 22%. The six major applications for HB LEDs are mobile appliances, automotives, signs/displays, signals, illumination and electronic equipments. The forecast growth rates for the six application categories vary widely, reflecting the particular dynamics of each application, including degree of market maturity, expected future rate of market penetration, etc. Illumination is currently one of the smallest applications, yet it has a large potential for market growth in specialty lighting niches.

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4. INFORMATION ON THE GROUP (Cont'd)

HB LEDs Market Trend and Outlook

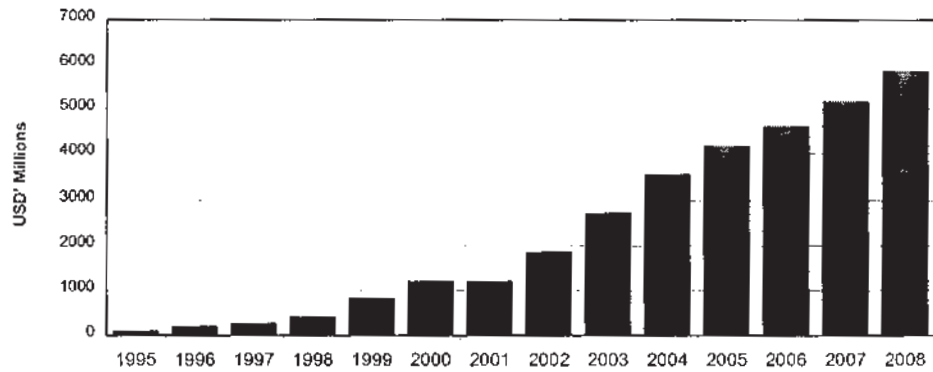
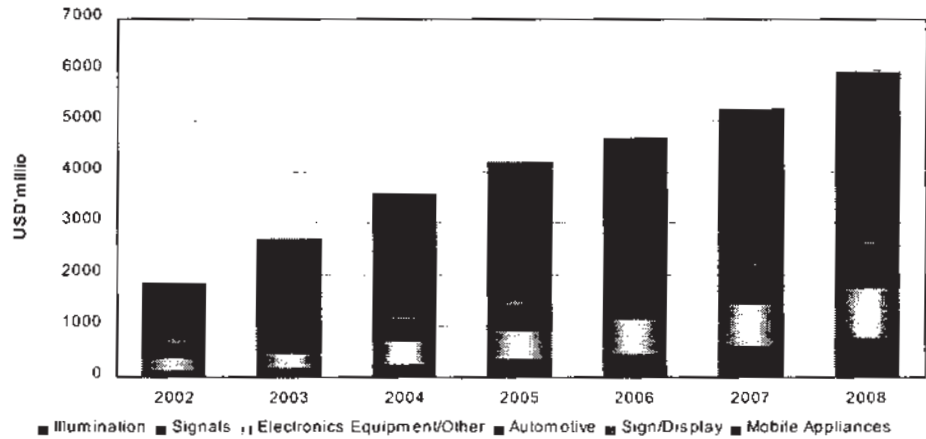


Figure 1

HB LED Market Forecast 2002-2008



USD'million	2002	2003	2004	2005	2006	2007	2008	CAGR
Illumination	85	129	197	282	386	521	691	17%
Signals	44	50	63	74	87	97	94	24%
Electronics Equipment/Other	222	275	437	540	664	818	946	14%
Automotive	333	397	457	534	624	735	865	17%
Sign/Display	427	482	525	573	643	774	1,093	42%
Mobile Appliances	733	1,370	1,896	2,197	2,273	2,300	2,263	28%
	1,844	2,703	3,575	4,200	4,677	5,245	5,952	22%

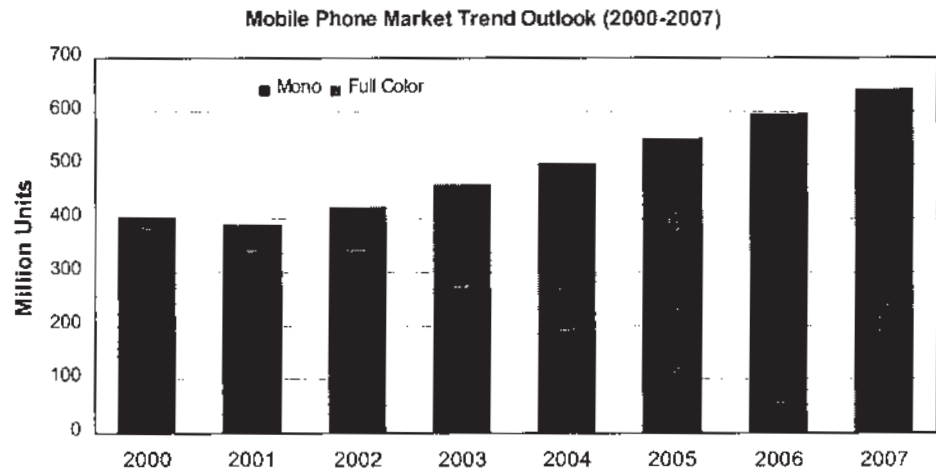
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4. INFORMATION ON THE GROUP (Cont'd)

The major applications, both existing and emerging, for HB LEDs and the application trends that will drive the use of LEDs in the coming years are as follows:-

(a) Mobile Appliances

Substantial momentum is building in the mobile phone handset market for the adoption of full-colour displays, and all of these will use white InGaN LEDs for backlighting. The colour display penetration in mobile phones was over 20% in 2002, is expected to exceed 40% in 2003, and will continue increasing thereafter. Nearly all new models introduced by major handset manufacturers feature full-colour displays. Keypad backlighting using blue and even white LEDs has increased dramatically during the past year and will contribute strongly to the mobile appliance market total. The backlight forecast relies on a forecast of the total growth in units of mobile phones and the fraction of those phones that have full-colour displays. The rate of growth in the unit sales of full-colour LCD screen mobile phones reflects the projected growth in market penetration of these devices – from 42% in 2002 to 96% in 2007, which corresponds to 617 millions units.



(Source: High Brightness LED Report dated July 2003 by Strategies Unlimited)

(b) Automotive Lighting

To date, interior HB LEDs lighting has been most common in European vehicles, with 80% penetration achieved in 2002. It is also beginning to make inroads in Japanese vehicles but has not yet had any significant penetration of the North American market. Because HB LEDs have been proven in the European auto industry and in European car manufacturing facilities, they are expected to continue to be designed into new car models as manufacturing facilities are retooled to allow their installation. Use in Japanese cars will likewise gradually expand beyond the current limited base as manufacturing lines are retooled for new models. Overall, the interior automotive lighting market is forecast to grow to USD481 million in 2007, with a CAGR of 13.5%.

4. INFORMATION ON THE GROUP (Cont'd)**(c) Signs and Displays**

The use of power LEDs in RGB combination for backlighting relatively large (15+ inches) fixed LCD monitors is an emerging application, with the first commercial models being introduced for specialised applications in late 2003. These include applications such as medical and graphic arts, in which higher colour rendition is required compared to standard computer monitors, which constitute the bulk of the LCD monitor market. Applications in which the higher cost of HB LEDs, compared to CCFL backlights, can be justified in order to achieve higher image quality are expected to be limited in the early years, but continued penetration of the LCD monitor market is expected through the forecast period. Because of the large unit size of the LCD monitor market (even excluding laptop computers), even a modest penetration results in a significant market for LEDs. As such, this application is projected to grow from USD13 million in 2003 to USD456 million in 2007, corresponding to a CAGR of 146%.

The overall outlook for the HB LED market remains highly positive for the next five years. Although some market segments will begin to mature, new applications will arise that will keep growth rate high. New technology coming into the market, such as power LEDs will enable new applications (e.g. automotive forward lighting) or help to accelerate existing ones (e.g. illumination). There will be increased competition as new players enter the market, often based on new technology, or improved manufacturing of existing technology. Prices will continue to trend down drive by economies of scales, but overall revenue growth will still be significant for most applications, as unit growth outpaces price declines.

(Source: High Brightness LED Report dated July 2003 by Strategies Unlimited)

4.4.5 Overview of the ATE Industry

The continuing strong recovery in semiconductor demand is rekindling the industry's business confidence. In the first half of 2004, the majority of semiconductor manufacturers have announced significant increases in planned capital spending for 2004. For 2004, we currently expect global capital spending to increase by nearly 51 percent. However, we believe that official capital spending announcements trail the actual spending of companies. With that, we anticipate some more upward revisions in capital spending plans as the year goes on. Overall, Asia/Pacific will show the heaviest investment with almost 44 percent of the total. The Americas region is next with 23 percent of total spending, followed by Japan with 21 percent and Europe and the Middle East with 12 percent.

ATE spending continues to be robust throughout the first half of 2004. Sales have been so strong that we have again raised our forecast for 2004 to a projected growth of 64 percent. Revenue is up in all regions, and not surprisingly, Asia/Pacific and North America appear to be leading the surge in ATE spending. With the strength of the semiconductor assembly and test services business, the Asia/Pacific region alone is forecast to comprise approximately half of worldwide ATE spending. Emerging markets within the region, especially China, hold great prospects for the ATE industry.

4. INFORMATION ON THE GROUP (Cont'd)

Sales are also up for every market segment, with apparent triple-digit growth for the SOC, radio frequency/microwave and analog/linear equipment segments. This is in line with semiconductor device demands driven largely by growth trends in the consumer electronics and cell phone markets. Capacity requirements are expected to spur additional growth in memory testers, while the requirement for versatility and flexibility in device under test applications will bolster growth of SOC testers. SOC testers are, in fact, forecast to have the highest CAGR through 2009 — at about 41 percent — of any ATE market segment. Much of the spending that was formerly directed toward digital and logic testers is increasingly targeted at purchases of SOC testers.

Next year looks like it will continue a solid growth period for the ATE industry. While growth is expected to be somewhat tempered, hovering around 34 percent, all market segments and regions should experience revenue increases on an annual basis. However, by 2006, the ATE industry will head back into another period of revenue decline as the next semiconductor cycle takes hold. Sequential quarterly growth will take a downward turn by early 2006.

Strong end-user demand in the major application markets continues to drive device unit demand to new highs in the first half of 2004. And at last, healthy demand, combined with lean inventories and tight supply, has rekindled the industry's business confidence. Equipment order momentum is strong, albeit moderating in recent months. New fab announcements have materialised — not overexuberant but sufficient.

Despite rapid order growth and aggressive near-term investments, a sense of discipline is visible in the industry's investment moves. The surge in new equipment sales in 2004 was a direct result of demand visibility and capacity tightness. However, now that capacity increases are keeping pace with unit demand, equipment orders are slowing. With that, it seems the industry is attempting to more closely match its supply and demand ramps to maximize much-needed profits. This is a difficult balance act. While history will repeat itself once again sooner or later, and the industry will fast-forward to its past, we hope that it is later rather than sooner. Discipline is growing, but cycles will keep rolling on.

(Source: Gartner Dataquest Report dated 6 July 2004 by Gartner Ireland Limited)

4.4.6 Players and Competition

The Elsoft Group operates in a competitive environment with a few key players dominating the market. Some of the competitors are large conglomerates which have greater financial resources. The operations of these conglomerates are more geographically diversified, thus are in a better position to withstand any adverse economic conditions. Due to their global presence and size, they have competitive edge in terms of access to the latest technology development, well-established in the industry and wider pool of expertise.

While Elsoft Group is aware of the intense competition within the industry, its management believes that its business model that emphasises on innovation and high product quality together with its focus on responsive customer services and competitive pricing will withstand threats from competitors. In this respect, the Group is expected to capitalise on the identified opportunity gaps such as the market needs for integrated test solutions and a complete suite of test applications that address every aspect of their operational and information requirements and innovative technology.

4. INFORMATION ON THE GROUP (Cont'd)

To the best of the Promoters' knowledge and belief, the Elsoft Group does not have any major competition from Malaysian-owned companies in the test and burn-in system development. The Group's major ATE competitors are mainly foreign-based companies from the USA, Germany and Canada.

However, the automation division of the Group providing engineering solution in design and production of specialised machinery and equipment, namely material handling equipment and robotic factory automation equipment, faces the same competition as those in the similar industry.

4.4.7 Competitive Advantages

The Elsoft Group's products currently have market presence within the ATE industry in Malaysia, Taiwan, China, Korea and Thailand. The Group has built its reputation over the last eight (8) years as one of the major providers of ATE solution to the semiconductor and optoelectronic industries with the following competitive advantages:-

(a) Cost Effective and High Performance Products and Services

By competing among the global players from developed countries in the ATE industry, cost is a friendly ally and powerful ammunition for the Group's market position due to its position in a low cost geographical region. With the lean operation structure and backup by the Group's strong technical capabilities, this will impose pressure on its competitors in terms of offering high performance products at competitive cost while maintaining an attractive rate of return.

(b) Synergistic Integrated Total Solutions

The Elsoft Group is able to provide a total solution centre for its customers. To the best knowledge of the management, most of its competitors focus on one aspect of the solution development i.e. either mechanical focus or software focus. Today, the industry is moving towards a total solution paradigm which indirectly demands its suppliers to be more integrated. The Group is able to offer its customers a peace of mind solution with its ability to provide both the test system (tester) as well as the automation portion (test handler). This will increase the success rate of the Group in securing any projects in the long run.

(c) Continuous R&D as the Winning Culture

To remain resilient in the competitive environment, the Elsoft Group continues to invest in its R&D activities for better performance, improvement in product quality and reduction in the development cycle time. High focus is placed on developing solution and capabilities along the digital test technologies which couple well with the trend of product miniaturisation.

Other than milestones and performance measurement, the Group also embraces spirit of continuous R&D and challenges the new frontier as the winning culture of the Group. Risks taking and results oriented are among values which motivate the employees in the Group for continuous improvement.

4. INFORMATION ON THE GROUP (Cont'd)

The Group's highly focused R&D capabilities allow it to provide value-add services to its customers. Having a strong and technically competent R&D team, the Group is able to be innovative in responding to customers' requests and changes in the industry, thus developing the necessary modifications and improvements to the Group's processes to cater for such requests and changes. This allows the solutions offered to be viable and remain competitive within the industry.

(d) Highly Motivated Management and Design Excellence Technical Team

Each of the Group's divisions and functions is helmed by a highly motivated and experienced leader who has more than ten (10) years experience in the industry. Their past credentials and accomplishments include designing and setting up of new test systems, managing project operations, technical engineering, R&D and business development. This experienced management team in turn lead a team of highly skilled and technically strong work force. The Directors and key management personnel of the Group possess strong technical, engineering, R&D and business development backgrounds. The know-how and skills of this group of people have been honed through years of relevant industrial experience, on-the-job training, apprenticeship and training programs. Their experience and backgrounds are evident in their systematic approach in problem solving, meticulous attention to details and strong quality control practices.

(e) Product Quality

The ISO 9001:2000 certification of STSB is an endorsement of the quality assurance systems that are in place. The Elsoft Group adopts a stringent internal quality management policy to ensure that its products and services are of high quality and meet the customers' specifications and stringent requirements. The Directors believe that the ability of the Group to consistently produce high quality products and services to its MNC customers will further enhance the Group's position as a preferred vendor specialising in test and burn-in solutions to its existing MNC customers as well as attracting new ones. The Elsoft Group is thus, committed to maintaining a high standard of quality control throughout the entire design and production process.

These quality certifications are important as they provide customers with the assurance of confidence in the quality of products as well as a useful marketing tool to attract new customers.

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4. INFORMATION ON THE GROUP (Cont'd)**4.4.8 Barriers to Entry**

The following are entry barriers in Elsoft Group's competitive environment:-

(a) Stringent Pre-qualification

The semiconductor and optoelectronic industries are dominated by large established MNCs players which subject new vendors to laborious screening and pre-qualification procedures. This is a lengthy and time-consuming process which will take up to nine (9) months or more. Such stringent screening makes it difficult for new entrants who lack the necessary track record to qualify as approved vendors.

Likewise, the rigid and time-consuming accreditation or qualification process by MNCs give rise to high switching costs, making it less desirable for MNCs to frequently change vendors unless there are compelling reasons to do so.

Furthermore, it is a common industry practice for MNCs to adopt product or process specialisation by suppliers, which means that no two vendors supply the same components and services. This makes it difficult for new entrants to penetrate the market.

(b) Specialist Knowledge and Cumulative Technological Know-how Integration

The know-how and skill sets required to provide certain specialised services such as design of electronics circuitry, test software engineering and knowledge of the high speed functional test methodologies are accumulated through years of extensive on-the-job training, careful study and relevant apprenticeship and training programmes.

Due to the combination of multiple engineering disciplines in the test development and R&D of a test solution, the achievement of the Elsoft Group today is a result of cumulative test development results from previous versions that were developed in the early days. Thus, it will require a group of technically competent and experienced design team to reverse engineering or reinvent the solutions.

As it requires time and significant training expenditure to build such technical competencies, it is costly and difficult for a new entrant to recruit a team of personnel with the relevant specialist knowledge and technical know-how to undertake the complete range of services offered by the Elsoft Group.

(c) Long Learning Curve

New entrants in the ATE industry would have to brace themselves for a start-up time of at least three (3) years which the Directors estimate is the time length required to prepare the facilities, qualify as an approved vendor of MNCs and ramp up the production to an acceptable level.

Considerable investment and start-up time is required to set up an operation of similar size as the Elsoft Group due to high capital investment in machinery and equipment including the recruitment of skilled personnel and working capital requirements.

4. INFORMATION ON THE GROUP (Cont'd)

In addition, continuous investment in new design tools and infrastructures with latest technology is required for the market player to maintain its competitiveness.

4.4.9 Relevant Laws and Regulations Governing the Industry

Advanced electronic system design namely in research, design and development of test and burn-in systems and application specific embedded systems for the semiconductor and optoelectronic industries which are eligible for MSC status are entitled to enjoy a set of incentives, rights and privileges provided for under the Bill of Guarantees awarded by the MDC.

There are Government incentives for the design and production of specialised machinery and equipment, namely material handling equipment and robotic factory automation equipments. Some of the incentives that are available include:-

- Pioneer Status; and
- Investment Tax Allowance.

Eligibility for either the Pioneer Status or Investment Tax Allowance will be determined according to the priorities termed as "promoted activities" or "promoted products". In addition, the level of value-added, technology and industrial linkages will also be taken into consideration.

Save as set out above, the Board is not aware of any specific regulations governing the HB LED and ATE industries in Malaysia nor is the Board currently aware of any specific material peculiarity in the said industries.

4.4.10 Prospects of the Group

Given the prospects and positive outlook of the global economy, the Malaysian economy, the semiconductor industry, the HB LED industry and the ATE industry, the Group is optimistic that its business will grow. Capitalising on the support and incentives given by the government and also its infrastructure and personnel strength and capabilities, the Group will strive to maintain its reputation as a reliable test and burn-in solutions provider to its local and MNC customers. The Group believes that the success of a market player in this sector is largely dependent on its capability to meet the customers' specifications in terms of timely delivery, high quality products and competitive pricing.

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4. INFORMATION ON THE GROUP (Cont'd)**4.5 MAJOR CUSTOMERS**

Based on the Group's audited financial statements for the financial year ended 31 December 2004, the top ten (10) customers of the Group are as follows:-

Customers	Products/Services Sold	Length of relationship (No. of Years)	Percentage of Total Revenue (%)
Agilent Technologies (M) Sdn Bhd	Test and Burn-In Systems and Embedded Peripherals	8	34.5
ASE Electronics (M) Sdn Bhd	Test and Burn-In Systems, Automation Systems and Embedded Peripherals	4	14.1
Manjer Engineering Co Ltd	Test and Burn-In Systems and Embedded Peripherals	6	12.8
Universal Scientific Industrial Co Ltd	Test and Burn-In Systems and Embedded Peripherals	1	8.4
SRM Integration (M) Sdn Bhd	Embedded Peripherals	5	7.1
Lumileds Lighting (M) Sdn Bhd	Test and Burn-In Systems and Embedded Peripherals	4	3.3
Hana Semiconductor (Ayutthaya) Co Ltd	Test and Burn-In Systems and Embedded Peripherals	4	3.1
Mini-Circuit Technologies (M) Sdn Bhd	Test and Burn-In Systems, Automation Systems and Embedded Peripherals	4	2.6
Ya Bang Electronics Co., Ltd	Test and Burn-In Systems	4	1.0
Innorex Technology Co., Ltd	Test and Burn-In Systems	1	0.7

The Group's top customer, Agilent Technologies (M) Sdn Bhd ("**Agilent**") accounted for approximately 34.5% of the Group's total turnover for the financial year ended 31 December 2004. However, Agilent has been with the Group for approximately eight (8) years and this indicates a long-term and stable customer relationship. Over the years, the Elsoft Group has proven to Agilent its capability to produce quality and competitive products on time.

To reduce over-dependency on any single customer, the Group is consciously expanding its products range with an aim to expand the existing customer and revenue base. To date, the Group has a clientele base of approximately 52 customers. Its long-standing customer relationship serve as an endorsement of the quality of its products and services, and more importantly, a stable customer base. In addition, the Elsoft Group will also continue to enhance its value added services propositions, improve its service level and maintain its competitiveness including broadening its product range and to develop a more diversified portfolio of customers and markets in the future, both locally and overseas.

4. INFORMATION ON THE GROUP (Cont'd)**4.6 MAJOR SUPPLIERS**

Based on the Group's audited financial statements for the financial year ended 31 December 2004, the top ten (10) suppliers of the Group are as follows: -

Suppliers	Products/Services Purchased	Length of relationship (No. of Years)	Percentage of Total Purchases (%)
AICSYS Inc.	Computer Peripherals	7	14.2
Arrow Electronics Asia (S) Pte Ltd	Electronics Components	7	5.8
M-Link System (Penang) Sdn Bhd	Computer Peripherals	7	5.6
Future Electronics Inc. (DIST) Pte Ltd	Electronics Components	6	3.6
Excelpoint Systems Pte Ltd	Electronics Components	3	3.1
Chong Precision Engineering	Precision Engineering Support	4	2.7
Firstic Electronics Co. Ltd.	Electronics Components	2	2.3
Asia Printed Circuit Sdn Bhd	Raw Printed Circuit Board	7	2.0
CS Vision Technology Sdn Bhd	Computer Peripherals	5	1.9
Equitech Engineering Supplies	Precision Engineering Support	6	1.8

The Group is not dependent on any single supplier for its raw materials as these products are easily available through multiple suppliers. The Group enjoys a strong working relationship with its suppliers. This is indicated by the fact that most of its suppliers has been supplying the Group for three (3) or more years.

4.7 FUTURE PLANS, STRATEGIES AND PROSPECTS

The Group's plan for the next five (5) years is as follows:-

(a) Streamline the Group's Operations

The operating subsidiaries of the Group provide services which are complementary to one another.

To achieve this end, the Group will streamline the operations and business processes of its subsidiaries to minimise duplication of tasks, thereby allowing the Group to reap benefits from economies of scale. Apart from doing away with duplication of functions at the operational level, there are opportunities to achieve greater economies of scale and price efficiencies in the areas of purchasing, treasury, human resource, R&D and marketing.

(b) Increase the intensity and focus of R&D Activities

The Group's R&D activities were previously stand-alone activities carried out in the respective operating subsidiaries. With the recent restructuring and future consolidation of the Group, the management intends to harness and leverage on the Group's wealth of engineering skills, knowledge base and technical know-how to create a strong R&D base as a platform for the Group's future growth and expansion.

4. INFORMATION ON THE GROUP (Cont'd)

The Group believes that investment in R&D is pivotal to keep abreast with the latest technological advancements, changes in customers' demands and industry developments to ensure that the Group's services remain relevant in the industry, thereby assuring the viability of the Group's businesses including:-

- (i) Putting a stronger R&D team in place by utilising the knowledge and skill sets from a greater pool of human resources available to the Group;
- (ii) Incorporating a more systematic approach to R&D;
- (iii) Setting aside a larger allocation of financial resources for R&D; and
- (iv) Identifying a number of R&D projects for the next five (5) years.

Based on the Group's R&D direction, the R&D focus is to be divided into three distinguished areas namely test and burn-in system development, embedded peripherals design and automation system development. Under the test and burn-in focus, resources are to be dedicated for the exploration and path finding on digital test technology areas. Improvement and development on hardware and software design will be carried out with priority focused on high speed functional tests and thermo-control areas. The embedded peripherals division will be focusing in the area of I/O design, remote I/O design, controller drivers and other automation peripherals applications. The automation equipment/system division will be mainly emphasising on the improvement of output performance and other application handler systems.

(c) Expand and Explore the Test System Development to Automotive Electronic Industry

As the Group's core capabilities are in the semiconductor and optoelectronic industries, the Group is always on the lookout for new applications and opportunities to leverage on its core competencies in test development in other industries. With the "electronisation" of automotive industry, the management believes that the potential of offering the test solution in this area is promising. In 2004, the Group was engaged to develop the test solution for automotive lighting systems.

(d) Expansion of the Embedded Peripherals Division

The automation industry presents a high potential and drives demands for embedded peripheral application. With more customised machines and equipments, it presents the Group with great avenue of growth in offering customised electronic boards and components for these customised solutions. Over the years, the Group has successfully developed a series of automation embedded systems ranging from I/O boards, Controllers boards to special purpose circuits boards.

The management proposes to allocate marketing resources to further expand the market share of this division and develop web based communication campaigns to further promote its products.

4. INFORMATION ON THE GROUP (Cont'd)

(e) Expansion of the Automation Division

The Group is keen to develop its automation division and has been aggressively promoting and marketing this division. However, being a relative young player in the industry, the Group will need to rely on its existing major customers for its plan to expand into the automation division.

Complementing the test and burn-in division, the automation division is well positioned to support the total solution initiatives which have gained popularity from the industry. Nevertheless, steps will be taken by the Group to ensure that it is able to provide a whole range of services ranging from the designing of the automated machines, fabrication of its parts and components to the assembly of the complete automated machine. The Group is confident of expanding into the automation system required for their MNCs customers. By doing so, the Group will be able to build its revenue base as well as strengthen its interdependency and bond with its customers.

(f) Strengthening of Marketing and Promotional Activities and Broadening of Geographical Network

The Group is determined to maintain and expand its market share by continuously setting up and expanding its sales and marketing network into major developing geographical areas around the world. The Group will continue to maintain good relationship with its customers who are mainly MNCs. Such close ties have enabled the Group to be at the forefront of acquiring information in terms of future trends and requirements. Regular participation in local and overseas exhibitions will be strategically coordinated to increase awareness of its products and services.

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5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS/ KEY MANAGEMENT

5.1 PROMOTERS

5.1.1 Particulars and Shareholdings of the Promoters

The details of the Promoters of Elsoft and their shareholdings in Elsoft after the Public Issue are as follows:-

Name	Nationality	No. of Shares Held After Public Issue ⁽¹⁾			
		Direct	%	Indirect	%
Tan Cheik Eaik	Malaysian	48,240,000	26.80	-	-
Tan Ai Jiew	Malaysian	26,785,000	14.88	-	-
Koay Kim Chiew	Malaysian	22,737,500	12.63	-	-
Tan Ah Lek	Malaysian	18,931,250	10.52	-	-

Note:-

(1) Including their respective entitlements for the Pink Form Shares allocation pursuant to the Public Issue.

5.1.2 Profiles of Promoters

The Promoters who are Directors of Elsoft are Tan Cheik Eaik, Tan Ai Jiew, Koay Kim Chiew and Tan Ah Lek. Their profiles are disclosed in Section 5.3.2 of this Prospectus.

5.1.3 Directorships and Substantial Shareholdings of Promoters in All Other Public Corporations for the Past Two (2) Years Preceding the Date Hereof

As at 31 May 2005 (being the latest practicable date prior to the issuance of this Prospectus), none of the Promoters have any directorships or substantial shareholdings in other public corporations in Malaysia as well as in other countries for the past two years.

5.2 SUBSTANTIAL SHAREHOLDERS

5.2.1 Particulars and Shareholdings of Substantial Shareholders

The details of the substantial shareholders of Elsoft and their shareholdings in Elsoft after the Public Issue are as follows:-

Name	Nationality	No. of Shares Held After Public Issue ⁽¹⁾			
		Direct	%	Indirect	%
Tan Cheik Eaik	Malaysian	48,240,000	26.80	-	-
Tan Ai Jiew	Malaysian	26,785,000	14.88	-	-
Koay Kim Chiew	Malaysian	22,737,500	12.63	-	-
Tan Ah Lek	Malaysian	18,931,250	10.52	-	-
Tan Cheik Kooi	Malaysian	13,542,500	7.52	-	-

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS/ KEY MANAGEMENT (Cont'd)

Note:-

(1) Including their respective entitlements for the Pink Form Shares allocation pursuant to the Public Issue.

5.2.2 Profiles of Substantial Shareholders

The substantial shareholders who are Directors of Elsoft are Tan Cheik Eaik, Tan Ai Jiew, Koay Kim Chiew and Tan Ah Lek. Their profiles are disclosed in Section 5.3.2 of this Prospectus. The profile of Tan Cheik Kooi is set out in Section 5.5.2 of this Prospectus.

5.2.3 Directorships and Substantial Shareholdings of Substantial Shareholders in All Other Public Corporations for the Past Two (2) Years Preceding the Date Hereof

As at 31 May 2005 (being the latest practicable date prior to the issuance of this Prospectus), none of the substantial shareholders have any directorships or substantial shareholdings in other public corporations in Malaysia as well as in other countries for the past two years.

5.3 DIRECTORS

5.3.1 Particulars and Shareholdings of Directors

The details of the Directors of Elsoft and their shareholdings in Elsoft after the Public Issue are as follows:-

Name	Designation	No. of Shares Held After Public Issue ⁽¹⁾			
		Direct	%	Indirect	%
Tan Cheik Eaik	Executive Chairman/ Chief Executive Officer	48,240,000	26.80	-	-
Koay Kim Chiew	Executive Director	22,737,500	12.63	-	-
Tan Ah Lek	Executive Director	18,931,250	10.52	-	-
Tan Ai Jiew	Non-Independent Non-Executive Director	26,785,000	14.88	-	-
Dato' Dr Chong Eng Keat @Teoh Eng Keat	Independent Non- Executive Director	100,000	0.06	-	-
Ong Eng Choon	Independent Non- Executive Director	100,000	0.06	-	-

Note:-

(1) Including their respective entitlements for the Pink Form Shares allocation pursuant to the Public Issue.

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS/ KEY MANAGEMENT (Cont'd)

In addition, upon the Listing, the Company intends to grant the following number of Options to its Non-Executive Directors under the ESOS:-

Name	Designation	Maximum Entitlement	No. of Options to be granted under the ESOS
Tan Ai Jiew	Non-Independent Non-Executive Director	500,000	500,000
Dato' Dr Chong Eng Keat @ Teoh Eng Keat	Independent Non-Executive Director	500,000	200,000
Ong Eng Choon	Independent Non-Executive Director	500,000	200,000

5.3.2 Profiles of Directors

TAN CHEIK EAIK, aged 40, was appointed on 26 May 2005 as the Executive Chairman and Chief Executive Officer of Elsoft. He graduated with 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 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 start his entrepreneur career, succeeding his late brother-in-law electrical wiring business namely Siang Electronics Technology, a partnership company. Subsequently, Siang Electronics Technology was converted to STSB in which he becomes the Managing Director.

It did not take too long for the evolution to take place when he together with his three co-founders, Koay Kim Chiew, Tan Ah Lek and Tan Ai Jiew, grew the company from a small electrical service company to a hi-tech advanced electronics design house today.

As an engineer, he specialises and is experienced in the area of test metrology and embedded application system design which contributes to the fundamental of the Group's success. Over the last eight (8) years, under his leadership and business entrepreneurship, his team started to build up the strong internal R&D capability and successfully develop a series of ATE systems for semiconductor and optoelectronic applications which contribute to the Group's success today.

KOAY KIM CHIEW, aged 38, is the Executive Director of Elsoft. He graduated with Bachelor (Hons) Degree in Electrical Engineering from University Malaya in 1992.

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

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

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS/ KEY MANAGEMENT (Cont'd)

TAN AH LEK, aged 49, was appointed on 3 June 2005 as the Executive Director of Elsoft. He started his career as an electrical wiring technician and later started a business in 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 is currently responsible for the daily operation management and logistics planning.

TAN AI JIEW, aged 55, was appointed on 3 June 2005 as the Non-Independent Non-Executive Director of Elsoft. Together with Tan Cheik Eaik and Tan Ah Lek, they 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 and remains as a Non-Executive Director.

DATO' DR CHONG ENG KEAT @ TEOH ENG KEAT, aged 59, was appointed on 3 June 2005 as the Independent Non-Executive Director of Elsoft. He is currently the President and Chief Executive Officer of Kolej Distid-Stamford.

He graduated from Universiti Sains Malaysia ("**USM**") in 1975 with an Honours Degree in Chemistry and went on an Australian National University Scholarship to do 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 left USM to join Intel Technology Sdn Bhd ("**Intel**") as a Senior Process Engineer. During his 22 years in Intel, he held various general management positions in manufacturing as well as in Technology Development. He started up the Intel Kulim site as the pioneer Managing Director in 1995 and at the time of his retirement in 2002 he was the Vice-President and General Manager of Intel's worldwide Board and Systems operations.

He also serves in a number of state and industry committees to promote business connectivity, growth of local industries and strengthening of industry-university linkages. He is also a non-executive Director of Globetronics Technology Bhd, a public listed company on the Main Board of Bursa Securities and MQ Technology Berhad, a public listed company on the MESDAQ Market of Bursa Securities.

ONG ENG CHOON, aged 53, was appointed on 3 June 2005 as the Independent Non-Executive Director of Elsoft. He is an Accountant by profession. He graduated from Tunku Abdul Rahman College, Kuala Lumpur with the Diploma of Business Administration and has 26 years of tax experience of which 3 years were spent with the Inland Revenue Board, 10 years with one of the top four accounting firms before becoming the Managing Director of Taxnet Consultants Sdn Bhd since 1 September 1996.

He is a Chartered Accountant (Malaysia), a Fellow of the Chartered Association of Certified Accountants (FCCA), an Associate Member of the Institute of Chartered Secretaries and Administrators (ICSA) and an Associate Member of the Malaysian Institute of Taxation. He serves as Joint Company Secretary to Public Packages Holdings Berhad, Emico Holdings Berhad, Hunza Consolidation Berhad and Globetronics Technology Berhad. He is also an Independent Non-Executive Director of Chin Well Holdings Berhad, Hiap Teck Venture Berhad and Tek Seng Holdings Berhad.

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS/ KEY MANAGEMENT (Cont'd)

5.3.3 Directorships and Substantial Shareholdings of Directors in All Other Public Corporations for the Past Two (2) Years Preceding the Date Hereof

As at 31 May 2005 (being the latest practicable date prior to the issuance of this Prospectus), none of the Directors have any directorships or substantial shareholdings in other public corporations in Malaysia as well as in other countries for the past two years save for the following:-

Name of Director	Name of Corporation Involved	Principal Activities	Designation	Year of Appointment to the Board	Substantial Shareholdings (No. of Shares)
Dato' Dr Chong Eng Keat @ Teoh Eng Keat	Globetronics Technology Berhad	Provide integrated specialised and advanced technology-based electronic manufacturing services, particularly in the integrated circuit and related products/ services sub-sector. The integrated circuit production activities include the manufacture of technical ceramic substrates/ packages, assembly of integrated circuits, burn-in and visual mechanical check services.	Independent Non-Executive Director	2003	-
	MQ Technology Berhad	Rapid tooling and prototyping, product development and manufacturing solutions for semiconductor industries, precision tool and die making, jigs and fixtures for disk drive industry, design and manufacture of high precision magnetic coils and coil assemblies for hard disk drive industry and manufacturing of precision metal plates, die making, jigs and fixtures for prototypes construction.	Independent Non-Executive Director	2004	*
Ong Eng Choon	Hiap Teck Venture Berhad	Investment holding, manufacturing and distribution of various iron and steel products.	Independent Non-Executive Director	2003	*
	Chin Weill Holdings Berhad	Investment holding, manufacturing and trading of fastening and wire products	Independent Non-Executive Director	1995	-
	Tek Seng Holdings Berhad	Investment holding, manufacturing of Polyvinyl Chloride related products, trading of plastic related products and letting of properties	Independent Non-Executive Director	2004	*

Note:-

* Less than 5%.

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS/ KEY MANAGEMENT (Cont'd)

5.3.4 Directors' Remuneration and Benefits

The aggregate remuneration and benefits paid to the Directors of Elsoft for services rendered in all capacities to the Group for the financial year ended 31 December 2004 and the current financial year ending 31 December 2005 are as follows:-

Remuneration Band RM'000	Financial Year Ended 31 December 2004		Financial Year Ending 31 December 2005	
	Aggregate Remuneration RM'000	Number of Directors	Aggregate Remuneration RM'000	Number of Directors
Up to 50,000	-	-	40	2
50,001 – 100,000	-	-	80	1
100,001 – 200,000	242	2	120	1
200,001 – 500,000	591	2	600	2
Above 500,000	-	-	-	-
Total	833	4	840	4

5.4 Audit Committee

The main functions of the Audit Committee fall within the ambit of the Listing Requirements, which include the review of audit plans and audit reports with the Group's auditors, review of the auditors' evaluation of internal accounting controls and management information systems, review of the scope of internal audit procedures, review of the balance sheet and profit and loss accounts and nomination of the auditors. The Audit Committee will also review the nature and terms of future related party transactions to ensure compliance and transactions are entered into based on arms length basis and on commercial terms and are not more favourable to the related party than those generally available to the public and, are not detrimental to the Group. The Audit Committee will also be reviewing conflict of interest situations that may arise as a result of the related party transactions.

The Audit Committee comprises of the following individuals:-

Name	Designation	Directorship
Ong Eng Choon	Chairman of Audit Committee	Independent Non-Executive Director
Koay Kim Chiew	Member of Audit Committee	Executive Director
Dato' Dr Chong Eng Keat @ Teh Eng Keat	Member of Audit Committee	Independent Non-Executive Director

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5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS/ KEY MANAGEMENT (Cont'd)

5.5 KEY MANAGEMENT

5.5.1 Particulars and Shareholdings of the Key Management Team

The details of the key management of the Group and their shareholdings in Elsoft after the Public Issue are as follows:-

Name	Designation	No. of Shares Held After Public Issue ⁽¹⁾			
		Direct	%	Indirect	%
Tay Cheng Koon	Principal Engineer	8,955,000	4.98	-	-
Chan Hong Heng	Principal Engineer	8,955,000	4.98	-	-
Tan Cheik Kooi	Finance and Administration Manager	13,542,500	7.52	-	-
Oh Kuang Eng	Chief Technology Officer of AGS	250,000	0.14	-	-

Note:-

(1) Including their respective entitlements for the Pink Form Shares allocation pursuant to the Public Issue.

5.5.2 Profiles of the Key Management

TAY CHENG KOON, aged 42, is the Principal Engineer of Elsoft. He obtained a Bachelor (Hons) Degree in Electrical Engineering from Engineering Council (UK) in 1993. He began his career with Hewlett Packard (M) Sdn Bhd as an engineer in 1987 and was promoted to Senior Engineer. Subsequently in 1996, he left his commercial career to become a lecturer with Fourier Technical Consultant. He has many years of engineering experience in the electronic designs and has been a key technical contributor in his previous company.

He joined the Elsoft Group in 1997 as an Engineer and was promoted to his current position through his outstanding performance and is a key player on the test and burn-in development throughout his years with the Group. Currently, he is leading the Software Design Group.

CHAN HONG HENG, aged 37, is the Principal Engineer of Elsoft. He obtained a Bachelor (Hons) Degree in Computer and Communication Engineering from University of Science Malaysia in 1993 and later with a Master of Science Degree in 1998. He is one of the pioneer staff who joined the Elsoft Group 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 on the test and burn-in development.

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS/ KEY MANAGEMENT (Cont'd)

TAN CHEIK KOOI, aged 50, 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 25 years of accounting and administration experience in various industries.

He joined the Elsoft Group 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 Group's overall accounting functions and oversees the human resource and procurement functions of the Group.

OH KUANG ENG, aged 35, is the Chief Technology Officer of AGS since November 1999. He graduated with Bachelor (Hons) Degree in Mechanical Engineering from University Malaya in 1995. He joined Hewlett Packard, Malaysia in April 1995 as an Automation Engineer and was responsible for the advance semiconductor machine design and manufacturing process development. In 1997, he was transferred to Hewlett Packard, Singapore as a Tooling & Equipment Development Engineer. In 1998, he joined Polytool Industries Sdn Bhd as an Operation Manager stationed in Shanghai, China. In 1999, he returned to Malaysia and co-founded AGS. Currently, he is responsible for the overall management of AGS and business strategy of automation business of Elsoft Group.

5.6 INVOLVEMENT OF EXECUTIVE DIRECTORS/ KEY MANAGEMENT IN OTHER BUSINESSES/ CORPORATIONS

None of the Executive Directors and key management are involved in other businesses or corporations.

5.7 DECLARATION OF DIRECTORS AND KEY MANAGEMENT TEAM/TECHNICAL PERSONNEL

No director, key management or person nominated to become a director or key personnel is or has been involved in any of the following events:-

- (a) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a Director or key personnel;
- (b) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding; or
- (c) the subject of any order, judgement or ruling of any court of competent jurisdiction temporarily enjoining him from acting as an investment adviser, dealer in securities, Director or employee of a financial institution and engaging in any type of business practice or activity.

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS/ KEY MANAGEMENT (Cont'd)

5.8 FAMILY RELATIONSHIPS

Tan Cheik Ealk, Tan Cheik Kooi, Tan Ai Jiew and Tan Ah Lek are siblings.

Save as disclosed above, there is no family relationship (as defined in Section 122A of the Act) or association between the substantial shareholders, Promoters, Directors and key management.

5.9 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at 31 May 2005 (being the latest practicable date prior to the issuance of this Prospectus), there is no existing or proposed service agreement between the Group and its Directors and key management or key technical personnel.

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5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS/ KEY MANAGEMENT (Cont'd)**5.10 CHANGES IN SHAREHOLDINGS IN THE COMPANY FOR THE PAST THREE (3) YEARS**

The significant changes of the Promoters' and substantial shareholders' shareholdings of Elsoft for the past three (3) years preceding the date hereof are as follows:-

Shareholders	As at 4 June 2003		As at 2 July 2003		As at 29 June 2004		Accumulated Number of Shares Held After Public Issue ⁽¹⁾	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tan Cheik Eaik	1	50.00	1	*	32,000	32.00	48,240,000	26.80
Koay Kim Chiew	1	50.00	1	*	15,000	15.00	22,737,500	12.63
Tan Ah Lek	-	-	-	-	12,500	12.50	18,931,250	10.52
STSB	-	-	99,998	100.00	-	-	-	-
Tan Ai Jiew	-	-	-	-	18,000	18.00	26,785,000	14.88
Tan Cheik Kooi	-	-	-	-	9,000	9.00	13,542,500	7.52
Chan Hong Heng	-	-	-	-	6,000	6.00	8,955,000	4.98
Tay Cheng Koon	-	-	-	-	6,000	6.00	8,955,000	4.98

Note: -

(1) Including their respective entitlements for the Pink Form Shares allocation pursuant to the Public Issue.

* Immaterial.

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