



# Annual Report 2009

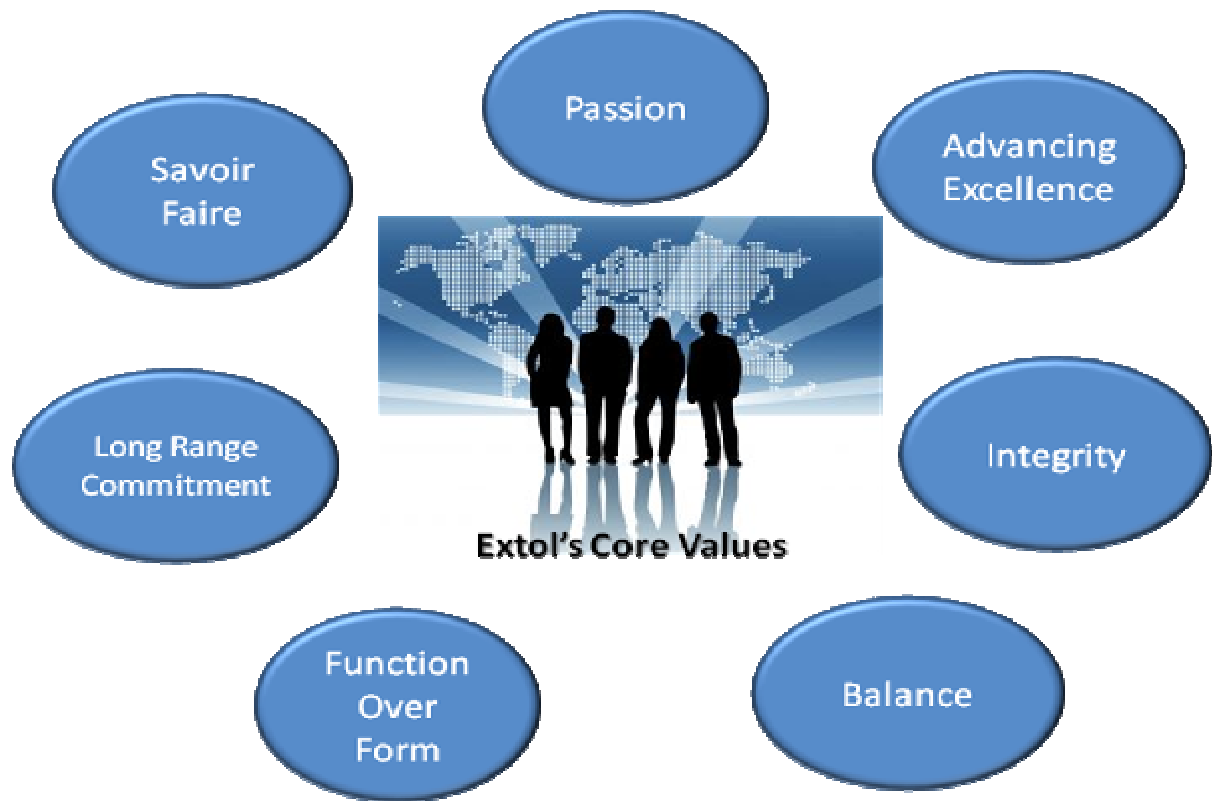


**KEXTOL**  
EXTOL MSC BERHAD (643683-U)



**MSC**  
MALAYSIA  
Status Company

## Extol's Core Values



### PASSION

#### Description

We have learnt that when we are able to align passion, capability & demand; normal people can produce extraordinary performance.

Do it because you enjoy doing it

Do it because it feels right

Do it because its the right thing to do

Do it because its going to matters

Do it because we believe in it.

Some call it:

"Fire in the belly"

From Wikipedia:

Passion (from the Latin *patior*, meaning to suffer or to endure) is an emotion of feeling very strongly about a person. Passion is an intense emotion compelling feeling, enthusiasm, or desire for anything. Passion often applies to lively or eager interest in or admiration for a proposal, cause, or activity or love.

**"What drives people to run 42 km?"**

### ADVANCING EXCELLENCE

#### Description

***"Not satisfied with the status-quo."***

How do ordinary people achieve the extraordinary? How do we consistently advance excellence, from good to great?

- Don't give problems, give solutions
- Believe we can always do better
- Being original. There's no point in doing something that's already been invented. If something's worth doing, we should be able to do it better, or cheaper, or more efficient or faster, etc...

It also means we shouldn't be resting on our laurels. Don't be complacent.

## INTEGRITY

### Description

The underlying principle is to be scientific. What this means is we have to be as transparent as possible with the work we're engaging in. This would translate to:

- Being as accurate as we can. If we propose a solution, we should include its limitations and assumptions and educate the public about its shortcomings as much as its benefits
- Being transparent in projects. We have to update and be transparent and report issues on a timely manner.
- Understanding scientific research and testing process and the concept of biases and error in testing

***"Understand and live by scientific principles"***

## BALANCE

### Description

Conflicts, critics, difference in culture, ideas, expectations and other social characteristics will always be a challenge for any company in the global economy. The key is to first understand the rationale behind these differences and accept it.

- Give & take. One shouldn't merely give or always take.
- Tolerance
- Compromise & flexibility. Do NOT confuse this value for:
  - easygoing
  - lenient
  - careless
  - negligent

***"Finding a common ground"***

We must understand that even too much of a good thing is bad. And that there's an opportunity that lies behind every problem. There's also a cost behind every opportunity. In the eastern culture, they call this the 'Ying-Yang'

## FUNCTION OVER FORM

### Description

If a decision has to be made, choose function over form. However, when we favor function over form, we must not neglect form or structure.

Favor substance over form. "not being plastic", "superficial" or "shallow"

However, we've learnt from the past that we cannot neglect form as its both the form and function that makes something whole.

***"Favor substance over structure"***

## LONG RANGE COMMITMENTS

### Description

Extol as an organization has been around longer than any one person and will continue to exist and grow.

- Care for the community
- Bigger than ourselves
- Perseverance (Keizoku - Chikoku)
- Favor long-term over short-term
- Don't just take and run

***"We must always consider the long term view of the work we do"***

## SAVOIR FAIRE

### Description

In a world where fairness & humility seems to be sparse, we all have to do our part to treat each other fairly, justly, with humility and respect.

- Humility (no bragging rights here)
- Respect
- Treat everyone fair and equal

Reduce hierarchy and the concept of "sucking up to the boss"

***"Treat others like you would expect to be treated"***

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# CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	Justin Tan Seng Kooi Chief Executive Officer Lee Choon Kee Executive Director Alex Tan Seng Keng Executive Director Lee Boon Kok Independent Non-Executive Director Mohd Fadzli bin Ibrahim Independent Non-Executive Director See Keng Leong Independent Non-Executive Director
<b>AUDIT COMMITTEE</b>	Lee Boon Kok (Chairman) Independent Non-Executive Director See Keng Leong Independent Non-Executive Director Mohd Fadzli bin Ibrahim Independent Non-Executive Director
<b>NOMINATION COMMITTEE</b>	See Keng Leong (Chairman) Independent Non-Executive Director Lee Boon Kok Independent Non-Executive Director Mohd Fadzli bin Ibrahim Independent Non-Executive Director
<b>REMUNERATION COMMITTEE</b>	Mohd Fadzli bin Ibrahim (Chairman) Independent Non-Executive Director Justin Tan Seng Kooi Chief Executive Officer Lee Boon Kok Independent Non-Executive Director
<b>COMPANY SECRETARIES</b>	Wong Wei Fong (MAICSA 7006751) Lim Lee Kuan (MAICSA 7017753)
<b>REGISTERED OFFICE</b>	Level 18, The Gardens North Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel: (603) 2264 8888 Fax: (603) 2282 2733
<b>HEAD/MANAGEMENT OFFICE</b>	Unit G-1, Ground Floor Wisma UOA Pantai No. 11, Jalan Pantai Jaya 59200 Kuala Lumpur Tel: (603) 2240 0008 Fax: (603) 2240 0002 E-mail: info@extolcorp.com

<b>R&amp;D CENTRE</b>	C-G-18, Ground Floor, Block C SME Technopreneur Centre Cyberjaya 2270 Jalan Usahawan 2 63000 Cyberjaya Selangor Darul Ehsan Tel: (603) 8319 5484
<b>SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR</b> (to whom shareholders may address their concerns)	Lee Boon Kok c/o Extol MSC Berhad Unit G-1, Ground Floor Wisma UOA Pantai No. 11, Jalan Pantai Jaya 59200 Kuala Lumpur Tel: (603) 2240 0008 Fax: (603) 2240 0002 E-mail: lbk@kes.com.my
<b>AUDITORS</b>	C. K. Cheah & Co. 24A, Jalan 21/19, Sea Park 46300 Petaling Jaya Selangor Darul Ehsan Tel: (603) 7876 6603 Fax: (603) 7876 6360
<b>SHARE REGISTRAR</b>	Tricor Investor Services Sdn. Bhd Level 17, The Gardens North Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel: (603) 2264 3883 Fax: (603) 2282 1886
<b>PRINCIPAL BANKERS</b>	Alliance Bank Malaysia Berhad Malayan Banking Berhad
<b>STOCK EXCHANGE LISTING</b>	ACE Market of Bursa Malaysia Securities Berhad Stock Name: EXTOL Stock code: 0119
<b>CORPORATE WEBSITE</b>	<a href="http://www.extolcorp.com">http://www.extolcorp.com</a>

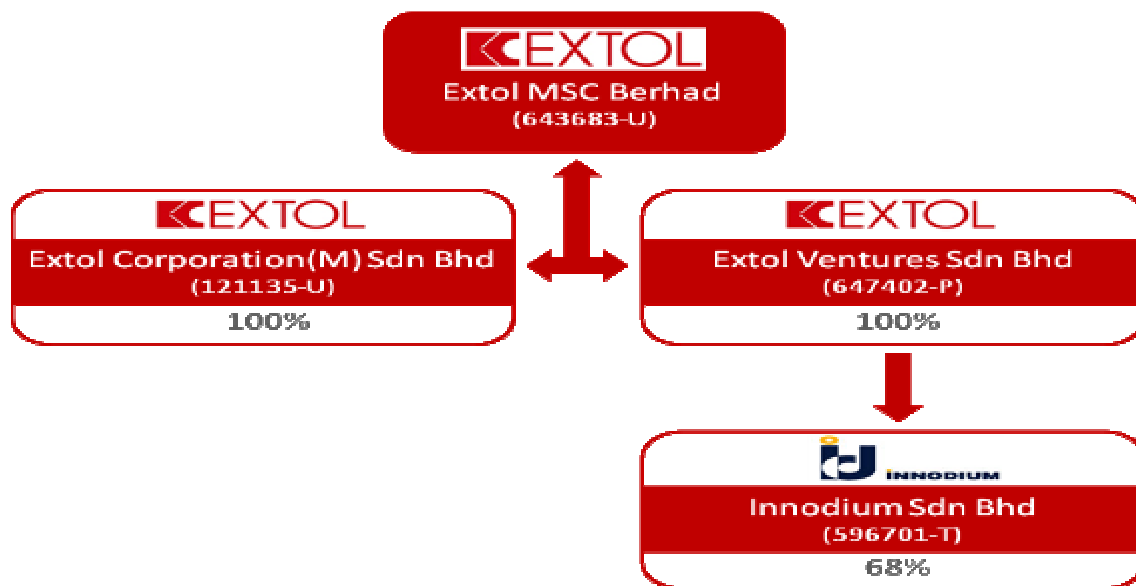
## Company Overview

Extol MSC Bhd is a leading ICT security solutions provider offering a comprehensive suite of security solutions to corporations across various industries in Malaysia and beyond. The Company's success lies in the ability to consistently develop industry-leading security solutions that meet the challenges of escalating security threats. From Fraud Detection and Management, Forensics and Incident Response, Anti-Virus Outsourcing and Management, Security Systems Integration, Consultancy Services, Managed Security Services and Secured Enterprise Applications, organisations depend on Extol MSC Bhd to protect their critical business data and IT infrastructure.

Established in 1984 as a distributor for ICT hardware and software products, Extol Corporation (M) Sdn. Bhd. (a subsidiary of Extol MSC Bhd), evolved in 1992 when it became the first Malaysian company to develop an award winning anti-virus software called Armour. A strategic partnership with Norman DSS (a Norwegian anti-virus software developer) was established for technological exchanges in terms of anti-virus application enhancements.

As part of our business growth and expansion plan, Extol MSC Bhd has identified globalisation as an important agenda to drive its business. This is very much in line with the Government's aspirations to create global Malaysian companies. Responding to global needs and enhancing product value and offerings, the Company has successfully researched and developed neural network/artificial intelligence, threat research, and mobility solutions. These technologies will immediately enhance the Company's product offerings and competitiveness, while laying the future "building blocks" for the Company's future business expansion.

To strengthen our expansion plan into key international markets, Extol MSC Bhd has forged strategic partnerships with global Information Technology leaders: Microsoft, Google, Evidian, Mimosa Systems, Novell, NetContinuum and Nokia. Leveraging on our partner's extensive market reach and superior technologies, Extol MSC Bhd can accelerate its expansion plan in a more structured and cost effective manner. The strategic partnerships will explore business activities such as co-hosting seminars, co-hosting road shows, co-sponsored events, and product bundles that tap into potential opportunities in the Association of Southeast Asian Nations ("ASEAN"), Middle East, China, and Europe regions.



# Corporate Milestone

## 2009

- Extol was awarded the Capability Maturity Model Integration (CMMI) Level 3 certificate and recognized by MDEC under the Capability Development Program.
- Appointed as authorized distributor for NetQoS and Jabra.
- Appointed as authorized reseller for Google.
- Appointed as strategic security partner for Microsoft.

## 2008

- Extol was awarded the CDP Quality Management System - (ISO 9001:2000) and Software Testing (CDP Software Testing) by MDEC under the Capability Development Program.
- In appreciation of Extol's valuable contribution, for four consecutive years, Nokia awarded Extol the Outstanding Performance Security Partner Award.

## 2007

- Extol was awarded the Gold Winner of Business Summit Award.
- Granted the MS ISO 9001:2000 Quality Management Systems and IQ Net Certification by SIRIM.
- A winner in the Deloitte Technology Fast 500 Asia Pacific Award - the region's most comprehensive and respected ranking of fast-growing technology companies. Extol at rank 53 has topped 17 other Malaysian companies.
- Extol's CEO, Justin Tan, awarded the Technopreneur of the Year in the PIKOM's National ICT Award.

## 2006

- Extol MSC Bhd achieved ISO27001:2005 Certification.
- Extol MSC Bhd listed on ACE Market (formerly known as MESDAQ Market) of Bursa Malaysia Securities Bhd.

## 2005

- Extol Corporation (M) Sdn Bhd awarded the SMI - Maybank Rising Star from SMI Recognition Award Series 2004.

## 2004

- Extol MSC Bhd granted MSC-status by Multimedia Development Corporation (MDEC).
- Extol MSC Bhd has made its own Managed Security Services (MSS) operational inclusive of 24x7 remote surveillance systems and a wide-range of security services.

## 2002

- First to host a Capture the Flag event in Asia.
- Recipient of outstanding sales achievements of Checkpoint internet security solutions.

## 2001

- Extol Corporation (M) Sdn Bhd launches its comprehensive anti-virus services, CAViS, a first initiative in providing security services.

## 2000

- Appointed as authorized reseller partner for Symantec, Nokia, Checkpoint, Ubizen, Sun and Hewlett Packard.

## 1999

- Extol Corporation (M) Sdn Bhd selected as one of the most Strategic 100 IT Companies that matters most to Asia Pacific under MIS Asia 1999.



**1998**

- Extol Corporation (M) Sdn Bhd listed as one of the MOST Strategic 100 IT Companies that matters most to Asia Pacific under MIS Asia 1998.
- Armour anti-virus selected as the official anti-virus solution for the Kuala Lumpur 98- XVI Commonwealth Games.

**1997**

- Extol Corporation (M) Sdn Bhd honored with the prestigious IT achievement 'Persatuan Industri Komputer' awarded by PIKOM.
- Extol Corporation (M) Sdn Bhd awarded Top Channel Partner and Top New Channel Partner of supplying Hewlett Packard system by Sapura Systems Malaysia.

**1996**

- Introduced enterprise-wide license of Armour anti-virus to the U.S Department of Energy through Norman.
- First in Malaysia to introduce security assessment, security policy review and design to Telekom Malaysia Berhad.

**1995**

- The US Department of Defense purchased 1.5 million units of Armour through our technology partner, Norman.

**1994**

- Formed strategic alliance with Norman as its technology partner for bi-directional technology transfer of anti-virus solutions.

**1993**

- Awarded 'Best Reseller' for Trend AV by Trend Microsystems.

**1992**

- Development of "Armour" anti-virus software.

**1989**

- Appointed sole distributor for Trend AV.

**1984**

- Inception of Extol Corporation (M) Sdn Bhd.

## Why Extol?

### 1) Customer Intimacy

Our mission emphasises on delivering quality and innovative security solutions to meet your customised requirements on ICT security infrastructure.

We strive to provide greater value added propositions in our security solutions. With our international technology partners, and strong associations within the local computer hardware industry, we are capable of providing security solutions in the most effective manner to suit all requirements, without compromising on security features.

### 2) Unprecedented Support

Our team of engineers provides you with optimum support products and network environments including our own range of managed security services for pre-implementation, implementation, post-implementation and support and maintenance stages of security network services, 24 hours a day, 7 days a week.

### 3) Comprehensive Solutions

We are your ideal preference and this translates into direct advantages:

- a) Our timely and efficient implementations minus the hassle of incompatibilities.
- b) Your own personal support and maintenance team ensuring standards are met and maintained.
- c) Simple and hassle-free evolution and scalability of your required network through our proven integration capabilities.

### 4) Dedicated Account Management

A dedicated account manager, just for you, is responsible for monitoring your account and dealing with all aspects of your maintenance contract. This ensures all issues are dealt with expediently. Our focus is a continued and a mutually successful partnership with our customers.

### 5) Commitment to Standards

In compliance with international standards we are certified with the ISO 27001:2005, the Information Security Management Standard (ISMS) certification, a risk management plan defining the management standard approach to security issues and measures. This certification incorporates the security framework standards set out in ISO17799 and BS7799 and involves setting up proper management corporate governance to monitor and control internal security infrastructure, minimising business risk and ensuring the security infrastructure continues to fulfil customers' and legal requirement. In December 2007, Extol obtained the accreditation from SIRIM, the MS ISO 9001:2000 Quality Management Systems and IQ Net Certification, in areas of software design, development, installation, testing, commissioning, and maintenance, and in Extol's Managed Security Services provisioning as well. In February 2009, Extol had completed the Capability Maturity Model Integration ("CMMI") programme and is now matured to Level 3. CMMI is a framework that describes the key elements of an effective software development and maintenance process. The CMMI covers practices for planning, software engineering and managing software development and maintenance of software after implementation.

6) Quality Assurance

Our quality assurance is designed with standards and methodology which make us stand out from among our competitors:

- a) Objectivity: implementing all that is necessary to complete your assignment successfully;
- b) Assurance: ensuring your assignment surpasses your expected requirements;
- c) Timeliness: making certain your assignment is completed in stipulated time;
- d) Cost: ensuring your assignment is completed within budget;
- e) People: setting the right people in the right place;
- f) Strategic Partnerships: determining the right business partners to effectively match your assignment's requirements; and
- g) Communication: establishing accurate and appropriate generation and dissemination of your assignment information.

7) Large Customer Track Record

Throughout the years, we take pride in our large customer base. Two thirds of the Malaysian financial institution market choose us for their peace of mind, protecting networks of up to 20,000 users.

As an innovator with strong local presence and excellent support, we are the integrator of choice for your critical security implementation and incident response, offering meticulous service, satisfaction guaranteed.

Customer benefit is our endeavour at Extol MSC Bhd. Our professional expertise is reflected through the depth of experience of our engineers, who promptly and efficiently counsel, manage, maintain and support your security infrastructure:

- a) System Integrity Monitoring
- b) Plan Development
- c) Vulnerability Probe and Assessment
- d) Patch Management
- e) Infrastructure Review
- f) Internet Gateway Management
- g) Threat Profile
- h) Forensics and Incidence Response
- i) Advisory and Consultancy

## 2009 Events

“Extol’s Official Facility Launch”, 16 January 2009

### Extol Facility Launch

Extol officially launched its flagship facility in Kuala Lumpur at Wisma UOA Pantai. The official launch was a spectacular ending to a monumental project after countless hours of hard work and planning that began on the drawing board only a year earlier.

Far from being your ordinary, “Cut the ribbon” affair, the launch was a celebration of Extol’s valuable clients who have been with the company for 25 years. It was an intimate night of music, good food and the congregation of distinguished guests from MOSTI, MDEC, members of the press, business partners and everyone who made the evening memorable.

“Our new facility is a statement of our commitment to better serve our customers”, said Justin Tan, CEO of Extol. “As an Information Security company, our facility is purposely built to meet the challenges and responsibility of protecting our client’s critical information, applications and networks. From the location of our office to the very design and intricate security features within the facility – everything was created with the best interest of our clients in mind.” he added.

Nestling in front of the iconic Federal Highway between Kuala Lumpur and Petaling Jaya, the new facility boasts of an IT Security exhibition centre that is unexpectedly an art exhibition centre at the same time. The unusual marriage of the two allows for art and technology to co-exist like never before but visitors digging deeper will find a profound significance why the two were fused in the first place. Inside the Kerinchi Foyer, Art, representing innovation and creativity is essential to creating cutting edge solutions for tomorrow. Technology on the other hand represents improvement and the need to advance. In doing so, Extol tries to create a “Form & Function” environment that runs deep in the company’s roots. “Advancing Excellence is Extol’s motto and the significance of art and technology is a mindset the company strives to achieve to bring it through the next 25 years”, Justin Tan explains.

The facility embraces an open office concept to enhance communications and team work amongst staff but also leads to enhanced security awareness to protect information and handle documents with greater care. The interior design of the facility allows an abundance of writing surfaces from walls to tables to doors which reduces paper usage, cut costs, and ultimately more environmentally friendly. Last but not least, Extol staff accesses their personal lockers by means of verifying their faces through a cutting edge Artificial Intelligence solution that was researched and developed by Extol.



**CMMI Level 3 Appraisal End Date, 27 February 2009**

Extol is now officially a CMMI Level 3 Maturity company. The appraisal end date was 27 February 2009. This is our commitment towards world class standards in the IT Risk Management sector.



**FME, 2-4 March 2009, Dubai World**

Franchising is Extol's strategy in growing the business outside of Malaysia. As Information Security is in demand within the Middle East, an investor can now own a unique Extol franchise business in his/her country catering to local clients without undertaking the many trail and errors and extra costs in starting an IT Security business single handed.



**Malaysia Services Exhibition, 17-19 March 2009, Dubai Airport Exhibition Centre**

Showcasing Malaysia as the ideal service and outsourcing partner to the world, Extol promoted its Franchise program and Information Security solutions and global reach capabilities. Organizations can cost effectively transfer their security responsibilities to Extol on a global scale without compromising their security posture.

**CeBIT, 3-8 March 2009, Germany**



Extol is fully committed towards Artificial Intelligence (A.I) R & D as we believe A.I. will play a key role in how we compute in the near future. CeBIT provided the perfect platform to display our face recognition, signature verification, and travel route optimizing applications that one day may find its way into your home or office.

**CeBIT** (*Centrum der Büro- und Informationstechnik*; German for "Centre of Office and Information technology") is the world's largest computer expo. Extol's participation in **CeBIT** was part of its expansion plan to introduce **Extol Artificial Neural Network** to the European market.



**SecurAsia Conference, 25-26 March 2009, Kuala Lumpur Convention Centre**

Partnering with Novell, the Gold sponsor for the event, Extol demonstrated Novell's event correlation solution, Sentinel that allows security personnel to manage and monitor multiple equipments over multiple sites from one single location. Also on display is ZenWorks, an end-point security solution allowing companies with the means to manage and control who, where, and when information can be viewed or edited.



### Microsoft Partnership Announcement, 16 April 2009



Microsoft has identified Extol as a strategic security partner to market its security solution in the Malaysia market. To announce this partnership to the market, we jointly held an announcement event with the solution highlights to local security partners and end users.

### Extol 25<sup>th</sup> Year Anniversary, 7 June 2009



On the 7<sup>th</sup> June 2009, Extol Corporation (M) Sdn Bhd celebrated its 25<sup>th</sup> Anniversary since the inception of the company 25 years ago. We at Extol are very proud of this milestone and we strive to do better for times ahead.

### 2009 ISC<sup>2</sup> Asia Pacific Information Security Leadership Achievements Program, 8 July 2009



Mr. Xavier Tan (Founder & Ex-C.E.O. of Extol) has been awarded the "Senior Non-IT Security Professional" for his exemplary leadership and dedication in enhancing the IT Security Workforce for his former company and the industry. For the category of award, there were only 2 winners from the entire Asia Pacific Region. Mr. Xavier Tan was one and the other winner was from Singapore.

## Corporate Social Responsibility

Extol continues its efforts to promote communications & leadership skills development expounded by Toastmasters International by opening its corporate meeting room to a new toastmasters club. The newly chartered club which conducts its meetings in Bahasa Malaysia, holds meetings at Extol every 2<sup>nd</sup> & 4<sup>th</sup> Thursdays of the month, in the evenings, from 7.45 pm. Members enjoy two hours of doing and learning, honing their skills in communication.



Art exhibits are displayed in the Kerinchi Foyer in Extol, in its continuing social effort to promote Malaysian art. The current display are caricatures by artist Sireh & Sarah Mokhtar.



For 2009, we have a record number of Industrial Trainees from various local universities. Some of these Universities are UM, UKM, Petronas University and MMU. Every year, undergrads in certain disciplines have to undertake work experience in a work environment. Extol tries its best to accommodate as many Industrial Trainees as possible, tap on their fledging skills and expose them to a real work environment.



Another prong of our CSR effort is to look inwards at our staff and make life better for ourselves. Healthy and happy staff make a successful company and a rich nation. We implement the policy of each staff having to take at least one half day paid leave each month on top of their annual leave, encouraging them to spend time with family or do something personal. Everyone needs a break from work to come back refreshed and re-energised. Our fridge is stocked with fruits, which the staff may eat at will. Munching an apple may well trigger some new ideas!

## Profile of Directors



2  
**Lee Choon Kee**  
Executive Director



1  
**Justin Tan Seng Kooi**  
Chief Executive Officer



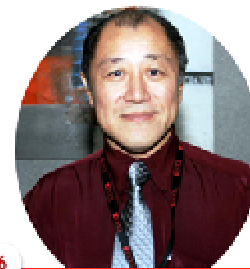
3  
**Alex Tan Seng Keng**  
Executive Director



4  
**Lee Boon Kok**  
Independent Non-  
Executive Director



5  
**Mohd Fadzli bin Ibrahim**  
Independent Non-  
Executive Director



6  
**See Keng Leong**  
Independent Non-  
Executive Director

### 1. Justin Tan Seng Kooi 38 years of age, Malaysian Chief Executive Officer

Justin Tan, appointed Chief Executive Officer of Extol MSC Berhad in 2004, has been with the Extol since 1995, having worked his way up as a system engineer, technical manager, technical director, to his present position today. Under his visionary leadership, the Company was granted MSC Status in 2004 and successfully listed on the ACE (formerly known as MESDAQ) Board in March 2006.

Under his helm, the Company has moved towards focusing on its core competency, ICT Security. With his background in forensics management and information security standards, Justin has led the company towards being a leading ICT security provider with the Managed Security Services.

A graduate of the University of London in BSc (Hon) Electronics and Computer Science, Justin has chaired various local technical working groups such as WG3 (Working Group 3) and is an active force in reviewing assessing, developing and adopting national and international security standards through SIRIM's participation with ISO and IEC international organisations. Justin was the chairman of WG3 under the technical

committee (TC5), commissioned by SIRIM to oversee information security in 2003-2004.

Justin has also participated as a key speaker in many international conferences including the Cyberspace Security Seminar in Kuala Lumpur in 2000, the e-Security Conference & Exhibition in Singapore in 2001 and the Hack-In-the-Box Conference in Kuala Lumpur in 2002, where he presented profound and interesting ideas about ICT security, threat profiling and forensic techniques. Justin has chaired and was a speaker in IT Asia Congress 2006 at Jakarta and participated as speaker in ICT conferences; International Conference on Information Technology & Telecom, ICIT 2006 at Karachi, Pakistan, and PIKOM Software & Services Showcase 2006, sharing his knowledge on "Security Measures to Protect Enterprises Against Fraud and Cyber Terrorism." In 2007, Justin spoke at the Computerworld Malaysia's Forum, Asian Banking & Finance Magazine and Nokia's Forum, Information Security Management System (ISMS) public workshop, Effectively Managing the IT Function Seminar, and PIKOM's Information Security Chief 'X' Officer Panel Discussion.



Justin was awarded the key industry leader by PIKOM & Technopreneur of the year (2007) in PIKOM National ICT award. Justin was short listed as one of the top nominee for Ernst & Young Entrepreneur of the Year 2007, under the category Technology Entrepreneur. With Justin's leadership, the Company was awarded the Deloitte Technology Fast 500 Asia Pacific award, ranked 53 which has topped all participated Malaysian technology companies.

These recognitions have attracted many invitations for Justin to speak in events, sharing the Company's experiences and information security controls methodology.

His passion for learning and for advancing excellence has led to the establishment of two critical research facilities in Extol MSC Berhad, the Centre for Threat Research and the Centre for Artificial Intelligence (AI) which will enhance the products and services offered.

A man with a strong sense of social responsibility, Justin also incorporates various social concerns to his staff and company. Justin has helped in promoting the local artists and illustrators, and the use of art in children's books by having the Company to sponsor a charity art exhibition and host it at Extol's Kerinchi Foyer. The exhibited artworks were for sales and net proceeds of

## **2. Lee Choon Kee**

*66 years of age, Malaysian  
Executive Director*

Lee Choon Kee is the co-founder of Extol Group and the Head of Human Resource and Administration of Extol MSC Bhd. She holds a Master in Business Administration (MBA) from De Montfort University of United Kingdom ("UK").

Madam Lee has had more than 25 years of working experience under the Ministry of Health as a radiographer; more than 10 of those years were in a managerial and administrative capacity.

## **3. Alex Tan Seng Keng**

*31 years of age, Malaysian  
Executive Director*

Alex Tan Seng Keng, joined Extol Group in 2000 as a Design Engineer responsible for conducting preliminary research in access control and alarm systems for ICT security.

His area of expertise is in Research and Development of network hardware. Among the products he has designed for the Group are EC\*TAG, voice playback card and wireless multiplex boards. Alex is skilled in the development and documentation of design and testing procedures. He set up the standard testing procedures for the hardware designed by the Group's R&D team.

Currently he is heavily involved in the Professional Services Unit through overseeing Security Assessments for clients, participating in the local International Standards Organization (ISO) chapter for IT Security standards development and the research for new ICT threats.

sales were donated to selected children's home and to fund community-based open source software development projects.

In pursuit of excellence, Justin guides the Company to achieve the ISO 27001:2005 Certification in December 2006, and ISO9001:2000 Quality Management System Certification in December 2007, branding the Company as one of the better companies for ICT Security. In 2008, the Company is proud to receive two other certifications of achievement from MDeC; the MSC Malaysia Capability Development Programme - Quality Management System (CDP QMS) and Software Testing (CDP Software Testing).

His vision is one day to have this Malaysian company recognised as an ICT Security Provider on a global scale. The expansion plan has begun with the monitoring and surveillance of IT systems for security breaches in various countries in the Asia region.

Justin was appointed to Extol MSC Bhd's Board on 20 December 2005. He is also a member of the Remuneration Committee. His shareholdings in the Company are disclosed in the List of Directors' Shareholdings on page 72 of this Annual Report and he is a substantial shareholder of the Company.

As Executive Director in Extol, she is involved in the Human Resource planning and development of the human capital in the Company.

Madam Lee was appointed to Extol MSC Bhd's Board on 20 December 2005. Her shareholdings in the Company are disclosed in the List of Directors' Shareholdings on page 72 of this Annual Report and she is a substantial shareholder of the Company.

Alex graduated from Bradley University in the US with a degree in Electrical Engineering in 2000, and was on the National Deans List in 1997. He is also a Certified Information Systems Security Professional (CISSP) in good standing with the International Information Systems Security Certification Consortium. He is also a member of the Information Systems Audit and Control Association and is a Certified Information Systems Auditor (CISA). In terms of technical certifications, Alex has received the Security and Identity Management Technical Specialist Award from Novell.

He was appointed to Extol MSC Bhd's Board on 20 December 2005. His shareholdings in the Company are disclosed in the List of Directors' Shareholdings on page 72 of this Annual Report and he is a substantial shareholder of the Company.

#### **4. Lee Boon Kok**

*46 years of age, Malaysian  
Independent Non-Executive Director*

Lee Boon Kok is the Independent Non-Executive Director of Extol MSC Bhd. He is currently the Advisor of the Association of the Computer and Multimedia Industry of Malaysia ("PIKOM"). PIKOM is the body representing the ICT industry in Malaysia, whose members control approximately 80% of the total ICT industry in Malaysia.

Mr. Lee graduated from Universiti Kebangsaan Malaysia in 1989 with an honors degree in Computer Science. He started his career as a system engineer and has twenty (20) years of experience in the ICT industry.

In 1996, as the Professional Service Director of KE Systems Sdn Bhd, he and his senior colleagues successfully completed a management buyout of KE Systems Sdn Bhd from Kumpulan Emas Berhad. He was promoted to the Managing Director of KE Systems Sdn Bhd in 2004. He is also holding the position of Executive Director for KE Sdn Bhd, a wholly own subsidiary of KE Systems and a Oracle certified partner.

#### **5. Mohd Fadzli bin Ibrahim**

*54 years of age, Malaysian  
Independent Non-Executive Director*

Mohd Fadzli bin Ibrahim is the Independent Non-Executive Director of Extol MSC Bhd. He graduated with a Diploma in Banking from Universiti of Technology Mara in 1976 and Bachelor of Business Administration (Finance) from Western Michigan University, US in 1981.

Mohd Fadzli started his career in Bank Negara Malaysia in 1976 as an executive. After he attained his degree, he started working with Malaysian International Merchant Bankers Berhad ("MIMB") as an assistant manager in 1982 in the field of corporate finance. In 1984, he left MIMB to join Malaysian International Finance Berhad, a

Mr. Lee has represented PIKOM in various dialogues with key government agencies and his views are much sought after by policy-makers in Malaysia. He is a member of Technical Resource Group for Enabling Technology for the National Industry Master Plan 3 (IMP3 2005 to 2020). Mr. Lee is an alternate Director of WCIT2008 Sdn Bhd, a joint venture company formed by PIKOM and MDC to undertake the task of organising the World Congress on Information Technology (WCIT) in Kuala Lumpur in 2008. Often referred to as the Olympics of ICT, WICT2008 is a world class event by World Software and Service Alliance (WITSA), an organisation which comprises world leading IT associations from seventy six (76) countries.

Mr. Lee was appointed to Extol MSC Bhd's Board on 20 December 2005. He is also the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees.

#### **6. See Keng Leong**

*58 years of age, Malaysian  
Independent Non-Executive Director*

See Keng Leong, is the Independent Non-Executive Director of Extol MSC Bhd. He graduated with a Degree in Commerce majoring in Accounting and Marketing from the University of Otago, New Zealand and is a member of the Malaysian Institute of Accountants. Graduated in 1975, he has 30 years of working experience in various industrial and commercial sectors.

Mr See started his career in 1977 as a Management Trainee in Malaysia Textile Bhd. He joined Malayan Veneer Bhd as an Accountant in 1978 and Synthetic Resins Malaysia Bhd, as an Admin and Finance Manager in 1982. He was appointed the Executive Director of Mycom Bhd in 1986 and the Group General Manager (Admin & Finance) of Woolandor Holdings Bhd in 1995.

In May 2002, Mr See joined Liqua Health Marketing Sdn Bhd as a Director of Admin & Finance and was later appointed the Finance Director of the Holding Company, Liqua Health Corporation Bhd in April 2003. He retired in February 2008 and is currently active in the provision of

subsidiary of MIMB for 8 years before pursuing his own business in 1992.

Currently, he sits on the board of directors of Early Impression Sdn Bhd specialising in pre-school education and Elite Project Management Sdn Bhd specializing in aviation, homeland security and project consulting.

He was appointed to Extol MSC Bhd's Board on 5 January 2006. He is also the Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Business Finance and Corporate Services as a freelance consultant.

The number of years spent in textile, wood products/timber, consumer electrical, engineering, investment holding and direct-selling companies, has given him a wide spectrum of business and management exposure. The various Executive positions held by him in the past 30 years comprised: Management Executive; Accountant; Financial Controller; General Managers and Executive Directors of both private and listed companies. These has given him valuable experience and knowledge in Financial and Business Process Controls, Corporate Planning/Restructuring, Corporate Governance and Listing Compliance, Human Resource/Office Administration and General Management.

He was appointed to Extol MSC Bhd's Board on 31 January 2009. He is also the Chairman of the Nomination Committee and a member of the Audit Committee.

## **Other Information:**

### **1. Conflict of Interest**

None of the Directors have any interest in contracts entered into by the Company. Significant related parties transactions in which the Directors have interests have been disclosed in Note 25 to the audited financial statements.

### **2. Convictions for Offences**

None of the Directors have been convicted for any offence for the past 10 years other than traffic offences, if any.

### **3. Directorship in other public companies**

None of the Directors have any directorship in other public companies.

### **4. Family relationships**

Save as disclosed below, none of the Directors have any family relationships with any other directors and/or substantial shareholders:-

- a) Justin Tan Seng Kooi and Alex Tan Seng Keng are siblings and Lee Choon Kee is their mother.
- b) Lee Choon Kee is the spouse of Tan Chin Eng, a major shareholder of the Company.

# Management Discussion

Dear shareholders,

On behalf of the Board of Directors, it is my pleasure to present this annual report and audited financial statements for the financial year ended ("FYE") 30 September 2009.

The Group views the current economic climate to remain volatile and uncertain for the next financial year as businesses are still cautious in spending. In this regard, the Group will continue to operate on a leaner basis whilst aspiring to gain market share.

Notwithstanding this, the Group will continue during this challenging business environment to focus on its technology, product development, service enhancement, market expansion and to further enhance the reach of the Group's sales network.

Barring unforeseen circumstances, the Group expects the prospects of the Group to improve in the coming financial year ending 30 September 2010 following anticipated improvement in economic climate.

## **Financial Performance**

For the FYE 30 September 2009, the Group recorded revenue of approximately RM16.595 million and incurred consolidated loss before tax ("LBT") of approximately RM1.504 million. There were no comparative figures for FYE 2008 as the Company had announced the change in FYE from 31 December to 30 September on 26 March 2008.

## **Industry Trends, Corporate Developments and Prospects**

### **Economic Outlook**

The global economic and financial environment of the past two years has been extremely challenging. Financial market events previously thought to be highly improbable, occurred to create a financial crisis on a global scale. The international financial system froze, wealth destruction not seen since the Great Depression took place, world trade collapsed, and many advanced and emerging economies entered into a deep synchronised recession. Several well-known global financial institutions disappeared overnight while many others were rescued by Government bailouts. The global financial crisis saw policy makers having to respond strongly and adopting a wide range of unorthodox policy measures. A prolonged recession was averted and now the global economy is recovering. What is uncertain is whether the current revival can be maintained and growth sustained. Risks remain that the current recovery could lose momentum.

The full impact of the global recession was felt in Malaysia in the first quarter of 2009 when the economy contracted by 6.2%. Since then, timely counter-cyclical fiscal and monetary policy responses, together with a sound financial sector have contributed significantly to improving domestic economic conditions. In the third quarter, real year-on-year GDP contraction slowed to 1.2%. Of significance, the economy had registered two consecutive quarters of quarter-on-quarter growth, growing by 4.8% and 5.7% in the second quarter and third quarter respectively. Domestic demand has been the key driver of these improvements. Recent indicators have suggested that a more broad-based recovery is gathering momentum. Better labour market conditions, improving private sector confidence and continued access to financing have supported the increasing strength of domestic activity. Prospects are that year on year GDP in the fourth quarter will show positive growth.

The recovery is expected to gather some strength in 2010. The economy will be driven primarily by domestic demand, with private expenditure contributing a growing share while the gradual recovery in external demand will provide a further support to growth.

*(Source : Deputy Governor Keynote Address at National Economic Outlook Conference 2010-2011 on 1 December 2009, <http://www.bnm.gov.my/>)*

## **ICT Outlook**

The Association of the Computer and Multimedia Industry of Malaysia (Pikom) projects an 8% growth for the industry this year thanks to incentives and tax breaks set down by the Government in the nation's Budget 2010.

The industry only grew 5% last year as companies spent less due to the global economic slowdown, according to the association.

Pikom president, said the Government's RM500 tax relief for every Malaysian subscribing to broadband and the RM5,000 loan to civil servants for PC purchases every three years (instead of five years previously) are some of the initiatives that will spur IT spending. Another factor that will contribute is the netbooks for university students programme, where up to 100,000 students will be provided with a portable computer and broadband connection each for just RM50 a month over two years.

Pikom also believes that the national rollout of High Speed Broadband (HSBB) and related services, such as Internet Protocol TV (IPTV), will also stimulate IT spending.

HSBB, which is undergoing trials, promises websurfing speeds of at least 10Mbps (megabits per second), compared to current speeds of up to 4Mbps. Such high surfing speeds would mean smoother videoconferencing, streaming video, e-commerce transactions, and multiplayer gaming on the Web.

*(Source : Pikom predicts 8% growth in IT industry this year, article dated 19 January 2010, The Star (Tech Central)*

The Group had put in substantial effort and emphasis on re-branding and re-packaging of its solutions in addition to quality of solutions. In particular, the Group had stepped up R&D effort to enhance its offering as well as investment in human capital and overseas marketing expenses. For regional expansion, The Group created a franchise system that was certified by the Ministry of Entrepreneur and Cooperative Development and was aggressively promoted in the Middle East in regional exhibitions. The Group continues to take initiatives to step up its efforts to strengthen the marketing of its products and expansion to other countries. In January 2009, the Group celebrated its 25<sup>th</sup> year in business with the launching of its flagship office with a gala dinner attended by distinguished guests from the Ministry of Science, Technology & Innovation Malaysia (MOSTI), Multimedia Development Corporation (MDEC), members of the press, customers, and business partners. The flagship office is not only a showcase of the Group's technology competency but also a strong commitment to future expansion needs and to achieving the goal of becoming a leading IT Security company in the region.

In March 2009, the Group participated in Franchise Middle East in Dubai, United Arab Emirates to promote its franchise system amongst Arab investors in the region. The Group also participated in Cebit, Germany, a leading ICT exhibition in Europe to showcase internally developed A.I. products and solutions and benchmark to other A.I. research labs and vendors in that region. The Malaysian Services Exhibition (MSE) in Dubai, United Arab Emirates was held once more in March of 2009 and the Group was selected amongst other leading Malaysian ICT companies because of its unique franchise system. The events gave the Group an opportunity to gauge and strategize on its product offerings while identifying potential business opportunities.

## **Research and Development**

The Group constantly keeps abreast of new technologies and market trends through extensive R&D and by working closely with the business development teams to monitor market trends and client requirements. Research and product development remain as key focuses of the Group to grow and widen the Group's product offerings and create additional revenue streams. It also helps create product distinction from the local industry competition, in some cases, by designing game changing solutions.

This year, the product development activities have been regrouped into 2 distinct areas of research and product development. The research team is focused on applied research including machine intelligence, learning and algorithms. The team is showcasing Face Recognition, Signature Verification and other security related concepts from the research output. The Product

Extol MSC Berhad (643683-U) \* Annual Report 2009

Development team turns these concepts into products and is also involved in various application development to support the various Group's business units. Local institutions of higher learning have expressed interest collaborating with the Group's R&D efforts with possible technology transfers and licensing.

The Group also signed an Memorandum of Understanding ("MOU") with the Malaysian Ministry of Science ICT research agency MIMOS, to become a technology recipient. MIMOS and the Group will go through the process of training, developing business model and strategies to incorporate MIMOS technologies into product commercialisation.

To ensure the Group's R&D activities adhere to best practices for system and software development and maintenance, we embarked on the CMMI Level 3 certification, developed by the Software Engineering Institute at the Carnegie-Mellon University. The Group was awarded certification indicating that the company has achieved a level of process improvement approach in software engineering and organizational development.

During the FYE 30 September 2009, the Group utilised RM0.562 million continuing efforts in developing new products and updated versions of existing products with enhanced features to meet changing customers' needs. The Board of Extol is of the view that the Group's R&D expenditure and future allocations for R&D will contribute positively to the Group's earnings and financial position in the long term.

### **Appreciation**

On behalf of the board of Directors, I would like to convey my earnest gratitude to our shareholders, management, staff, valued clients and business partners for their commitment, contributions and support over the past year. In spite of internal and external challenges, they surmounted to bring the Group to a position of greater strength and opportunities.

JUSTIN TAN SENG KOOI  
Chief Executive Officer  
9 February 2010

# Corporate Governance Statement

The Board is committed to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group. In this respect, the Board is pleased to present the manner in which it has applied, wherever practical and reasonable, the principles and best practices articulated in the Revised Malaysian Code on Corporate Governance ("the Code") throughout the FYE 30 September 2009.

## A. Directors

### 1. Composition of Board

The Board consists of six (6) members, comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors. The current Board composition complies with the ACE Market Listing Requirements of the Bursa Malaysia Securities Berhad. A brief profile of each Director is set out on pages 12 to 14 of this Annual Report.

The composition of the Board reflects a balance of the Executive and Non-Executive Directors. The Executive Directors contribute significantly in areas such as performance monitoring, allocation of resources as well as improving governance and controls. The Independent Non-Executive Directors fulfil an independent role in corporate accountability through their objective participation in the deliberations of the Board and the exercise of independent judgement.

The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies.

The current Board membership is also well represented by individuals with diverse professional backgrounds and experience such as in areas of technology, finance, management and economics.

In addition, the Board has identified Mr Lee Boon Kok, the Senior Independent Non-Executive Director, as the Director to whom any queries on concerns may be conveyed. Mr Lee can be contacted by post at Unit G-1, Ground Floor, Wisma UOA Pantai, No. 11, Jalan Pantai Jaya, 59200 Kuala Lumpur or at fax 603-2240 0002 or email at [lbk@kes.com.my](mailto:lbk@kes.com.my).

The Board is satisfied that the current Board composition fairly reflects the interests of minority shareholders in the Company. The profile of the Board is set out in the Directors' Profile appearing on pages 12 to 14 of the Annual Report.

### 2. Board Meetings

The Board is primarily responsible for the strategic directions of the Group and meets at least four (4) times a year at quarterly intervals, with additional meetings being convened when necessary.

During the FYE 30 September 2009, the Board met five (5) times. The details of the Directors attendance at these Board meetings are set out as follows:

Director	No. of meetings attended
Justin Tan Seng Kooi	5 of 5
Lee Choon Kee	5 of 5
Alex Tan Seng Keng	5 of 5
Lee Boon Kok	5 of 5
Mohd Fadzli bin Ibrahim	4 of 5
See Keng Leong (Appointed on 31 January 2009)	3 of 3

### **3. Supply of Information**

All Directors have unrestricted access to information in the discharge of their duties and receive regular information updates on the Company's performance to enable them to make informed decisions.

The Board papers which are presented to the Board include, amongst others, the quarterly and annual financial statements, research reports and operations report, corporate proposal, major operational and financial issues.

For all Board meetings, the notices of meetings and board papers are distributed to the Directors at least seven (7) days prior to Board Meetings to provide Directors with sufficient time to deliberate on issues to be raised at the meetings. All proceedings of the meetings are properly minuted and filed by the Company Secretary.

The Directors also have access to independent professional advice, including the advice of the external auditor, whenever such services are needed to assist them in carrying out their duties. Each Director also has unrestricted access to the advice and services of the Company Secretaries, senior management staff and other external advisers, where necessary.

### **4. Appointments of Directors**

The Nomination Committee recommends to the Board suitable candidates for appointment as Directors and to fill vacant seats on the Board. The Nomination Committee has a formal assessment mechanism in place to assess the effectiveness of the Board and the contribution of each individual director, including the Independent Non-Executive Directors. The performance measurement to assess the Board and the individual Directors' performance are carried out annually by the Nomination Committee.

Further details on the Nomination Committee are set out on page 21 of this Annual Report.

### **5. Directors Training**

The Directors attended training programs such as Board effectiveness : Understanding the Roles and Responsibilities of the Nominating and Remuneration Committees; Mastering & Managing Performance for Growth; Negotiation & Persuasion Mastery; National Accountants Conference; Pikom Leadership Summit 2009; SecurAsia 2009; MSC Malaysia Micro Financing & Funding for Technopreneurs and Signs and Symptoms of Failing Companies Seminar for the FYE 30 September 2009. The Directors will continue to participate in other relevant training programs and seminars to keep abreast with the relevant changes in laws and regulations, and the business environment from time to time.

### **6. Retirement and Re-election of Directors**

In accordance with the Company's Articles of Association ("**Articles**"), all Directors who are appointed by the Board are subject to re-election by shareholders at the first Annual General Meeting ("**AGM**"). The Articles also provide that one-third (1/3) (or nearest to one-third, if number is not three or multiple of three) of the Directors (including the Managing Director) to retire by rotation at every AGM. All the Directors are subject to retirement at an interval of at least once in every three (3) years.

Directors who are standing for re-election at the Sixth AGM of the Company to be held on 30 March 2010 are detailed in the Notice of the Sixth AGM.



## 7. Board Committees

The Board has delegated certain responsibilities to its committees which operate within clearly defined terms of reference:

a) Audit Committee

The Board is assisted by an Audit Committee. The composition and terms of reference to the Audit Committee can be found on pages 26 to 29.

b) Nomination Committee

Authority

The Nomination Committee is granted the authority to access and recommend candidates with mix of skills and experience, including core competencies to the Board. The Committee also carries out annual evaluation on the effectiveness and adequacy of balance between the whole Board.

Composition

The members are as follows:

See Keng Leong (Chairman)  
Lee Boon Kok (Member)  
Mohd Fadzli bin Ibrahim (Member)

Function and Duties

- (a) To recommend to the Board, the candidates for directorships to be filled by the shareholders or the Board;
- (b) To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and within the bounds of practicability, by any other senior executive(s) or any Director(s) or shareholder;
- (c) To recommend to the Board, the Director(s) to fill the seat(s) on Board Committees;
- (d) To review annually the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board; and
- (e) To assess the effectiveness of the Board as a whole, the Committees and the contribution of each individual Director.

Frequency of Meetings

During the FYE 30 September 2009, one (1) meeting was convened, with details on the attendance of the Directors listed below:

Name of Nomination Committee Members	No. of meeting attended
See Keng Leong (Chairman)	1 of 1
Lee Boon Kok	1 of 1
Mohd Fadzli bin Ibrahim	1 of 1

c) Remuneration Committee

Authority

The Remuneration Committee is granted the authority to recommend to the Board, the remuneration packages of the Executive Directors. The remuneration packages of Non-Executive Directors should be determined by the Board as a whole.

Composition

The members are as follows:

Mohd Fadzli bin Ibrahim (Chairman)  
Justin Tan Seng Kooi (Member)  
Lee Boon Kok (Member)

Function and Duties

- (a) To review that the existing level of remuneration of Executive Directors is compatible with their corporate and individual performance;
- (b) To recommend to the Board the remuneration of Executive Directors which is structured to link rewards to corporate and individual performance. Executive Directors should play no part in decisions on their own remuneration;
- (c) In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the particular Non-Executive Directors concerned. Determination of remuneration packages shall be a matter for the Board as a whole. The individual(s) concerned shall abstain from discussion of their own remuneration; and
- (d) The Company shall establish a formal and transparent procedure on Executive Directors' remuneration and fix the remuneration packages of individual Directors.

Frequency of Meetings

During the FYE 30 September 2009, one (1) meeting was convened, with details on the attendance of the Directors listed below:

Name of Remuneration Committee Members	No. of meeting attended
Mohd Fadzli bin Ibrahim (Chairman)	1 of 1
Justin Tan Seng Kooi	0 of 1
Lee Boon Kok	1 of 1

**B. Directors Remuneration**

The remuneration of the Executive Directors is structured so as to link rewards to corporate and individual performance in order to attract, retain and motivate the Executive Directors to run the Group successfully. In the case of the Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned.

The aggregate remuneration of Directors for the FYE 30 September 2009 is as follow:

	<b>Directors Fees</b> <b>(RM)</b>	<b>Directors Salaries and Other Emoluments</b> <b>(RM)</b>	<b>Total</b> <b>(RM)</b>
Non-Executive Directors	62,500	10,800	73,300
Executive Directors	17,625	504,000	521,625
<b>Total</b>	<b>80,125</b>	<b>514,800</b>	<b>594,925</b>

The number of directors of the Company whose remuneration fall within the respective band are as follows:

	<b>Executive Director</b>	<b>Non-Executive Director</b>
Below RM50,000	-	3
RM50,001 to RM150,000	2	-
RM150,001 to RM250,000	1	-
<b>Total</b>	<b>3</b>	<b>3</b>

The Directors' fees are approved by the shareholders at the Annual General Meeting.

### **C. Relationship with Shareholders and Investors**

The Group recognises the importance of accurate, effective and timely communication with shareholders and investors to keep them informed on the Group's latest business and corporate developments.

Several channels are used to disseminate information on a timely basis to the investing public:

- a) the Annual General Meeting is used as the main forum of dialogue for shareholders to raise any issues pertaining to the Company;
- b) Quarterly announcements and corporate disclosure to Bursa Malaysia Securities Berhad ("**Bursa Securities**") are available on the website [www.bursamalaysia.com](http://www.bursamalaysia.com);
- c) Press releases provide up-to-date information on the Group's key corporate initiatives and new product and service launches;
- d) The Company's website at [www.extolcorp.com](http://www.extolcorp.com) provides corporate information on the Group; and
- e) The Group's Corporate Communications Department addresses inquiries from shareholders, investors and the public relating to Company matters.

### **D. Accountability and Audit**

#### **1. Financial Reporting**

The Board is responsible for ensuring that the Company maintains accounting records, and financial statements which disclose with reasonable accuracy the financial position of the Group, and that the financial statements comply with the Companies Act, 1965 and the applicable approved accounting standards set by Malaysian Accounting Standard Boards. The statement of Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 40 of this Annual Report.

In the preparation of the financial statements, the Directors are of the view that:

- The Group has used appropriate accounting policies that are consistently applied;
- Reasonable and prudent judgments and estimates have been made; and
- All applicable approved accounting standards in Malaysia have been followed.

## 2. Internal Control

The Board acknowledges that it is responsible to set up and maintain an effective system of internal control to safeguard the shareholders' interest and the Group's assets. With this, the Board has ensured that the system of internal control takes into account the process of identifying key risks, likelihood of occurrence and materiality. The Board has also considered the adequacy of internal controls to address these risks.

The Board recognises that risks cannot be eliminated completely. However, with the implementation of a proper system of internal control, the Directors and senior management of the Group aim to provide reasonable assurance against material misstatement, losses and fraud. The Audit Committee assists the Board in discharging the duties in relation to internal control.

## 3. Relationship with Auditors

Through the Audit Committee, the Company has established a formal and transparent relationship with the Group's external auditors. The Audit Committee meets with external auditors at least twice a year to review audit plans and to facilitate exchange of views on issues requiring attention. In addition, audit findings and reports are highlighted to the Audit Committee and the Board.

The Audit Committee takes responsibility to ensure that adequate resources are allocated and provided to the external auditors to carry out their duties according to the annual audit plan. The details of audit / non-audit fees paid / payable to the external auditors are set out below:

30.09.09	Group (RM)	Company (RM)
Audit fees	24,000	11,500
Non-audit fees	4,200	3,700

## 4. Statement of compliance with the Revised Best Practices of the Code on Corporate Governance ("the Code")

The Board recognises and subscribes to the importance of the principles and best practices set out in the Code. In this respect, where practical and reasonable, the Board has applied the principles and best practices under the Code.

## E. Additional Corporate Information

### 1. Share Buybacks

The Company did not have a share buy-back plan in place during the FYE 30 September 2009.

### 2. Amount of Option, Warrants or Convertible Securities Exercised during the Financial Year

There were no options, warrants or convertible securities exercised during the FYE 30 September 2009.

### 3. Depository Receipt ("DR") Programme

The Company did not sponsor any DR programme.

### 4. Sanction and/or Penalties

There were no sanction and/or penalties imposed on the Company and its subsidiaries, directors or management by the regulatory bodies during the FYE 30 September 2009.

**5. Variation of Results**

The Company did not issue any profit estimate, forecast or projection for the FYE 30 September 2009.

There were no variances of 10% or more between the audited results for the FYE 30 September 2009 and the unaudited results previously announced.

**6. Profit Guarantee**

There were no profit guarantees given by the Company in respect of the FYE 30 September 2009.

**7. Material Contracts**

There were no material contracts entered into by the Group involving directors' and substantial shareholders interest, either still subsisting, or entered into since the end of the previous financial year.

**8. Revaluation of Landed Properties**

The Group did not revalue any of its landed properties during the FYE 30 September 2009.

**9. Corporate Social Responsibility Activities or Practices**

The Corporate Social Responsibility report is set out on page 11 of this Annual Report.

**10. Recurrent Related Party Transactions ("RRPT") of revenue nature**

There were no RRPT of revenue nature entered into by the Group during the FYE 30 September 2009.

**11. Status of Utilisation of Proceeds**

The Initial Public Offering ("IPO") was completed on 20 March 2006. As at 30 September 2009, the Company has fully utilised the proceeds raised from the IPO.

# Audit Committee Report

## Member

The Audit committee was established on 5 January 2006. The present members of the Audit Committee and their respective designations are as follows:

## Chairman

Lee Boon Kok

*Independent Non-Executive Director*

## Members

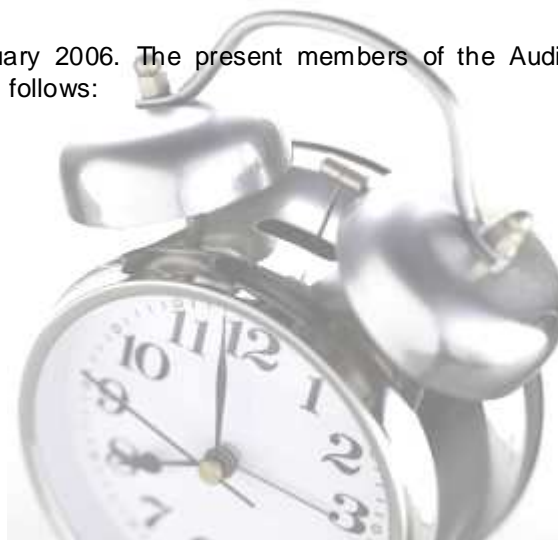
Mohd Fadzli bin Ibrahim

*Independent Non-Executive Director*

See Keng Leong

*Independent Non-Executive Director*

(Appointed with effect from 31 January 2009)



## Terms of Reference of Audit Committee

### 1. Composition of the Audit Committee

The Audit Committee shall be appointed by the Board from amongst their numbers, to fulfil the following requirements:-

- (1) The Audit Committee must be composed of no fewer than 3 members. The Committee shall comprise of only non-executive directors, of which the majority shall be independent directors. In the event of any vacancy in the Audit Committee resulting in the non-compliance of the above, the Company must fill the vacancy within 3 months.
- (2) All the Audit Committee members must be financially literate, and at least one member:-
  - (i) must be a member of the Malaysian Institute of Accountants; or
  - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
    - (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - (iii) fulfils such other requirements as prescribed or approved by the Exchange.
- (3) No alternate director shall be appointed as a member of the Audit Committee.
- (4) The member of the Audit Committee shall elect a Chairman from among themselves who shall be an Independent Director. The Chairman of the Audit Committee should engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the company.

All members of the Audit Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. The Board must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether the Audit Committee has carried out its duties in accordance with its terms of reference.

## **2. Secretary of the Audit Committee**

The Company Secretaries of the Company shall be the Secretaries of the Audit Committee.

## **3. Duties and Responsibilities of the Audit Committee**

The following are the main duties and responsibilities of the Audit Committee collectively:

- (1) Review the following and report the same to the Board of the Company:-
  - (i) with the external auditors, the audit plan;
  - (ii) with the external auditors, his evaluation of the system of internal controls;
  - (iii) with the external auditors, his audit report;
  - (iv) the assistance given by the employees of the Company to the external auditors and the internal auditors;
  - (v) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - (vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (vii) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:-
    - (a) changes in or implementation of major accounting policy changes;
    - (b) significant and unusual events; and
    - (c) compliance with accounting standards and other legal requirements;
  - (viii) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - (ix) any letter of resignation from the external auditors and any questions of resignation or dismissal; and
  - (x) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment;
- (2) Oversee the Company's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance;
- (3) Assist the Board in identifying the principal risks in the achievement of the Company's objectives and ensuring the implementation of appropriate systems to manage these risks;

- (4) Recommend to the Board on the appointment and re-appointment of the external auditors and their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of the audit;
- (5) Discuss with the external auditors before the audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- (6) Discuss problems and reservations arising from the audits and any matter the auditors may wish to discuss in the absence of the management where necessary;
- (7) Review the external auditor's management letter and management's response therein;
- (8) In relation to the internal audit function:-
  - (i) review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - (ii) review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - (iii) review any appraisal or assessment of the performance of members of the internal audit function;
  - (iv) approve any appointment or termination of senior staff members of the internal audit function; and
  - (v) take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (9) Consider the major findings of internal investigations and management's response; and
- (10) Consider other matters as defined by the Board.

#### **4. Rights of the Audit Committee**

In carrying out its duties and responsibilities, the Audit Committee will:

- have the authority to investigate any matter within its terms of reference;
- have the resources which are required to perform its duties;
- have full and unrestricted access to any information pertaining to the Company;
- have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- be able to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend the Audit Committee meetings (if required) and to brief the Audit Committee; and
- be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.



## **5. Conduct of Meetings**

- (1) The Audit Committee shall meet at least four (4) times in each financial year although additional meetings may be called at any time, at the discretion of the Chairman of the Audit Committee.
- (2) The quorum shall consist of a majority of Independent committee members and shall not be less than two.
- (3) Recommendations by the Audit Committee shall be submitted to the Board for approval.
- (4) The Company Secretaries shall be in attendance at each Audit Committee meeting and record the proceedings of the meeting thereat.
- (5) Minutes of each meeting shall be kept as part of the statutory record of the Company upon confirmation by the Board and a copy shall be distributed to each member of the Audit Committee.
- (6) The Chief Executive Officer and other appropriate officer shall be invited to attend where their presence may be considered appropriate as determined by the Audit Committee Chairman.
- (7) The internal auditors and/or external auditors have the right to appear and be heard at any meeting of the Audit Committee and are recommended to attend each Audit Committee meeting.
- (8) Upon the request of the internal auditors and/or external auditors, the Audit Committee Chairman shall also convene a meeting of the Audit Committee to consider any matter the auditor(s) believes should be brought to the attention of the Board or the shareholders.
- (9) The Audit Committee must be able to convene meetings with external auditors without the presence of the executive board members and management at least twice a year and whenever deemed necessary.
- (10) Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Securities Berhad requirements, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.
- (11) The attendance of any particular Audit Committee meeting by other directors and employees of the Company shall be at the Audit Committee's invitation and discretion and must be specific to the relevant meeting.

## **Summary of Activities Undertaken**

The activities of the Committee for the FYE 30 September 2009 include, inter alia, the following:

### **Internal Audit**

- Reviewed the adequacy of the scope, functions and resources of the internal audit function, and that it had the necessary authority to carry out its work; and
- Reviewed and discussed the internal audit reports and ensure that corrective actions had been taken to rectify the weaknesses highlighted in the audit reports.

### **Financial Reporting**

Reviewed the quarterly and year end financial statements and ensure that the financial reporting and disclosure requirements of relevant authorities had been complied with, focusing particularly on:-

- any change in or implementation of accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption;
- major judgmental issues;
- significant and unusual events; and
- compliance with accounting standards and other regulatory requirements.

### **External Audit**

- Reviewed the audit planning memorandum for the financial year ending 30 September 2009;
- Reviewed the annual audited financial statement of the Group with the external auditors prior to submission to the Board for approval;
- Reviewed and discussed the observations, recommendations and the management's comments in respect of the issues raised by the external auditors on their evaluation of the system of internal controls; and
- Met with the external auditors without executive board members present during the FYE 30 September 2009.

### **Related Party Transaction**

- Reviewed the related party transactions and conflict of interest situation that may arise within the company or group including any transactions, procedures or course of conduct that raises questions of management integrity.

### **Other Matters**

- Reviewed the Corporate Governance Statement.

## Meetings

During the FYE 30 September 2009, six (6) meetings were convened, with details on the attendance of the Directors listed below:

<b>Name of Committee Members</b>	<b>No. of meetings attended</b>
Lee Boon Kok	6 of 6
Mohd Fadzli bin Ibrahim	6 of 6
See Keng Leong (Appointed on 31 January 2009)	4 of 4

## Internal Audit Function

The Board recognised the importance of the internal audit function and the independent status required for it to carry out the job effectively. During the FYE 30 September 2009, the internal audit function in respect to the accounting system was outsourced to CAS Consulting Services Sdn. Bhd. and the internal audit function for the operations was performed by Quality Assurance and Audit department (QA) of the Group. The Internal QA team introduced risk based auditing approach with risk focused audit program in order to ensure that the principal risks were being identified and mapped with the existing system of internal control. The outsourcing of the audit functions in respect to the Group's accounting system was carried out stringently whereby results of accounting were properly maintained. As an ISO27001:2005 certified organization towards Information Security Management Systems (ISMS), the audit functions are to ensure that the controls and objectives of the standards are adhered to, maintained and followed. The audit plans that have been prepared at the beginning of the year were followed accordingly and areas of improvement were highlighted in the audit reports and discussed during the Management Review meetings together with the Audit Committee. By being certified towards ISO9001:2000, Quality Management Systems (QMS) the organisation was able to handle project management in a professional and structured way resulting in customer's confidence.

The Group had incurred a total amount of RM9,500 for the internal audit function for the FYE 30 September 2009.

The Board had via the Audit Committee evaluated the effectiveness of the outsourcer and QA by reviewing the results of its work in Audit Committee meetings.

## Statement by the Audit Committee in relation to ESOS allocation

The Group had obtained approval for an Employee Share Option Scheme ("ESOS") in conjunction with the Initial Public Offer approval up to 10% of the issued and paid-up share capital of the Company. As at the date of this report, no ESOS options had been granted.

# Statement on Internal Control

The Board of Directors is committed to maintain a sound system of internal control of the Group to safeguard the shareholders' investment and the Group's assets. The Board is pleased to provide the following statement which outlines the nature and scope of internal control of the Group during the financial year.

## Responsibility of the Board

The Board recognises the importance of a sound system of internal control for good corporate governance and acknowledges its primary responsibility to ensure that principal risks in the Group are identified, measured and managed with appropriate system of internal controls, and to ensure that the effectiveness, adequacy and integrity of the internal control systems are reviewed on an ongoing basis. The system of internal control covers *inter-alia*, governance, risk management, financial, organisational, operational and compliance control. The Board also acknowledges that a sound system of internal controls reduces, but cannot eliminate, the possibility of poor judgement in decision-making; human error; breakdown in internal control due to collusion; control processes being deliberately circumvented by employees and others; management overriding controls and occurrence of unforeseeable circumstances. A sound system of internal control therefore provides reasonable, but not absolute, assurance that the Group will not be hindered in achieving its business objectives.

The Board recognises that the system needs to be continuously improved to support the type of business and size of the Group's operations. Such a system is concerted and continues the process for identifying, evaluating and managing significant risks faced by the Group.

## Extol's Policies on Risk Management

Extol Group is a one-stop Information and Communications Technology ("ICT") security solutions provider offering a comprehensive spectrum of ICT security products and services to counter ICT security threats.

The Board confirms that an ongoing process for identifying, measuring and managing the Group's principal risks has been operated throughout the year under review. This process is reviewed by the Audit Committee whose main role is to review, on behalf of the Board, the key risks inherent in the business and the system of control necessary to manage such risks, and to present its findings to the Board. The Audit Committee is supported by the Group's internal audit function in carrying out its roles and responsibilities. To ensure that risks are managed effectively, Project Risk Management Processes are followed i.e.:

- Risk management Planning : Documenting intent of project regarding risk management
- Risk Identification : Reviewing project to identify risks
- Qualitative Risk : Analysing Risk impacts
- Quantitative Risk : Analysing Risk impacts and probabilities
- Risk Response Planning : Identifying actions to respond to prioritized risks
- Risk Monitoring and Control : Monitoring for identified risks and symptoms, looking for new risks

The Group's risk management procedure enables all information and associated assets, such as information processing equipments and facilities, to undergo risk assessment on an annual basis and as and when there is an urgent need. A risk that can be reduced, transferred, or avoided is considered as acceptable level of risk. The management decides on the criteria for risk acceptance. Extol selects appropriate control objectives from the ISO 27001 standard and work to mitigate the risks to residual level through the process of:

- Identifying the threats
- Exposures for those assets
- Threats to the assets from internal or external sources
- Security issues that need to be addressed
- Identifying the vulnerabilities
- Determining the probabilities
- Determining the impact
- Selecting appropriate controls from the ISO 27001 standards

All employees are required to sign a Non-Disclosure Agreement (NDA) during their service in the organisation to ensure the Confidentiality, Integrity and Availability (CIA) of valuable and private information and a high level of security and risk management is maintained at Group level. All employees know exactly what is expected of them not only in deliverables but also in the quality of the deliverables.

### **Key Elements of Internal Control**

The key elements of the Group's internal control system that are regularly reviewed by the Board are as follows:

- Establishment of a conducive control environment in respect of the overall attitude, awareness and actions of Directors and management regarding the internal control system and its importance to the Group;
- To monitor the recruitment of experienced, skilled and professional staff with the necessary calibre to fulfil the respective responsibilities and ensuring that minimum controls are put in place;
- Clear Group structure, reporting lines of responsibilities and appropriate levels of delegation;
- Establishment of an effective segregation of duties via independent checks, review and reconciliation activities to prevent human errors, fraud and abuses;
- Effective monitoring of significant variances and deviation from standard operating procedures and budget;
- The Group has outsourced the internal audit services for the financial portion whereas the rest of the process is being handled by the QA department. The internal audit functions independently review the risk identification procedures and control processes implemented by the management, and reports to the Audit Committee during the Audit Committee meetings. The internal audit functions provide assurance over the operation and validity of the system of internal control in relation to the level of risk involved using risk-based-auditing methodology;
- The Audit Committee regularly convenes meetings to deliberate on the findings and recommendations for improvement by internal audit function, external auditors as well as regulatory authorities. The Audit Committee reviews the actions taken to rectify the findings in a timely manner, and to evaluate the effectiveness and adequacy of the Group's internal control systems;
- Monitoring of the compliance of the Group's Standard Operations Procedure and adherence to the Group's policy by the Quality Assurance Department resulting in the Group's services exceeding customer needs and its being ISO 27001:2005 and ISO 9001:2000 certified; and

- Monitor the progress meetings which are conducted regularly with heads of departments to address weaknesses and to improve efficiency and productivity.

The Board believes that the systems of internal controls in the Group are adequate and have been effective in their functions, with no significant breakdown or weaknesses in the system of internal control noted during the period under review.

Moving forward, the Group looks to continue to improve and enhance the existing systems of internal controls, taking into consideration the changing business environment.

The Group's statement of internal controls has been reviewed by the Company's external auditors.



## Financial Statements

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**EXTOL MSC BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The directors have pleasure in presenting their report together with the audited financial statements of the Company and of the Group for the year ended 30th September 2009.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company during the year are to carry out research and development in Information Communication Technology (ICT) security system and to provide professional services which are directly and indirectly linked to ICT, and of investment holdings. The principal activities of the subsidiary companies are stated in Note 5 of the notes to the financial statements. There have been no significant changes in the nature of these activities during the year.

**RESULTS FOR THE FINANCIAL YEAR**

	COMPANY RM	GROUP RM
Loss before taxation	(513,260)	(1,504,193)
Taxation	-	185,307
Loss after taxation	<u>(513,260)</u>	<u>(1,318,886)</u>
Attributable to:		
Equity holders of the company	(513,260)	(1,199,429)
Minority interest	-	(119,457)
	<u>(513,260)</u>	<u>(1,318,886)</u>

No transfer has been made to or from any reserve or provision.

No amount has been paid or recommended to be paid by way of dividend since the end of the last financial period.

In the opinion of the directors the results of the Company and of the Group during the year have not been substantially affected by any item, transaction or event of a material and unusual nature.

**DIRECTORS**

The directors in office at the date of this report are:-

JUSTIN TAN SENG KOOI  
ALEX TAN SENG KENG  
LEE CHOON KEE  
LEE BOON KOK  
MOHD FADZLI BIN IBRAHIM  
SEE KENG LEONG

**DIRECTORS' BENEFITS**

Since the end of the last financial period, no director has received or has become entitled to receive a benefit (other than those disclosed as directors' fees and emoluments in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors to acquire benefits through the acquisition of shares or debentures in the Company or any other body corporate.



**EXTOL MSC BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

**DIRECTORS' INTERESTS**

The directors holding office at the end of the financial year and their interest in the issued share capital of the Company during the year according to the register of directors' shareholdings were as follows:-

	Number of shares of RM0.10 each			As at 30.09.2009
	As at 01.10.2008	Bought	Sold	
<b><u>Direct</u></b>				
JUSTIN TAN SENG KOOI	16,659,800	-	-	16,659,800
ALEX TAN SENG KENG	11,379,600	-	-	11,379,600
LEE CHOON KEE	11,679,600	-	100	11,679,500
LEE BOON KOK	-	-	-	-
MOHD FADZLI BIN IBRAHIM	-	-	-	-
SEE KENG LEONG	-	-	-	-
<b><u>Indirect</u></b>				
JUSTIN TAN SENG KOOI	35,769,900	-	100	35,769,800
ALEX TAN SENG KENG	41,050,100	-	100	41,050,000
LEE CHOON KEE	40,750,100	-	-	40,750,100
LEE BOON KOK	-	-	-	-
MOHD FADZLI BIN IBRAHIM	-	-	-	-
SEE KENG LEONG	-	-	-	-

**OTHER STATUTORY INFORMATION**

a.) Before the income statements and balance sheets of the Company and of the Group were made out, the directors took reasonable steps:-

- (i) to ascertain that action had been taken in regard to the writing off and providing for bad and doubtful debts and have satisfied themselves that all known bad debts have been written off and that adequate provision for doubtful debts have been made; and
- (ii) to ensure that any current assets which are unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

b.) At the date of this report, the directors advise that they are not aware of any circumstances which would render:

- (i) the amount written off and provided for bad and doubtful debts inadequate to any substantial extent; and
- (ii) the values attributable to current assets in the financial statements misleading.

**EXTOL MSC BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

- c.) In their opinion, no item, transaction or event of a material and unusual nature has arisen which would affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.
- d.) In the opinion of the Directors: -
- (i) there are no contingent liabilities of the Company and of the Group which have arisen since the end of the financial year.
  - (ii) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company and of the Group to meet its obligations as and when they fall due.
- e.) As at the date of this report:-
- (i) there are no charges on the assets of the Company and of the Group which have arisen since the end of the financial year to secure the liabilities of any other person, or
  - (ii) the directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Company and of the Group which would render any amount stated in the financial statements misleading.

**PROCEEDS OF PUBLIC ISSUE**

The gross proceeds from the Public Issue of 26,100,000 shares in financial year ended 31st December 2006 amounting to RM7,830,000 were proposed to be utilised as follows:

	RM
Research and development	3,066,000
Business expansion	1,917,000
Working capital	1,247,000
Listing expenses	1,600,000
	<hr/>
	7,830,000
	<hr/> <hr/>

As at 30th September 2009, all the proceeds were utilised in the manner as proposed.

**EXTOL MSC BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

**AUDITORS**

The auditors, Messrs C. K. Cheah & Co., Chartered Accountants, have expressed their willingness to accept re-appointment.

By Resolution of the Board

JUSTIN TAN SENG KOOI  
DIRECTOR

LEE CHOON KEE  
DIRECTOR

PETALING JAYA  
27 JANUARY 2010

**EXTOL MSC BERHAD**

(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

*Pursuant to Section 169(15) of the Companies Act, 1965*

We, JUSTIN TAN SENG KOOI and LEE CHOON KEE, being two of the directors of EXTOL MSC BERHAD do hereby state on behalf of the directors that in our opinion, the financial statements as set out on pages 43 to 71 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30th September 2009 and of the results of the operations and cash flows of the Company and of the Group for the year ended on that date.

On behalf of the Directors

JUSTIN TAN SENG KOOI  
DIRECTOR

LEE CHOON KEE  
DIRECTOR

Petaling Jaya  
Dated: 27 January 2010

**STATUTORY DECLARATION**

*Pursuant to Section 169(16) of the Companies Act, 1965*

I, NG CHOO KIT, being the officer primarily responsible for the accounting records and financial management of EXTOL MSC BERHAD do solemnly and sincerely declare that the financial statements as set out on pages 43 to 71 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
NG CHOO KIT )  
I/C No. 660908-06-5394 ) **NG CHOO KIT**  
at Petaling Jaya )  
in the state of Selangor Darul Ehsan on )  
this 27 January 2010 )

Before me

Soong Foong Chee  
Commissioner for Oaths  
Selangor Darul Ehsan

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
EXTOL MSC BERHAD**  
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of EXTOL MSC BERHAD, which comprise the balance sheets as at 30th September 2009 of the Company and of the Group, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 71.

*Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company and of the Group as of 30th September 2009 and of its financial performance and cash flows for the year then ended.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
EXTOL MSC BERHAD**  
(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- i. In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provision of the Act.
- ii. We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- iii. Our audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

C. K. CHEAH & CO.  
AF: 0434  
CHARTERED ACCOUNTANTS (MALAYSIA)  
Dated: 27 JANUARY 2010

CHEAH CHOONG KEONG  
1108/05/10(J)  
CHARTERED ACCOUNTANT

**EXTOL MSC BERHAD**  
(Incorporated in Malaysia)

**BALANCE SHEET**  
**AS AT 30<sup>TH</sup> SEPTEMBER 2009**

	Notes	The Group		The Company	
		30.09.2009 RM	30.09.2008 RM	30.09.2009 RM	30.09.2008 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	4	4,104,269	4,714,142	167,894	216,850
Interest in subsidiary companies	5	-	-	13,417,296	13,251,131
Prepaid lease assets	6	864,073	1,224,930	-	-
Goodwill		3,510,211	3,510,211	-	-
Product development expenditure	7	5,033,033	5,122,950	4,005,879	3,873,063
		----- 13,511,586	----- 14,572,233	----- 17,591,069	----- 17,341,044
<b>CURRENT ASSETS</b>					
Inventories		242,884	-	-	-
Trade receivables	8	6,702,352	3,289,365	27,364	3,864
Other receivables	9	299,422	544,206	27,754	45,015
Tax recoverable		79,755	86,167	9,600	9,600
Short term investment	10	3,605	874,760	3,605	874,760
Fixed deposits with licensed banks	11	1,540,346	1,503,553	-	-
Cash and bank balances		1,400,103	2,247,448	233,129	102,540
		----- 10,268,467	----- 8,545,499	----- 301,452	----- 1,035,779
<b>TOTAL ASSETS</b>		<u>23,780,053</u>	<u>23,117,732</u>	<u>17,892,521</u>	<u>18,376,823</u>
<b>EQUITY AND LIABILITIES</b>					
Capital and reserves					
Share capital	12	10,440,000	10,440,000	10,440,000	10,440,000
Share premium	13	3,620,000	3,620,000	3,620,000	3,620,000
Profit and loss account		3,778,964	4,978,393	3,611,523	4,124,783
Equity attributable to equity holders of the company		----- 17,838,964	----- 19,038,393	----- 17,671,523	----- 18,184,783
Minority interest		31,400	150,857	-	-
		----- 17,870,364	----- 19,189,250	----- 17,671,523	----- 18,184,783
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	14	681,697	1,360,189	36,659	76,661
Deferred tax liabilities	15	626,152	835,459	-	-
		----- 1,307,849	----- 2,195,648	----- 36,659	----- 76,661
<b>CURRENT LIABILITIES</b>					
Borrowings	14	2,863,040	844,021	40,002	40,002
Trade payables	16	1,231,238	712,402	-	-
Other payables	17	507,562	176,411	144,337	75,377
		----- 4,601,840	----- 1,732,834	----- 184,339	----- 115,379
<b>TOTAL LIABILITIES</b>		<u>5,909,689</u>	<u>3,928,482</u>	<u>220,998</u>	<u>192,040</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>23,780,053</u>	<u>23,117,732</u>	<u>17,892,521</u>	<u>18,376,823</u>

The notes on pages 47 to 71 form an integral part of the financial statements.

**EXTOL MSC BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER 2009**

	Notes	The Group		The Company	
		Year ended 30.09.2009 RM	01.01.2008 to 30.09.2008 RM	Year ended 30.09.2009 RM	01.01.2008 to 30.09.2008 RM
TURNOVER	18	16,594,734	9,878,501	2,110,063	1,914,802
COST OF SALES		<u>(10,437,132)</u>	<u>(4,882,716)</u>	<u>(192,280)</u>	<u>(153,432)</u>
GROSS PROFIT		6,157,602	4,995,785	1,917,783	1,761,370
Other operating income		292,938	192,439	17,151	24,026
Administration expenses		(4,846,149)	(3,133,124)	(1,544,731)	(1,285,533)
Selling and distribution expenses		(366,544)	(266,541)	(130,257)	(24,257)
Other operating expenses		<u>(2,547,600)</u>	<u>(1,592,235)</u>	<u>(768,064)</u>	<u>(452,050)</u>
(LOSS)/PROFIT FROM OPERATIONS		(1,309,753)	196,324	(508,118)	23,556
Finance expenses	19	<u>(194,440)</u>	<u>(124,275)</u>	<u>(5,142)</u>	<u>(3,857)</u>
(LOSS)/PROFIT BEFORE TAXATION	20	<u>(1,504,193)</u>	<u>72,049</u>	<u>(513,260)</u>	<u>19,699</u>
TAXATION	22	<u>185,307</u>	<u>18,621</u>	<u>-</u>	<u>-</u>
(LOSS)/PROFIT AFTER TAXATION		<u><u>(1,318,886)</u></u>	<u><u>90,670</u></u>	<u><u>(513,260)</u></u>	<u><u>19,699</u></u>
ATTRIBUTABLE TO:					
Equity holders of the company		(1,199,429)	84,652		
Minority interest		<u>(119,457)</u>	<u>6,018</u>		
		<u><u>(1,318,886)</u></u>	<u><u>90,670</u></u>		
Earnings per share (sen)					
- basic	23	<u><u>(1.15)</u></u>	<u><u>0.08</u></u>	<u><u>(0.49)</u></u>	<u><u>0.02</u></u>

*The notes on pages 47 to 71 form an integral part of the financial statements.*



**EXTOL MSC BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER 2009**

	← The Group →						← The Company →			
	Share capital RM	Share premium RM	Unappropriated profit RM	Total RM	Minority interests RM	Total equity RM	Share capital RM	Share premium RM	Unappropriated profit RM	Total RM
As at 01.01.2008	10,440,000	3,620,000	4,893,741	18,953,741	144,839	19,098,580	10,440,000	3,620,000	4,105,084	18,165,084
Profit after taxation	-	-	84,652	84,652	6,018	90,670	-	-	19,699	19,699
As at 30.09.2008	10,440,000	3,620,000	4,978,393	19,038,393	150,857	19,189,250	10,440,000	3,620,000	4,124,783	18,184,783
Loss after taxation	-	-	(1,199,429)	(1,199,429)	(119,457)	(1,318,886)	-	-	(513,260)	(513,260)
As at 30.09.2009	10,440,000	3,620,000	3,778,964	17,838,964	31,400	17,870,364	10,440,000	3,620,000	3,611,523	17,671,523

# EXTOL MSC BERHAD

(Incorporated in Malaysia)

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER 2009

	The Group		The Company	
	Year ended 30.09.2009 RM	01.01.2008 to 30.09.2008 RM	Year ended 30.09.2009 RM	01.01.2008 to 30.09.2008 RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
(Loss)/Profit before taxation	(1,504,193)	72,049	(513,260)	19,699
Adjustments for :				
Amortisation of prepaid lease assets	360,857	197,591	-	-
Amortisation of product development expenditure	616,952	462,716	394,219	295,664
Depreciation of property, plant and equipment	836,338	689,297	75,869	53,509
Gain of disposal of property, plant and equipment	(108,740)	(41)	-	-
Impairment loss	34,776	-	34,776	-
Interest income	(64,315)	(86,252)	(15,396)	(24,026)
Interest expenses	194,440	124,275	5,142	3,857
Property, plant and equipment written off	127,842	-	-	-
Rental Income	(111,550)	(74,050)	-	-
	1,886,600	1,313,536	494,610	329,004
Operating profit/(loss) before working capital changes	382,407	1,385,585	(18,650)	348,703
(Increase)/Decrease in inventories	(242,884)	1,160	-	-
(Increase)/Decrease in receivables	(3,168,203)	2,784,541	(172,404)	58,383
Increase/(Decrease) in payables	2,141,987	(2,421,988)	68,960	(985)
	(1,269,100)	363,713	(103,444)	57,398
Cash (used in)/generated from operations	(886,693)	1,749,298	(122,094)	406,101
Bank overdraft interest	(3,160)	(1,014)	-	-
Bills payable interest	(102,759)	(60,886)	-	-
Taxation paid	(17,588)	(52,209)	-	(3,748)
Net cash(used in)/generated from operating activities	(1,010,200)	1,635,189	(122,094)	402,353
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Interest received	64,315	86,252	15,396	24,026
Proceeds from disposal of property, plant and equipment	740,000	135	-	-
Purchase of prepaid lease assets	-	(438,296)	-	-
Purchase of property, plant and equipment	(985,567)	(314,300)	(26,913)	(4,967)
Product development expenditure	(561,811)	(715,467)	(561,811)	(715,467)
Rental income received	111,550	74,050	-	-
Net cash used in investing activities	(631,513)	(1,307,626)	(573,328)	(696,408)
	(1,641,713)	327,563	(695,422)	(294,055)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Draw n dow n of lease facility	-	438,296	-	-
Lease and hire purchase interest paid	(66,109)	(36,434)	(5,142)	(3,857)
Payment to lease and hire purchase payables	(400,859)	(227,592)	(40,002)	(30,001)
Term loan interest paid	(22,412)	(25,941)	-	-
Repayment of term loans	(286,959)	(64,183)	-	-
Net cash (used in)/generated from financing activities	(776,339)	84,146	(45,144)	(33,858)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(2,418,052)	411,709	(740,566)	(327,913)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	4,625,761	4,214,052	977,300	1,305,213
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 24)</b>	<u>2,207,709</u>	<u>4,625,761</u>	<u>236,734</u>	<u>977,300</u>

The notes on pages 47 to 71 form an integral part of the financial statements.

**EXTOL MSC BERHAD**  
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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

1. GENERAL INFORMATION

The principal activities of the Company during the year are to carry out research and development in Information Communication Technology (ICT) security system and to provide professional services which are directly and indirectly linked to ICT, and of investment holdings. The principal activities of the subsidiary companies are stated in Note 5 of the notes to the financial statements. There have been no significant changes in the nature of these activities during the year.

The Company is a public listed company incorporated and domiciled in Malaysia and quoted on the ACE Market of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is as follows:

Level 18, The Gardens North Tower,  
Mid Valley City,  
Lingkaran Syed Putra,  
59200 Kuala Lumpur.

The address of the principal place of business of the Company is as follows:

Unit G-1, Ground Floor,  
Wisma UOA Pantai,  
No. 11, Jalan Pantai Jaya,  
59200 Kuala Lumpur.

2. BASIS OF PREPARATION

The financial statements of the Company and of the Group have been prepared under the historical cost convention and the Malaysian's Financial Reporting Standards (FRS) for Entities Other than Private Entities issued by Malaysian Accounting Standards Board.

Standard and interpretations issued but not yet effective

As of the date of issuance of the financial statements, the following FRSs and Issues Committee Interpretations ("IC Int.") that have been issued but not yet effective until future period are as follows:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)
FRS 2	Share-based Payment (Amendments relating to vesting conditions and cancellations)
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs (Revised)
FRS 127	Consolidated and Separate Financial Statements (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)
FRS 139	Financial Instruments: Recognition and Measurement
IC Int.9	Reassessment of Embedded Derivatives
IC Int.10	Interim Financial Reporting and Impairment
IC Int.11	FRS 2 – Group and Treasury Share Transactions
IC Int.13	Customer Loyalty Programmes
IC Int.14	FRS 119 – The Limit on a Defined Benefits Asset, Minimum Funding Requirements and Their Interaction

Consequential amendments were also made to various FRSs as a result of these new/revised FRSs.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

2. BASIS OF PREPARATION (CONTINUED)

Except for FRS 8 which is effective for annual financial statements for periods beginning on or after 1st July 2009, the new/revised FRSs, amendments to FRSs and IC Int. are effective for annual periods beginning on or after 1 January 2010.

FRS 1, FRS 2, FRS 4, FRS 8, FRS 123, IC Int.9, IC Int.11, IC Int. 13 and IC Int.14 are not expected to be relevant to the operations of the Company and the Group. The directors anticipate that the others FRSs, amendment to FRSs and IC Int. will be adopted in the annual financial statements of the Company and of the Group for the year commencing 1st October 2010 and that adoption of these new/revised FRS, amendments to FRSs and IC Int. will have no material impact on the financial statements of the Company and of the Group in the period of initial application except for the following:

FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Company's and the Group's financial position and performance, the nature and extent of risks arising from financial instruments, and the objectives, policies and processes for managing capital.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimation and Errors is not disclosed by virtue of the exemption given in the respective FRSs. The initial application of the remaining standards (and its consequential amendments) and interpretations is not expected to have any material impact on the financial statements of the Company and of the Group.

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency. All financial information presented in RM has been rendered to nearest RM, unless otherwise stated.

The preparation of financial statements of the Company and of the Group requires management to make assumptions, estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Assumptions and estimates are reviewed on an ongoing basis and recognised in the period in which the assumption or estimate is revised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered to be material in relation to the financial statements.

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. Subsidiary companies are companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed of are included in the consolidated income statement from the date of acquisition or up to the date of disposal. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary companies acquired, the difference is recognised directly in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

Intragroup transactions, balances and unrealised gains on transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Where necessary, adjustments are made to the financial statements of subsidiary companies to ensure consistency of accounting policies with those of the Group.

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group. It is measured at the minority interests' share of the fair value of net assets at the acquisition date and the minorities' share of changes in the equity since then.

The consolidated financial statements are prepared on the basis that excess of losses attributable to minority shareholders over their equity interest will be absorbed by the Group. All profits subsequently reported by the subsidiary companies will be allocated to the Group until the minority shareholders' share of losses previously absorbed by the Group has been recovered.

3.2 Equity instrument

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

3.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on the straight line method so as to write off the cost of the property, plant and equipment over their estimated useful lives. The annual rates used are as follows:

	%
Freehold office buildings	2
Furniture and fittings	10
Office equipment	10
Computers	30
Hardware appliances	10
Motor vehicles	20
Renovation	10

The hardware appliances consisting of exclusive source appliances, programmes and associated documentation are capitalised as they are able to generate economic benefits to the Group. The hardware appliances are depreciated and recognised as expenses based on the forecasted income stream over the expected lives of their economic benefits of ten years.

At each balance sheet date, the Company assess whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Prepaid lease assets

Prepaid lease assets are stated at cost less accumulated amortisation and impairment losses. Prepaid lease asset is amortised equally over its lease periods.

3.5 Subsidiary companies

A subsidiary company is an enterprise in which the Group has the power to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies, which are eliminated on consolidation, are stated at cost less accumulated impairment losses, if any, in the Company's financial statements. Impairment loss is determined on individual basis.

Gains or losses arising from the disposal of an investment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the investment, and is recognised in the income statement.

3.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill acquired in a business combination shall not be amortised.

Investment in a subsidiary company is stated at cost. Where an indication of impairment exists, the carrying amount of the subsidiary company are assessed and written down immediately to its recoverable amount as set out in accounting policy Note 3.9 on impairment of assets. On disposal of a subsidiary company, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement.

3.7 Products development expenditure

Research expenditure are written off to the income statement as and when incurred. Expenditure incurred on specific development projects are recognised as products development expenditure to the extent that such expenditure are expected to generate future economic benefits.

Capitalised products development expenditure is stated at cost less accumulated amortisation and impairment losses. Products development expenditure will be amortised over their expected useful lives upon generation of income.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost which is determined on the weighted average basis comprises all expenditure incurred in bringing the inventories to their present location and condition. In arriving at the net realisable value due allowance is made for all damaged, obsolete and slow moving items.

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets

i) Other assets

As at each balance sheet date, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement unless it reverses a previous revaluation credited to reserve. The recoverable amount of an asset is either the net selling price or the value in use of the asset. The net selling price is the amount realisable from the sale of the asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if impossible to be estimated individually, for the cash-generating unit in which the asset is deployed.

Reversal of an impairment loss previously recognised is recorded to the extent the impairment loss had previously been recognised. A reversal of an impairment loss on a revalued asset is credited directly to reserves, unless the impairment loss on the same revalued asset was previously expensed in the income statement, in which case it is recognised as income.

ii) Goodwill

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities or the Group are assigned to those units or group of units.

The Group reviews the carrying amount of its CGU at each balance sheet date to determine whether there is any indication of impairment or more frequently when indicators of impairment are identified. If any such indication exists, impairment is measured by comparing the carrying amount of the CGU with its recoverable amount.

CGU's recoverable amount is the higher of CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Where the carrying amount of CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. Impairment loss recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises. Impairment loss on goodwill is not reversed in a subsequent period.

3.10 Receivables

Trade and other receivables are carried at anticipated realisable value. Known bad debts are written off and specific provision is made against the financial statements for debts which are doubtful of recovery.

**EXTOL MSC BERHAD**  
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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Payables

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

3.12 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at bank and deposits with banks and highly liquid investments which have an insignificant risk of change in value. For the purpose of cash flow statement, cash and cash equivalents are presented net of bank overdrafts, if any.

3.13 Long term liabilities

Long term liabilities represent liabilities not due for repayment within a period of twelve months after the balance sheet date.

3.14 Interest income

Interest from fixed deposit is taken into the financial statement as and when receivable.

3.15 Foreign currency transactions

Transactions in foreign currencies have been translated into Ringgit Malaysia at rates of exchange ruling on the transaction dates. Foreign currency assets and liabilities are converted at rate ruling on the balance sheet date. All exchange differences are dealt with in the income statement.

The principal closing rates used in translation of foreign currency amounts are as follows:

	2009	2008
	RM	RM
1 US Dollar	3.475	3.458
1 EURO	<u>5.080</u>	<u>4.964</u>

3.16 Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of the revenue can be measured reliably. Revenue relating to sales of goods is recognised net of discounts upon the transfer of risk and rewards. Revenue from services rendered is recognised net of discounts as and when the services are performed.



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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Leases and hire purchase

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation or amortisation and impairment losses. The corresponding liabilities are included in the balances sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease and hire purchase, when it is practicable to determine, otherwise, the Company's incremental borrowing rates are used.

Lease and hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liabilities. Finance costs, which represent the difference between the total leasing and hire purchase commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease and hire purchase period so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

3.18 Employee benefits

i) Short term benefits

Wages, salaries, bonuses and social contributions are recognised as expenses in the year in which the associated services are rendered by employees of the company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund (EPF). Such contributions are recognised as an expense in the income statement when incurred.

3.19 Borrowings

Interest-bearing borrowings are recognised based on the proceeds received, net of transactions costs incurred. Borrowing costs directly attributable to the acquisition of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. All other borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Income tax

Income tax on the profit or loss for the period comprised current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary differences arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

3.21 Financial instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments are offset when the company has a legally enforceable right to set off the recognised amounts and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

4. PROPERTY, PLANT AND EQUIPMENT

<u>Company</u>	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
2009						
<b>Cost</b>						
At the beginning of the year	56,096	63,887	47,653	251,457	29,975	449,068
Addition during the year	-	4,886	22,027	-	-	26,913
At the end of the year	<u>56,096</u>	<u>68,773</u>	<u>69,680</u>	<u>251,457</u>	<u>29,975</u>	<u>475,981</u>
<b>Accumulated depreciation</b>						
At the beginning of the year	20,690	21,582	41,689	138,301	9,956	232,218
Charge for the year	5,610	6,877	10,094	50,291	2,997	75,869
At the end of the year	<u>26,300</u>	<u>28,459</u>	<u>51,783</u>	<u>188,592</u>	<u>12,953</u>	<u>308,087</u>
<b>Net book value</b>						
At the end of the year	<u>29,796</u>	<u>40,314</u>	<u>17,897</u>	<u>62,865</u>	<u>17,022</u>	<u>167,894</u>

**EXTOL MSC BERHAD**  
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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Company</u>	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
2008						
<b>Cost</b>						
At the beginning of the period	56,096	63,747	42,826	251,457	29,975	444,101
Addition during the period	-	140	4,827	-	-	4,967
At the end of the period	<u>56,096</u>	<u>63,887</u>	<u>47,653</u>	<u>251,457</u>	<u>29,975</u>	<u>449,068</u>
<b>Accumulated depreciation</b>						
At the beginning of the period	16,484	16,790	37,145	100,582	7,708	178,709
Charge for the period	4,206	4,792	4,544	37,719	2,248	53,509
At the end of the period	<u>20,690</u>	<u>21,582</u>	<u>41,689</u>	<u>138,301</u>	<u>9,956</u>	<u>232,218</u>
<b>Net book value</b>						
At the end of the period	<u>35,406</u>	<u>42,305</u>	<u>5,964</u>	<u>113,156</u>	<u>20,019</u>	<u>216,850</u>

As at the balance sheet date, there were property, plant and equipment acquired under instalment purchase plans for which there were outstanding instalments. The net book value of these assets amounted to RM62,865 (2008: RM113,156).

**EXTOL MSC BERHAD**

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	Freehold office buildings RM	Furniture and fittings RM	Office equipment RM	Computers RM	Hardware appliances RM	Motor vehicles RM	Renovation RM	Total RM
2009								
<b>Cost</b>								
At the beginning of the year	2,700,000	70,383	300,820	1,753,666	2,870,000	321,457	29,975	8,046,301
Addition during the year	-	308,019	427,620	234,878	-	-	15,050	985,567
Disposal during the year	(668,000)	-	-	-	-	-	-	(668,000)
Written off during the year	-	(2,366)	(10,709)	(869,615)	-	-	-	(882,690)
At the end of the year	2,032,000	376,036	717,731	1,118,929	2,870,000	321,457	45,025	7,481,178
<b>Accumulated depreciation</b>								
At the beginning of the year	486,660	22,180	60,821	1,184,491	1,363,250	204,801	9,956	3,332,159
Charge for the year	40,640	37,605	89,917	322,884	287,000	53,790	4,502	836,338
Disposal during the year	(36,740)	-	-	-	-	-	-	(36,740)
Written off during the year	-	(524)	(3,635)	(750,689)	-	-	-	(754,848)
At the end of the year	490,560	59,261	147,103	756,686	1,650,250	258,591	14,458	3,376,909
<b>Net book value</b>								
At the end of the year	1,541,440	316,775	570,628	362,243	1,219,750	62,866	30,567	4,104,269

**EXTOL MSC BERHAD**  
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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	Freehold office buildings RM	Furniture and fittings RM	Office equipment RM	Computers RM	Hardware appliances RM	Motor vehicles RM	Renovation RM	Total RM
2008								
<b>Cost</b>								
At the beginning of the period	2,700,000	59,177	175,412	1,576,115	2,870,000	321,457	29,975	7,732,136
Addition during the period	-	11,206	125,408	177,686	-	-	-	314,300
Disposal during the period	-	-	-	(135)	-	-	-	(135)
At the end of the period	<u>2,700,000</u>	<u>70,383</u>	<u>300,820</u>	<u>1,753,666</u>	<u>2,870,000</u>	<u>321,457</u>	<u>29,975</u>	<u>8,046,301</u>
<b>Accumulated depreciation</b>								
At the beginning of the period	446,160	16,902	38,259	829,292	1,148,000	156,582	7,708	2,642,903
Charge for the period	40,500	5,278	22,562	355,240	215,250	48,219	2,248	689,297
Disposal during the period	-	-	-	(41)	-	-	-	(41)
At the end of the period	<u>486,660</u>	<u>22,180</u>	<u>60,821</u>	<u>1,184,491</u>	<u>1,363,250</u>	<u>204,801</u>	<u>9,956</u>	<u>3,332,159</u>
<b>Net book value</b>								
At the end of the period	<u>2,213,340</u>	<u>48,203</u>	<u>239,999</u>	<u>569,175</u>	<u>1,506,750</u>	<u>116,656</u>	<u>20,019</u>	<u>4,714,142</u>

As at the balance sheet date, there were property, plant and equipment acquired under instalment purchase plans for which there were outstanding instalments. The net book value of these assets amounted to RM62,865 (2008: RM116,656).

The Group's freehold office buildings were charged to licensed banks for banking facilities granted to a subsidiary company and their net book value were RM1,541,440 (2008: RM2,213,340).

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

5. INTEREST IN SUBSIDIARY COMPANIES

	2009 RM	2008 RM
Unquoted shares, at cost	6,570,000	6,570,000
Amount owing by subsidiary companies	6,847,296	6,681,131
	13,417,296	13,251,131

The Company has:

- (i) 100% (2008: 100%) interest in the shares of EXTOL CORPORATION (M) SDN. BHD. (Company No. 121135-U), a company incorporated in Malaysia whose principal activities are those of sale and research and development of security technology, security maintenance and professional security services and training.
- (ii) 100% (2008: 100%) interest in the shares of EXTOL VENTURES SDN. BHD. (Company No. 647402-P), a company incorporated in Malaysia whose principal activity is that of trading in computer hardware, software, related equipment and software development.
- (iii) 68% (2008: Nil) indirect interest in the shares of INNODIUM SDN. BHD. (Company No. 596701-T), a company incorporated in Malaysia whose principal activity is in the business of software development and trading in software products.

The amount owing by subsidiary companies are unsecured, interest free and have no fixed term of repayment.

6. PREPAID LEASE ASSETS

<u>Group</u>	2009 RM	2008 RM
At cost		
At the beginning of the year	1,443,461	1,005,165
Addition during the year	-	438,296
	1,443,461	1,443,461
Less : Amortisation	(579,388)	(218,531)
At the end of the year	864,073	1,224,930

7. PRODUCT DEVELOPMENT EXPENDITURE

<u>Company</u>	2009 RM	2008 RM
Product development expenditure, at cost		
At the beginning of the year	4,657,659	3,942,192
Addition during the year	561,811	715,467
	5,219,470	4,657,659
Less: Amortisation	(1,178,815)	(784,596)
Impairment loss	(34,776)	-
At the end of the year	4,005,879	3,873,063

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7. PRODUCT DEVELOPMENT EXPENDITURE (CONTINUED)

<u>Group</u>	2009 RM	2008 RM
Product development expenditure, at cost		
At the beginning of the year	7,025,863	6,310,396
Addition during the year	561,811	715,467
	7,587,674	7,025,863
Less: Amortisation	(2,519,865)	(1,902,913)
Impairment loss	(34,776)	-
At the end of the year	5,033,033	5,122,950

Product development expenditure includes the following expense for the year:

<u>Company and Group</u>	2009 RM	2008 RM
Rental of premises	76,045	45,436
	76,045	45,436

8. TRADE RECEIVABLES

<u>Company</u>	2009 RM	2008 RM
Gross receivables	29,296	3,864
Less: Provision for doubtful debts	(1,932)	-
	27,364	3,864

The currency exposure profile of trade receivables is as follows:

US Dollar	27,364	3,864
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Group

Gross receivables	6,718,982	3,289,365
Less: Provision for doubtful debts	(16,630)	-
	6,702,352	3,289,365

The currency exposure profile of trade receivables is as follows:

Ringgit Malaysia	6,674,988	3,218,486
US Dollar	27,364	70,879
	6,702,352	3,289,365

The normal trade credit terms given by the Company and the Group ranges from 30 days to 90 days. Other credit terms are assessed and approved on a case-to-case basis. The Company and the Group have no significant concentration of credit risk that may arise from exposures to a single debtor.



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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

9. OTHER RECEIVABLES

<u>Company</u>	2009 RM	2008 RM
Other receivables	3,600	5,000
Deposits	7,664	7,690
Prepayments	16,490	32,325
	<u>27,754</u>	<u>45,015</u>
<u>Group</u>		
Other receivables	67,524	64,920
Deposits	183,511	410,847
Prepayments	48,387	68,439
	<u>299,422</u>	<u>544,206</u>

Other receivables are denominated in Ringgit Malaysia.

10. SHORT TERM INVESTMENT

<u>Company and Group</u>	2009 RM	2008 RM
Short term investment with licensed institution	<u>3,605</u>	<u>874,760</u>

The interest rate of the investment as at 30th September 2009 is as follows:

<u>Company and Group</u>	2009 %	2008 %
Short term investment with licensed institution	<u>2.59</u>	<u>3.18</u>

11. FIXED DEPOSITS WITH LICENSED BANKS

<u>Group</u>	2009 RM	2008 RM
Fixed deposits with licensed banks	<u>1,540,346</u>	<u>1,503,553</u>

The interest rate and maturity of the deposit as at 30th September 2009 are as follows:

<u>Group</u>	Interest rate		Maturity	
	2009	2008	2009	2008
	%	%	Days	Days
Fixed deposits with licensed banks	<u>1.5 – 2.0</u>	<u>3.1</u>	<u>30</u>	<u>30</u>

Fixed deposits with licensed banks of a subsidiary company are pledged to the banks for credit facilities granted to the subsidiary company.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

12. SHARE CAPITAL

	2009		2008	
	Number of shares	RM	Number of shares	RM
Authorised ordinary shares	250,000,000	25,000,000	250,000,000	25,000,000
Issued and fully paid ordinary shares	104,400,000	10,440,000	104,400,000	10,440,000

13. SHARE PREMIUM

<u>Company and Group</u>	2009 RM	2008 RM
Share premium	3,620,000	3,620,000

The share premium is not distributable by way of cash dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965.

14. BORROWINGS

<u>Company</u>	2009 RM	2008 RM
Short term borrowing		
Secured:		
Hire purchase payable	40,002	40,002
Long term borrowing		
Secured:		
Hire purchase payable	36,659	76,661

The hire purchase payable is denominated in Ringgit Malaysia and details is as follows:

	2009 RM	2008 RM
Minimum lease and hire purchase payments:		
Payable not later than one year	45,144	45,144
Payable after one year but before five years	41,362	86,506
	86,506	131,650
Less: Finance charges	(9,845)	(14,987)
Present value of lease and hire purchase liabilities	76,661	116,663
Present value of hire purchase liabilities:		
Payable not later than one year	40,002	40,002
Payable after one year but before five years	36,659	76,661
	76,661	116,663
Effective interest rate per annum	2.57%	2.57%

The hire purchase payable is effectively secured as the rights to the leased asset revert to the lessor in the event of default.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

14. BORROWINGS (CONTINUED)

<u>Group</u>	2009 RM	2008 RM
Short term borrowings		
Secured:		
i) Lease and hire purchase payables	400,859	400,859
ii) Term loans	71,836	81,162
iii) Bankers acceptances	1,654,000	362,000
iv) Bank overdraft	736,345	-
	<u>2,863,040</u>	<u>844,021</u>
Long term borrowings		
Secured:		
i) Lease and hire purchase payables	539,875	940,734
ii) Term loans	141,822	419,455
	<u>681,697</u>	<u>1,360,189</u>

All borrowings are denominated in Ringgit Malaysia.

i) Details on the lease and hire purchase payables are as follows:

<u>Group</u>	2009 RM	2008 RM
Minimum lease and hire purchase payments:		
Payable not later than one year	466,968	466,968
Payable after one year but before five years	630,465	1,097,433
	<u>1,097,433</u>	<u>1,564,401</u>
Less: Finance charges	(156,699)	(222,808)
Present value of lease and hire purchase liabilities	<u>940,734</u>	<u>1,341,593</u>
Present value of lease and hire purchase liabilities:		
Payable not later than one year	400,859	400,859
Payable after one year but before five years	539,875	940,734
	<u>940,734</u>	<u>1,341,593</u>
Effective interest rate per annum	<u>2.57% - 4.5%</u>	<u>2.57% - 4.5%</u>

Lease and hire purchase payables are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

ii) Details on the term loans are as follows:

<u>Group</u>	2009 RM	2008 RM
Payable within one year	71,836	81,162
Payable after one year but before five years	<u>141,822</u>	<u>334,388</u>
Payable after five years	<u>-</u>	<u>85,067</u>
	<u>141,822</u>	<u>419,455</u>
	<u>213,658</u>	<u>500,617</u>

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

14. BORROWINGS (CONTINUED)

Term loans are subjected to interest:-

- (a) at 2% per annum below the bank's base lending rate for the first year, 0.25% per annum above the bank's base lending rate for the second year and 0.75% per annum above the bank's base lending rate thereafter, and
- (b) at 3.45% per annum for the first year, 1% per annum below the bank's base lending rate for the second year and 0.5% per annum above the bank's base lending rate thereafter.

iii) Details on the bankers acceptances are as follows:

<u>Group</u>	2009	2008
Interest rate per annum	<u>3.64% to 4.29%</u>	<u>5.15% to 5.85%</u>

Bankers' acceptances have credit periods of 120 days (2008: 120 days).

iv) Bank overdrafts bears interest at 1.5% per annum above the bank's base lending rate and are payable on demand.

The above banking facilities are secured by way of:-

- (a) a charge on a subsidiary company's freehold office buildings,
- (b) a pledge of the subsidiary company's fixed deposits, and
- (c) guarantees by certain directors of the company.

15. DEFERRED TAX LIABILITIES

<u>Group</u>	2009 RM	2008 RM
At the beginning of the year	835,459	878,041
Reversal during the year	(209,307)	(42,582)
At the end of the year	<u>626,152</u>	<u>835,459</u>

Deferred tax liabilities and assets are offset where there is legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

The amounts of the deferred taxation are made up from the temporary difference of the followings:

	2009 RM	2008 RM
Deferred tax liabilities		
- property, plant and equipment	417,695	540,489
- product development expenditure	231,788	294,970
Deferred tax assets		
- unabsorbed capital allowances	(23,331)	-
	<u>626,152</u>	<u>835,459</u>

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

16. TRADE PAYABLES

The currency exposure profile of trade payables is as follows:

	2009 RM	2008 RM
<u>Group</u>		
Ringgit Malaysia	1,112,062	709,321
EURO	930	3,081
US Dollar	118,246	-
	1,231,238	712,402

The normal trade credit terms received by the Group ranges from 30 days to 60 days.

17. OTHER PAYABLES

	2009 RM	2008 RM
<u>Company</u>		
Other payables	13,870	9,543
Payroll liabilities	116,467	51,834
Accruals	14,000	14,000
	144,337	75,377
 <u>Group</u>		
Other payables	180,375	48,739
Payroll liabilities	300,187	93,253
Accruals	27,000	34,419
	507,562	176,411

Other payables are denominated in Ringgit Malaysia.

18. TURNOVER

Company and Group

These represent billing for net invoiced value of goods sold and services rendered.

19. FINANCE EXPENSES

	Year ended 30.09.2009 RM	01.01.2008 to 30.09.2008 RM
<u>Company</u>		
Hire purchase interest	5,142	3,857
 <u>Group</u>		
This comprises interest expense on:		
- bank overdraft	3,160	1,014
- bills payable	102,759	60,886
- lease and hire purchase	66,109	36,434
- term loans	22,412	25,941
	194,440	124,275

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

20. PROFIT BEFORE TAXATION

The Company's and Group's loss before taxation are stated:

<u>Company</u>	Year ended 30.09.2009 RM	01.01.2008 to 30.09.2008 RM
After charging:		
Amortisation of product development expenditure	394,219	295,664
Auditors' remuneration		
- other emoluments	2,500	3,700
- current year provision	11,500	11,500
Depreciation of property, plant and equipment	75,869	53,509
Impairment loss	34,776	-
Loss in foreign exchange	-	6,164
Provision for doubtful debts	1,932	-
Rental of premises	166,912	28,428
Staff costs (Note 21)	1,073,151	1,004,791
	=====	=====
and crediting:		
Gain in foreign exchange	1,755	-
Interest income	15,396	24,026
	=====	=====
<u>Group</u>		
After charging:		
Amortisation of prepaid lease assets	360,857	197,591
Amortisation of product development expenditure	616,952	462,716
Auditors' remuneration		
- other emoluments	3,000	4,700
- current year provision	24,000	24,000
Bad debts	5,260	5,663
Depreciation of property, plant and equipment	836,338	689,297
Impairment loss	34,776	-
Loss in foreign exchange	-	6,164
Property, plant and equipment written off	127,842	-
Provision for doubtful debts	16,630	-
Rental of premises	461,440	86,222
Staff costs (Note 21)	3,600,965	2,559,808
	=====	=====
and crediting:		
Gain in foreign exchange	7,713	5,844
Gain on disposal of property, plant and equipment	108,740	41
Interest income	64,315	86,252
Rental income	111,550	74,050
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

21. STAFF COSTS

<u>Company</u>	Year ended 30.09.2009 RM	01.01.2008 to 30.09.2008 RM
Salaries, bonus and allowances	531,646	538,794
EPF and SOCSO contributions	70,380	66,034
Other staff's related expenses	15,580	19,183
Directors' remuneration		
- fees		
: current year	80,125	49,500
: previous year	-	61,200
- salaries, bonus and allowances	335,800	242,000
- EPF contributions	39,620	28,080
	<u>1,073,151</u>	<u>1,004,791</u>
 <u>Group</u>		
Salaries, bonus and allowances	2,533,246	1,649,013
EPF and SOCSO contributions	318,612	207,621
Other staff's related expenses	46,042	133,754
Directors' remuneration		
- fees		
: current year	80,125	49,500
: previous year	-	61,200
- salaries, bonus and allowances	571,800	422,000
- EPF contributions	51,140	36,720
	<u>3,600,965</u>	<u>2,559,808</u>

22. TAXATION

<u>Company</u>	Year ended 30.09.2009 RM	01.01.2008 to 30.09.2008 RM
Taxation for the year	<u>-</u>	<u>-</u>
Reconciliation of tax expenses:-		
(Loss)/Profit before taxation	<u>(513,260)</u>	<u>19,699</u>
Income tax at Malaysian's tax rates	-	(5,122)
Effect of expenses not deductible for tax purposes	(129,211)	(105,957)
Effect of deductible capital expenditure	125,362	105,100
Effect of non-taxable income	3,849	5,979
Taxation for the year	<u>-</u>	<u>-</u>
 <u>Group</u>		
Taxation for the year	(24,000)	(30,000)
Over-provision in previous year	-	6,039
Reversal of deferred tax liabilities	209,307	42,582
	<u>185,307</u>	<u>18,621</u>

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

22. TAXATION (CONTINUED)

Reconciliation of tax expenses:-

<u>Group</u>	Year ended 30.09.2009 RM	01.01.2008 to 30.09.2008 RM
(Loss)/Profit before taxation	<u>(1,504,193)</u>	<u>72,049</u>
Income tax at Malaysian's tax rates	-	(16,747)
Effect of expenses not deductible for tax purposes	(490,674)	(347,428)
Effect of deductible capital expenditure	197,533	144,618
Effect of utilisation of current and previous year's capital allowances	62,874	167,699
Effect of utilisation of current and previous year's business loss	132,758	10,852
Effect of non-taxable income	27,700	11,006
Over-provision in previous year	-	6,039
Tax incentive from different tax rate	45,809	-
Reversal of deferred tax liabilities	209,307	42,582
Taxation for the year	<u>185,307</u>	<u>18,621</u>

The Company has been granted the Multimedia Super Corridor (MSC) Status on 8th September 2004 and awarded the Pioneer Status under Section 4A of the Promotion of Investment (Amendment) Act, 1986.

Subject to agreement from the Inland Revenue Board, the Company has, as at 30th September 2009,

- (i) unabsorbed business losses and capital allowances amounting to approximately RM1,238,400 (2008: RM730,100) which is available for set off against future income, and
- (ii) tax exempt income amounting to approximately RM1,382,400 (2008: RM1,367,000) which can be used to pay tax exempt dividend.

23. EARNINGS PER SHARE

Basic earnings per share of the Company and the Group is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue for the financial year.

<u>Company</u>	Year ended 30.09.2009	01.01.2008 to 30.09.2008
Net (loss)/profit for the financial year (RM)	(513,260)	19,699
Weighted average number of ordinary shares in issue (unit)	104,400,000	104,400,000
Basic earnings per share (sen)	<u>(0.49)</u>	<u>0.02</u>
<u>Group</u>		
Net (loss)/profit for the financial year (RM)	(1,199,429)	84,652
Weighted average number of ordinary shares in issue (unit)	104,400,000	104,400,000
Basic earnings per share (sen)	<u>(1.15)</u>	<u>0.08</u>



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24. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

<u>Company</u>	2009 RM	2008 RM
Short term investment	3,605	874,760
Cash and bank balances	233,129	102,540
	<u>236,734</u>	<u>977,300</u>
 <u>Group</u>		
Short term investment	3,605	874,760
Fixed deposits with licensed banks	1,540,346	1,503,553
Cash and bank balances	1,400,103	2,247,448
Bank overdraft	(736,345)	-
	<u>2,207,709</u>	<u>4,625,761</u>

25. SIGNIFICANT RELATED PARTY DISCLOSURES

<u>Company</u>	Year ended 30.09.2009 RM	01.01.2008 to 30.09.2008 RM
Advances to subsidiary companies	999,278	529,637
Expenses paid on behalf for subsidiary companies	1,154	9,000
Expenses paid on behalf by subsidiary companies	401,701	218,065
Payment to supplier by a subsidiary company	29,500	64,330
Payment to supplier for a subsidiary company	15,822	-
Purchases from a subsidiary company	191,830	153,184
Repayment from a subsidiary company	2,250,000	1,375,000
Sales to a subsidiary company	<u>2,022,942</u>	<u>1,853,582</u>

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

26. SEGMENTAL INFORMATION

The Company is principally carrying out research and development in Information Communication Technology (ICT) security system and to provide professional services which are directly and indirectly linked to ICT, and of investment holdings.

The segmental results for the Group are as follows:-

	Anti-Virus Software		Managed Security Solutions		Secured Enterprises Applications		Group	
	RM	%	RM	%	RM	%	RM	%
Sales	20,194	0.12	16,487,419	99.35	87,121	0.53	16,594,734	100.00
Cost of sales	8,378	0.05	10,428,754	62.84	-	-	10,437,132	62.89
Gross profit	<u>11,816</u>	<u>0.07</u>	<u>6,058,665</u>	<u>36.51</u>	<u>87,121</u>	<u>0.53</u>	<u>6,157,602</u>	<u>37.11</u>

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

27. FINANCIAL INSTRUMENTS

- i) Financial risk management objective and policies  
The Company's and Group's financial risk management policies seek to ascertain that adequate financial resources are available for the development of the Company's and Group's business whilst managing its foreign currency exchange, credit, liquidity and market risks.
- ii) Interest rate risk  
The Company and Group are exposed to interest rate risk through the impact of interest rate changes on interest bearing borrowings from financial institutions.
- iii) Credit risk  
The Company and Group have no major concentration of credit risk. Cash is placed with credit worthy financial institutions.  
The maximum exposure to credit risk in the event that the counter-parties fail to perform their obligations as at end of the financial year in relation to trade receivable is the carrying amount of trade receivables as stated in the balance sheet as at the end of the financial year.
- iv) Foreign currency exchange risk  
The Company and Group are exposed to currency risk as a result of transactions entered into in currencies other than its functional currency.  
Foreign exchange exposures in transactional currencies other than functional currency are kept to an acceptable level. The Company and the Group have not entered into any derivative financial instruments such as forward foreign exchange contracts.
- v) Liquidity risk  
In the management of liquidity risk, the Company and Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Company's and Group's operations and mitigate the effects of fluctuation in cash flows. The Company and Group maintains adequate funds to meet their obligations as and when they fall due.
- vi) Fair value of financial assets and financial liabilities  
The carrying amounts in respect of the Company's and Group's financial assets and financial liabilities in the financial statements approximate their fair values due to the relatively short term nature of these financial instruments.

The responsibility for managing the above risks is vested in the directors.

28. PROCEEDS OF PUBLIC ISSUE

The gross proceeds from the Public Issue of 26,100,000 shares in financial year ended 31st December 2006 amounting to RM7,830,000 were proposed to be utilised as follows:

	RM
Research and development	3,066,000
Business expansion	1,917,000
Working capital	1,247,000
Listing expenses	1,600,000
	<u>7,830,000</u>

As at 30th September 2009, all the proceeds were utilised in the manner as proposed.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2009

29. CONTINGENT LIABILITY

Company

As at 30th September 2009, there were outstanding contingent liabilities in respect of corporate guarantees given to secure banking facilities granted by banks to a subsidiary company amounting to RM1,616,757 (2008: RM439,691). The directors do not anticipate any losses arising from these contingencies.

30. COMPARATIVE FIGURES

The comparative figures are for the period from 1st January 2008 to 30th September 2008.

## Statistic of Shareholdings

**As at 9 February 2010**

Authorized Share Capital	RM25,000,000
Issued and fully paid up Share Capital	RM10,440,000 comprising of 104,400,000 ordinary shares of RM0.10 each
Class of Shares	Ordinary shares of RM0.10 each fully paid up
Voting Rights	One vote per RM0.10 ordinary share

### Analysis by Size of Shareholding

	No of shareholders	% shareholders	No of shares held	% of issued capital
1 to 99 shares	4	0.41	228	0.00
100 to 1,000 shares	199	20.45	86,004	0.08
1,001 to 10,000 shares	340	34.94	2,273,348	2.18
10,001 to 100,000 shares	356	36.59	13,522,200	12.95
100,001 to 5,219,999 shares (*)	68	6.99	33,368,715	31.96
5,220,000 and above shares (**)	6	0.62	55,149,505	52.83
	973	100.00	104,400,000	100.00

Remark : (\*) - Less than 5% of issued shares  
 (\*\*) - 5% and above of issued shares

### List of Substantial Shareholders' Shareholdings (5% and above)

Name	No of Shares Held			
	Direct	%	Indirect	%
Justin Tan Seng Kooi	16,659,800	15.96	35,769,800 <sup>(a)</sup>	34.26
Tan Chin Eng	12,710,700	12.18	39,718,900 <sup>(b)</sup>	38.04
Lee Choon Kee	11,679,500	11.19	40,750,100 <sup>(c)</sup>	39.03
Alex Tan Seng Keng	11,379,600	10.90	41,050,000 <sup>(d)</sup>	39.32
Lim Chew Hian	8,725,900	8.36	895,000 <sup>(e)</sup>	0.86

### List of Directors' Shareholdings

Name	No of Shares Held			
	Direct	%	Indirect	%
Justin Tan Seng Kooi	16,659,800	15.96	35,769,800 <sup>(a)</sup>	34.26
Lee Choon Kee	11,679,500	11.19	40,750,100 <sup>(c)</sup>	39.03
Alex Tan Seng Keng	11,379,600	10.90	41,050,000 <sup>(d)</sup>	39.32
Lee Boon Kok	-	-	-	-
Mohd Fadzli Bin Ibrahim	-	-	-	-
See Keng Leong	-	-	-	-

#### Note :

- (a) Deemed interested via his father, Tan Chin Eng's (12,710,700), his mother, Lee Choon Kee's (11,679,500) and his brother, Alex Tan Seng Keng's (11,379,600) shareholdings.
- (b) Deemed interested via his wife, Lee Choon Kee's (11,679,500), his sons, Justin Tan Seng Kooi's (16,659,800) and Alex Tan Seng Keng's (11,379,600) shareholdings.
- (c) Deemed interested via her husband, Tan Chin Eng's (12,710,700), her sons, Justin Tan Seng Kooi's (16,659,800) and Alex Tan Seng Keng's (11,379,600) shareholdings.
- (d) Deemed interested via his father, Tan Chin Eng's (12,710,700) his mother, Lee Choon Kee's (11,679,500) and his brother, Justin Tan Seng Kooi's (16,659,800) shareholdings.
- (e) Deemed interested via her mother, Chang Siw Fong's (345,000) and her brother, Lim Chew Yuen's (550,000) shareholdings.

## List of Thirty (30) Largest Shareholders

As at 9 February 2010

No	Shareholder	No of Shares	%
1	Justin Tan Seng Kooi	16,659,800	15.96
2	Alex Tan Seng Keng	11,379,600	10.90
3	Lim Chew Hian	8,500,000	8.14
4	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chin Eng	7,000,000	6.70
5	Tan Chin Eng	5,710,700	5.47
6	Lee Choon Kee	5,673,505	5.43
7	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Choon Kee (CEB)	3,300,000	3.16
8	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Choon Kee	2,705,995	2.59
9	Wong Lye Chun @ Wong Lai Chan	2,524,800	2.42
10	Ng Choo Kit	2,350,000	2.25
11	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hah Pin Kiew	1,767,700	1.69
12	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ganesh Kumar Bangah	1,125,000	1.08
13	Hiah Swee Hiang	1,100,000	1.05
14	Pau Yu Tiong	999,600	0.96
15	HLG Nominee (Tempatan) Sdn Bhd Hong Leong Bank Bhd for Pau Yu Tiong	890,600	0.85
16	Daniel Tan Chien Ming	730,000	0.70
17	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loh Kok Hoong	677,300	0.65
18	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pau Yu Tiong	671,900	0.64
19	Zaini Bin Zainuddin	667,600	0.64
20	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loh Kok Yeow	615,700	0.59
21	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for ASEAN Emerging Companies Growth Fund Ltd	612,000	0.59
22	Lim Poh Hong	553,700	0.53
23	Lim Chew Yuen	550,000	0.53

No	Shareholder	No of Shares	%
24	Boo Chen Beng	500,000	0.48
25	Kok We Tian @ Kok Wee Tian	500,000	0.48
26	Lean Mun Huat	455,900	0.44
27	Soon Fook Kian	380,000	0.36
28	Chuah Tiong Pan	373,000	0.36
29	Ong Hok Liong	330,000	0.32
30	Hiah Swee Hiang	307,600	0.29
	<b>Total</b>	<b><u>79,612,000</u></b>	<b><u>76.25</u></b>

## List of Properties

	Registered Owner	Title / Location	Description / Existing use	Land / built-up	Tenure	Approximate age of building	Encumbrances	Audited net book value as at 30.09.09 (RM)	Year of Acquisition
1	Extol Corporation (M) Sdn Bhd	Prima Square 13-1 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,282 sq. ft.	Freehold	11 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	290,700	Dec, 1995
2	Extol Corporation (M) Sdn Bhd	Prima Square 13-2 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,487 sq. ft.	Freehold	11 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	191,250	Dec, 1995
3	Extol Corporation (M) Sdn Bhd	Prima Square 13-3 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,480 sq. ft.	Freehold	11 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	191,250	Dec, 1995
4	Extol Corporation (M) Sdn Bhd	Prima Square 13-4 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,480 sq. ft.	Freehold	11 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	191,250	Dec, 1995
5	Extol Corporation (M) Sdn Bhd	Prima Square 13-5 Block I, Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan.	Office Lot	1,487 sq. ft.	Freehold	11 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	191,250	Dec, 1995

## List of Properties

	<b>Registered Owner</b>	<b>Title / Location</b>	<b>Description / Existing Use</b>	<b>Land / Built-up</b>	<b>Tenure</b>	<b>Approximate age of buildings</b>	<b>Encumbrances</b>	<b>Audited net book value as at 30.09.09 (RM)</b>	<b>Year of Acquisition</b>
6	Extol Corporation (M) Sdn Bhd	Subang Business Centre 5-5, Jalan USJ 9/5Q, Subang Business Centre, 47620 UEP-Subang Jaya, Selangor Darul Ehsan.	Office Lot	1,726 sq. ft.	Freehold	12 years	Deed of assignment in favor of Alliance Bank Malaysia Berhad	242,870	Apr, 1995
7	Extol Corporation (M) Sdn Bhd	Subang Business Centre 7-5, Jalan USJ 9/5Q, Subang Business Centre, 47620 UEP-Subang Jaya, Selangor Darul Ehsan.	Office Lot	1,726 sq. ft.	Freehold	12 years	Deed of assignment in favor of Alliance Bank Malaysia Berhad	242,870	Apr, 1995



**EXTOL MSC BERHAD (643683-U)**  
(Incorporated in Malaysia)

**NOTICE OF SIXTH ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the Sixth Annual General Meeting of the Company will be held at Homer Room, Unit G1, Ground Floor, Wisma UOA Pantai, No. 11, Jalan Pantai Jaya, 59200 Kuala Lumpur on **Tuesday, 30 March 2010 at 10.00 a.m.**, to transact the following businesses:-

AS ORDINARY BUSINESS: -

1. To receive the Audited Financial Statements for the financial year ended 30 September 2009 and the Reports of Directors and Auditors thereon. (Please refer to Explanatory Note 1)
2. To re-elect Mr Lee Boon Kok who retires as a Director of the Company pursuant to Article 84 of the Company's Articles of Association. (Ordinary Resolution 1)
3. To re-elect Mr Justin Tan Seng Kooi who retires as a Director of the Company pursuant to Article 84 of the Company's Articles of Association. (Ordinary Resolution 2)
4. To re-appoint Messrs C.K. Cheah & Co. as Auditors of the Company for the financial year ending 30 September 2010 and to authorise the Directors to fix the Auditors' remuneration. (Ordinary Resolution 3)

AS SPECIAL BUSINESS: -

5. To consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications: - (Ordinary Resolution 4)

**AUTHORITY TO ISSUE SHARES**

"THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue not more than ten percent (10%) of the issued capital of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."

6. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

BY ORDER OF THE BOARD

**WONG WEI FONG (MAICSA 7006751)**  
**LIM LEE KUAN (MAICSA 7017753)**  
Secretaries

Kuala Lumpur

Date: 5 March 2010

Notes:-

- I. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his stead and the holder shall specify the proportion of his shareholding to be represented by each proxy; a proxy need not be a member and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
- II. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of an officer or its attorney duly authorised.
- III. The instrument appointing a proxy must be deposited at the registered office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting, i.e. on or before **10.00 a.m., Sunday, 28 March 2010**.

### **Explanatory Note on Ordinary and Special Business:-**

1. Item 1 of the Agenda

This agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Item 5 of the Agenda

The proposed Ordinary Resolution 4, if passed, will authorise the Directors of the Company to issue not more than 10% of the issued share capital of the Company subject to the approvals of all the relevant governmental/regulatory bodies. This authorisation will empower the Directors of the Company to issue shares notwithstanding that the authorisation has ceased to be in force if the shares are issued in pursuance of an offer, agreement or option made or granted by the Directors while the authorisation was in force. This authorisation will expire at the conclusion of the next Annual General Meeting of the Company.

This is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised.

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## FORM OF PROXY

### EXTOL MSC BERHAD (643683-U) (Incorporated in Malaysia)

I/We ..... NRIC No. ....  
(Full Name in Capital Letters)

of .....  
(Full Address)

being a member(s) of **EXTOL MSC BHD** (Company No.: 643683-U) hereby appoint .....

.....  
(Full Name in Capital Letters)

of .....  
(Full Address)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Homer Room, Unit G1, Ground Floor, Wisma UOA Pantai, No. 11, Jalan Pantai Jaya, 59200 Kuala Lumpur on **Tuesday, 30 March 2010 at 10.00 a.m.** and at any adjournment thereof. The proxy is to vote in the manner indicated below, with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Item	Agenda			
1.	To receive the Audited Financial Statements for the financial year ended 30 September 2009 and the Reports of Directors and Auditors thereon.			
		Resolution	FOR	AGAINST
2.	To re-elect Mr Lee Boon Kok who retires as a Director of the Company pursuant to Article 84 of the Company's Articles of Association.	1		
3.	To re-elect Mr Justin Tan Seng Kooi who retires as a Director of the Company pursuant to Article 84 of the Company's Articles of Association.	2		
4.	To re-appoint Messrs C.K. Cheah & Co as Auditors of the Company for the financial year ending 30 September 2010 and to authorise the Directors to fix the Auditors' remuneration.	3		
5.	Authority to Issue Shares.	4		

Signed this ..... day of .....2010.

<b>Number of shares held:-</b>	
<b>CDS account no.:-</b>	
<b>Telephone no. (during office hours):-</b>	

\_\_\_\_\_  
Signature  
Shareholder or Common Seal

**Notes:-**

- i. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his stead and the holder shall specify the proportion of his shareholding to be represented by each proxy; a proxy need not be a member and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
- ii. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of an officer or its attorney duly authorised.
- iii. The instrument appointing a proxy must be deposited at the registered office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting, i.e. on or before **10.00 a.m., Sunday, 28 March 2010.**



**EXTOL MSC BERHAD (643683-U)**  
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**11 Jalan Pantai Jaya,**  
**59200 Kuala Lumpur, Malaysia.**

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