

Extol MSC Berhad (643683-U)
Annual Report 2010

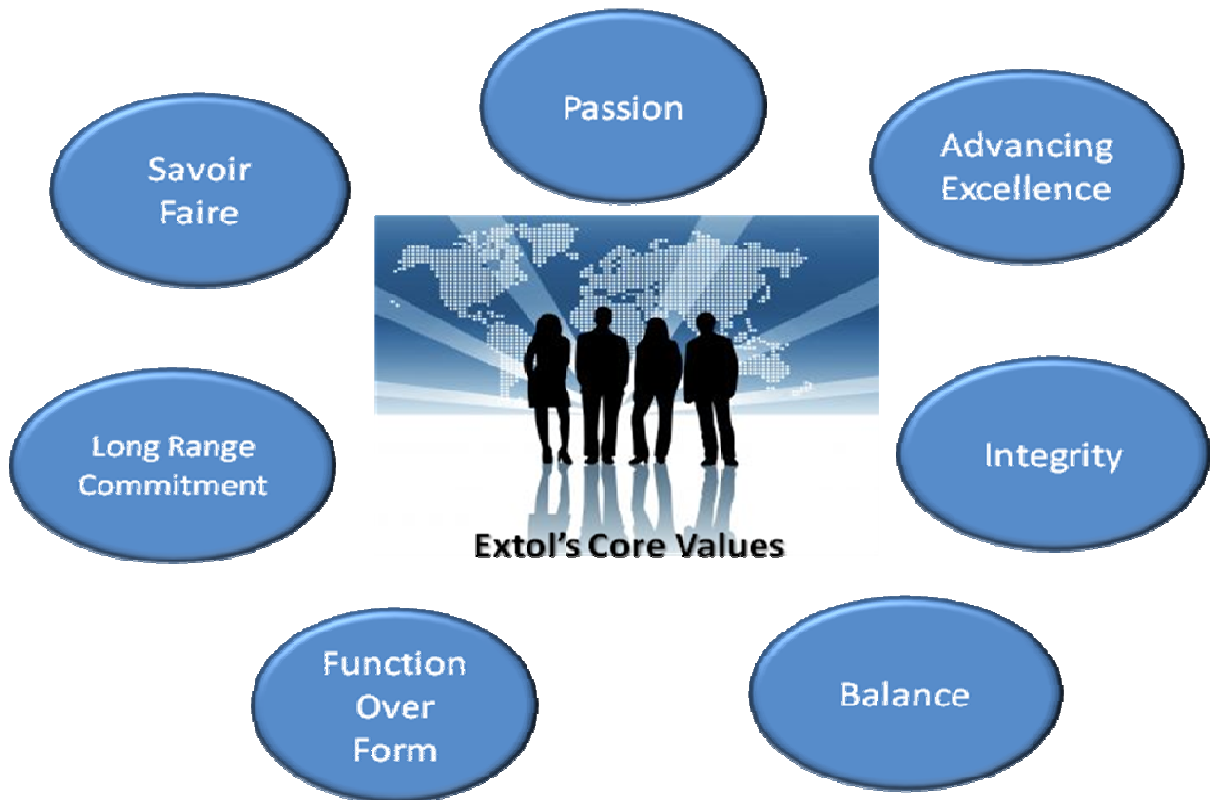


CERTIFIED TO ISO 9001:2000
CERT NO. : AR 4480



CERTIFIED TO ISO/IEC 27001:2005
CERT NO. : AR 4480

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 rational behind this 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 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 pass 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 - Chikосу)
- 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

BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

Tan Chin Eng
Chairman / Non-Independent Non-Executive
Director

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

Lim Chew Hian
Chief Executive Officer

AUDIT COMMITTEE

Lee Boon Kok (Chairman)
Independent Non-Executive Director

Mohd Fadzli bin Ibrahim
Independent Non-Executive Director

Tan Chin Eng
Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Lee Boon Kok
Independent Non-Executive Director

Mohd Fadzli bin Ibrahim
Independent Non-Executive Director

Tan Chin Eng
Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Mohd Fadzli bin Ibrahim (Chairman)
Independent Non-Executive Director

Lee Boon Kok
Independent Non-Executive Director

Tan Chin Eng
Non-Independent Non-Executive Director

COMPANY SECRETARIES

Wong Wei Fong (MAICSA 7006751)
Lim Lee Kuan (MAICSA 7017753)

REGISTERED OFFICE

Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: (603) 2264 8888 Fax: (603) 2282 2733

HEAD/MANAGEMENT OFFICE

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

R&D CENTRE	C-G-18, Ground Floor, Block C SME Technopreneur Centre Cyberjaya 2270 Jalan Usahawan 2 63000 Cyberjaya Selangor Darul Ehsan Tel: (603) 8319 5484
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR (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
AUDITORS	C. K. Cheah & Co. 24A, Jalan 21/19, Sea Park 46300 Petaling Jaya Selangor Darul Ehsan Tel: (603) 7876 6603 Fax: (603) 7876 6360
SHARE REGISTRAR	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
PRINCIPAL BANKERS	Alliance Bank Malaysia Berhad EON Bank Berhad HSBC Bank Malaysia Berhad Malayan Banking Berhad
STOCK EXCHANGE LISTING	ACE Market of Bursa Malaysia Securities Berhad Stock Name: EXTOL Stock code: 0119
CORPORATE WEBSITE	http://www.extolcorp.com

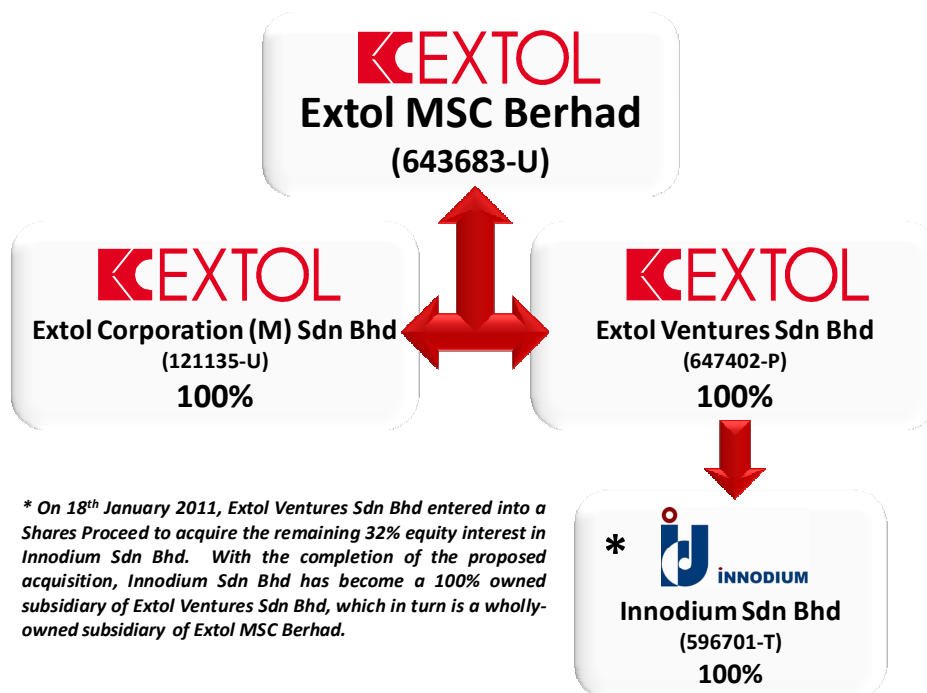
Company Overview

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 can 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.



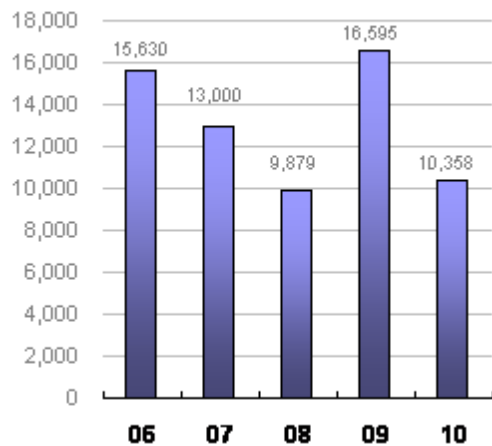
Group Financial Highlights

	FYE 2006 31.12.2006 RM'000	FYE 2007 31.12.2007 RM'000	FYE 2008 30.09.2008 ⁽¹⁾ RM'000	FYE 2009 30.09.2009 RM'000	FYE 2010 30.09.2010 RM'000
Revenue	15,630	13,000	9,879	16,595	10,358
Profit/(loss) before taxation	1,571	700	72	(1,504)	(1,982)
Profit/(loss) after taxation and minority interest	1,458	565	84	(1,199)	(1,716)
Total assets	23,420	25,344	23,118	23,780	19,390
Shareholders' funds	18,390	19,098	19,189	17,870	16,156
	Sen	Sen	Sen	Sen	Sen
Earnings/(loss) per share	1.48	0.54	0.08	(1.15)	(1.64)
Net assets per share	17.61	18.16	18.24	17.09	15.44

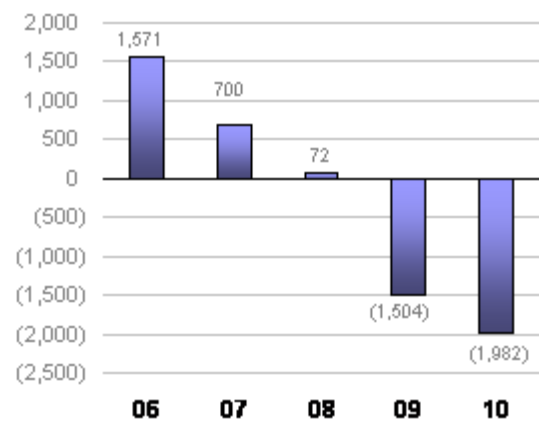
Note:

(1) On 26 March 2008, the Company had announced the change in FYE from 31 December to FYE 30 September and thus the FYE 2008 would run from 1 January 2008 to 30 September 2008 covering a period of nine (9) months, and thereafter, the FYE of Extol shall be 30 September, of each subsequent year.

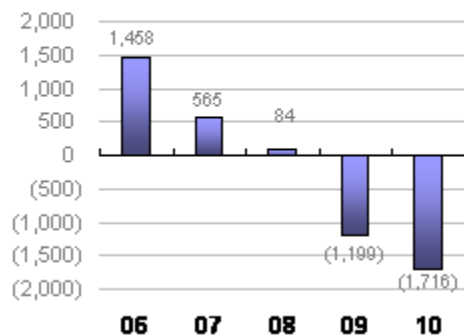
**Revenue
RM'000**



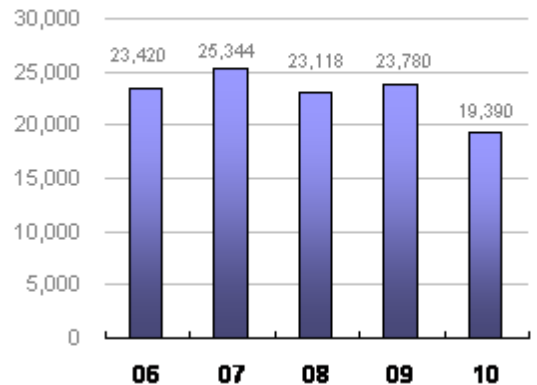
**Profit/(Loss) Before Taxation
RM'000**



**Profit/(Loss) After Taxation and
Minority Interest
RM'000**



**Total Assets
RM'000**



Corporate Milestone

2010

- Extol was awarded by MDEC in Marketing: Product Brand Development.
- Achieved 3 STAR* Ratings by TÜV Rheinland STAR*.
- Recertified to Quality Management Systems MS ISO 9001:2008.
- Innovative Company of the Year award from CyberSecurity Malaysia.
- Appointed as Microsoft Silver Partner.

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 for 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.

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 9001:2008 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.

In October 2010, Extol was fully rated by TÜV Rheinland STAR* The ratings were based on Corporate Governance, Social Responsibility, Occupational Health & Safety, Quality, Environment, Information Security, Financial Disclosure, Brand/Innovation and Fair Trade & Competition and Extol achieved a 3 STAR* Ratings. Ratings can be obtained through www.tuv-star.com/tuvstar/web/index.xml

6) Governance, Risk and Compliance

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 our assignment successfully;
- b) Assurance: ensuring our assignment surpasses the expected requirements;
- c) Timeliness: making certain our assignment is completed in stipulated time;
- d) Cost: ensuring our 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 our assignment's requirements; and
- g) Communication: establishing accurate and appropriate generation and dissemination of our 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

2010 Events

Cyber Security's "Innovative Company of the Year" Award

27th October: The Malaysian Cyber Security Awards 2010, which seeks to encourage innovation and spark strategic alliances within the local security and information and communications technology (ICT) industry, were presented to 11 agencies, companies and individuals.

Extol MSC Berhad was named the Information Security Innovative Company of the Year.



TUV Rheinland Star Rating

Mdec selected Extol as the first Malaysian company to undergo the world renowned TÜV Rheinland certification rating. TÜV Rheinland is a global provider of technical, safety and certification services. TÜV Rheinland was founded in 1872 and has its headquarters in Cologne, Germany.



On 19th October, after days of grueling audit sessions with TÜV Rheinland consultants, Extol was bestowed an overall 3 star rating out of 5 stars. Assessment covered Corporate Governance, Social Responsibility, Occupational Health & Safety, Quality, Environment, Information Security, Financial Disclosure, Brand/Innovation and Fair Trade & Competition.

Cyber Security Malaysia Awards, Conference & Exhibition



26th – 28th October: Showcasing our Information Security solutions, Extol debut its latest product, SIRON during the exhibition. SIRON is the new definition in access security that brings a lot of flexibility and strong security for door access requirements.



Leveraging on the widespread usage of mobile phones, SIRON allows you to gain access by creating an encrypted key on your mobile phone which can only be used once. You can share this encrypted key with visitors and track their entries and exits without compromising your security through sharing a common door key.

Corporate Social Responsibility

Promoting Communications and Leadership Skills in our Community

Continuing its efforts to promote the development of communications & leadership skills, Extol provides its meeting facilities at the Kerinchi Foyer for Toastmasters International club meetings. Toastmaster meetings are held on every 2nd & 4th Thursdays of the month, in the evenings, from 7.45 pm. Members enjoy two hours of doing and learning, honing their skills in communication. All are welcome to join!!



Blood Donation Drive to Create Awareness for Better Health and Giving Life



On 29th March: Extol carried out its annual Blood Donation Drive with creditable success. Joining us to do their bit for the community were our fellow tenants in Wisma UOA Pantai and neighbours from Telekom Malaysia. As a result, The National Blood Bank received more than forty donors.




The National Blood Bank staff came promptly at 10 am on the 29th of March to set up station in the Kerinchi Foyer of Extol MSC @ Unit G-1 of Wisma UOA Pantai, and generous donors were eager and ready to do their bit for the community. We would like to thank the management of UOA Pantai & Telekom Malaysia for helping us publicize the campaign.

Create Awareness

For Extol, it is imperative that business owners know how to protect their business from cyber threats. On 19th September, Extol sponsored 60 members of the Entrepreneur's Organization of Malaysia to a luncheon that gave them the latest insights into cyber crimes and how they can protect themselves.

The luncheon also highlighted the powerful marketing benefits of social media and how businesses can market their brand and products to a wide range of customers around the world.



EO | Entrepreneurs' Organization
Malaysia

100^{e3}

two important aspects of IT in one day -
hacked!!! and digital media

ANKIT FADIA, 24 years old, is an independent computer security and digital intelligence consultant with definitive experience in the field of Internet security based out of the Silicon Valley in California, USA.

- Fadia is also a widely recognized computer security guru and Cyber terrorism expert.
- In November 2001, Fadia was consulted by a classified intelligence agency for breaking an encrypted message sent by one of Osama Bin Laden's men.
- In August 2008, Fadia was consulted by the Navi Mumbai Police Department to trace the terror email sent just a few minutes before the Gujarat serial blasts. Fadia was also consulted by the Mumbai Police for decoding VOIP messages in relation to the Mumbai terror attacks.

Venue:
Extol MSC Berhad,
Unit G-1 Ground Floor,
Wisma UOA Pantai,11,
Jalan Pantai Jaya
Kuala Lumpur, 59200, Malaysia

**Limited Parking Space
Come Early...**

Profile of Directors and Chief Executive Officer



Tan Chin Eng (Xavier) was a pilot with Malaysian Airlines System Berhad (MAS) from 1966 to 1996. In this leadership position, he acquired the experience and the skills of leadership, and crisis management.

Xavier was one of the two recipients of the Senior Non-IT Security Professional Award on 8 July 2009 by Asia Pacific Information Security Leadership Achievements Program. This regional award was given based on his contributions for the past ten and more years to the IT Security Industry.

During his time with MAS, he represented MAS Pilot's Association in Airline Federation Pilots Association (ALFAPA) and attended various ALFAPA Conferences on airline Security. Other trainings he participated in were Destination Excellence (MAS) and Corporate Resources Management (MAS), which enhanced his business acumen.

Xavier founded an IT Company, Extol Corporation (M) Sdn. Bhd., which he managed for more than twenty years. His hands-on experience in managing a business

honed his business capabilities. He is recognized for his contributions to the ICT Industry for which he had a very keen interest and passion by being invited to sit in the PIKOM Council as Advisor. Previously, he was an active member of PIKOM since he started representing his company in the Association, and had served since 1997, as Committee Member, and subsequently as Treasurer, Secretary and as Chairman. He was Founder President of Malaysian Information Technology Security Association (MITSA).

Since 1984 to 2003, he was Managing Director of Extol Corporation (M) Sdn. Bhd. He built Extol group of companies to greater heights of achievement, expanding the number of subsidiaries thereby widening the scope of involvement's in the IT industry to E-Commerce, and R&D in telecommunication products. The Company obtained MSC status for 2 of its subsidiaries. Under one of his subsidiary companies, local anti-virus software was developed in 1992 and as of to-date, Armour is one of the better known Malaysian brand in the market.

Xavier was educated at the St. Xavier's Institution, Penang. In 1957, he attended the Oxford Flying School, Oxford, UK and obtained the Flight Navigator's License to work in Malaysia and Singapore Airline. And in 1972, he earned his Commercial Pilot's License from the Seletar Flying Academy, Singapore.

Xavier was appointed to Extol MSC Berhad's Board on 29 October 2010. He is also the member of the Audit, Nomination and Remuneration Committees. His shareholdings in the Company are disclosed in the List of Directors' Shareholdings on page 75 of this Annual Report and he is a substantial shareholder of the Company.



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.

As Executive Director in Extol, she is involved in the Human Resource planning and development of the human capital in the Company. Initiator of the Toastmaster Club in Extol of which she anchors at Extol's office. Madam Lee has achieved the Distinguished Toastmaster title, the highest achievement of Toastmasters International, for leadership & communication.

Madam Lee was appointed to Extol MSC Berhad's Board on 20 December 2005. Her shareholdings in the Company are disclosed in the List of Directors' Shareholdings on page 75 of this Annual Report and she is a substantial shareholder of the Company.



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.

Alex Tan 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.

With his new appointment as Chief Technology Officer (“CTO”), he heads the R&D team in Security Research and Product Development.

Alex Tan was appointed to Extol MSC Berhad’s Board on 20 December 2005. His shareholdings in the Company are disclosed in the List of Directors’ Shareholdings on page 75 of this Annual Report and he is a substantial shareholder of the Company.



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 in KE Systems Sdn Bhd and has twenty one (21) years of experience in the ICT industry. He is currently the Managing Director of KE Systems, a IT holding company which he and his partners acquired in 1996 via an MBO. He is also the Managing Director of I-Commerce Sdn Bhd, a system integration company wholly owned by KE Systems and CEO of KEDA Limited (Hong Kong) taking charge of its Oracle PeopleSoft consulting business in Greater China.

Mr. Lee was Chairman of PIKOM from 2005-2007 and has represented PIKOM in various dialogues with key government agencies and his views are much sought after by policy-makers in Malaysia. He was a member of Technical Resource Group for Enabling Technology for the National Industry Master Plan 3 (IMP3 2005 to 2020). Under his leadership, PIKOM expanded PC Fair to nationwide and successfully bided WCIT 2008 (World Congress on Information Technology) putting Malaysia into international ICT investment map. He was conferred the title of AMN (Order of the Defender of the Realm) by Yang di-Pertuan Agong (the King) of Malaysia in 2009 in recognition of his contribution toward the society at large.

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



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 subsidiary of MIMB for 8 years before persuing 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.

Mohd Fadzli was appointed to Extol MSC Berhad’s Board on 5 January 2006. He is also

the Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.



Lim Chew Hian (Grace Lim), appointed as Chief Executive Officer (“CEO”) of Extol MSC Berhad on 1st November 2010, has been with the company since 1997, as Business Development Executive. She was promoted to Senior Development Executive in 1999 and to Account Manager in 2001. In 2002, promoted to the position of Business Manager, Grace drove portfolio maintenance, overseeing the company’s sales. In 2003, she was promoted to Chief Operating Officer (“COO”) overseeing the daily operations of the company. She manages the company’s employees by assigning projects, duties and responsibilities and ensuring the overall productivity as well as customer satisfaction.

Her daily interaction with end users, mostly large enterprises has contributed to her market knowledge and direction in terms of market requirements and trend. This has enabled her to diversify the company’s direction in the late 90’s from an Anti-Virus Vendor to that of a trusted and dependable Information Security Solution Provider today.

As the COO of the Company, Grace Lim was responsible for the operation flow headed by head of departments, namely Managed Security Services Unit, Professional Services Unit, Secured

Enterprise Application Unit, Client Services Unit and Marketing Unit. Her assertive entrepreneurship style has earned her the regard, "Extol's Iron Lady", by stakeholders.

Before joining the Company, Grace Lim was part of the technical support team for Regency Hotels & Resorts under Safuan Group in 1994 and joined Perkom Sdn Bhd in 1995 as a system analyst. In 1996, she was promoted to the position of Account Manager in Perkom, responsible for the sales of data communication related products and the management and maintenance of client's accounts.

Grace Lim is a graduate of University of Southern Queensland, Australia with a Bachelor of Information Technology, majoring in Commercial Computing.

Grace Lim is a substantial shareholder of the Company and her shareholdings in the Company are disclosed in the List of Substantial Shareholders' Shareholdings on page 75 of this Annual Report.

Other Information:

1. Conflict of Interest

None of the Directors and CEO 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 27 to the audited financial statements.

2. Convictions for Offences

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

4. Family relationships

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

- a) Lee Choon Kee is the spouse of Tan Chin Eng (Xavier), the Chairman and major shareholder of the Company.
- b) Alex Tan Seng Keng is the son of Tan Chin Eng (Xavier) and Lee Choon Kee.

Chairman's Statement

Dear shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report and Audited Financial Statements of Extol MSC Berhad and the Group for the financial year ended ("FYE") 30 September 2010.

Financial Performance

For the FYE 30 September 2010, the Group recorded revenue of approximately RM10.358 million, and incurred consolidated loss before tax ("LBT") of approximately RM1.982 million as compared to a revenue of approximately RM16.5M and LBT of approximately RM1.504 million recorded in the previous financial year. The decline in revenue was mainly due to lower contribution for Managed Security Services (MSS) products.

Research and Development

Moving forward, research and product development in the security sector remains a key focus of the Group to grow and widen its product offerings to create additional revenue streams. The Group's internal product ePassport is being deployed by customers as a second factor authentication via mobile token. This product is currently seeking Common Criteria Rating which should enhance its image and marketability. Keeping abreast with new technologies and market trends, the Group will introduce a new product into the marketplace. SIRON, "The New Definition in Access Security", caters to both businesses and home owners who require cutting edge door access security system. SIRON will be commercialized in stages in the second half of 2011. We expect a good response from the market.

During the FYE 30 September 2010, the Group utilised RM0.593 million in developing new products and updating current 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.

Prospects

The current economic climate remains volatile and challenging with much uncertainty for the current financial year as businesses are still cautious in spending. In this regard, the Group will continue to operate on a lean basis whilst aspiring to gain market share.

A new certification it is pursuing is the ISO 20000 (ITSM) which will ensure quality customer service in IT from the Group. This should boost customer confidence in the services Extol offers, especially in Security. Extol has also initiated Common Criteria Rating under the Malaysia Chapter through CyberSecurity Malaysia. Upon approval the product ePassport will be certified as a security-ensured product. At the time of statement released, Extol is awaiting for the product Certification. There 2 new ratings together with the current certifications the Group has acquired, CMMI Level 3, ISMS, TUV Rheinland STAR and QMS will ensure and provide the confidence to users in Extol's range of products and services. Extol aims to be the vendor of choice in the secure products and services offerings.

The Group's expansion into the Middle East market is beginning to gain ground as the Group manages to win a deal to provide security hardware. It is currently in negotiations to build a Security Operations Centre (SOC) in that region.

The Group will continue to focus on its own technologies, product development, service enhancement, market expansion and to further enhance the reach of the Group's sales network.

Barring unforeseen circumstances, the Group expects its the prospects to improve in the coming financial year ending 30 September 2011 in spite of economic climate volatility.

Board Changes

On the 3rd of October, 2010 the Group's CEO, Mr. Justin Tan Seng Kooi passed away in an accident. We were deeply saddened and I would like to thank everyone who came forth to pay their respects and condolences during Justin's memorial service.

In his place, Ms. Grace Lim was appointed as the new CEO effective 1st of November, 2010.

The Board of Directors further appointed me, Xavier Tan to be Chairman of the board effective 29th of October, 2010.

Mr. See Keng Leong resigned as a Director on the 31st of July, 2010 and I would like to express my gratitude for his services rendered to Extol MSC Berhad.

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, stakeholders did their best to surmount them and to bring the Group to a position of greater strength and opportunities.

TAN CHIN ENG (XAVIER)

Chairman

9 February 2011

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 2010.

A. Directors

1. Composition of Board

The Board consists of five (5) members, comprising two (2) Executive Directors, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. 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 16 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.

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 16 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 2010, 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 (Demised on 3 October 2010)	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 (Resigned on 31 July 2010)	3 of 4

Note to shareholders:

Mr Tan Chin Eng was appointed to the Board on 29 October 2010. Hence he did not attend any of the Board meetings during the FYE 30 September 2010.

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, 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 the 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

All the Directors of the Company have attended and successfully completed the Mandatory Accreditation Programme conducted by Bustra Sdn Bhd within stipulated timeframe required in the Listing Requirements of Bursa Malaysia Securities Berhad.

During the financial year ended 30 September 2010, the Directors have attended the following training programme / seminar :-

Subject

- MSC Leadership Talk
- Microsoft Executive Partner Conference 2010
- Technology Update on Information Security
- Work-Life Balance : The Way Forward
- Effective Performance Appraisals
- Novell Asia Pacific Partner Academy

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 Seventh AGM of the Company to be held on 31 March 2011 are detailed in the Notice of the Seventh 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) - Resigned on 31 July 2010
Lee Boon Kok (Member)
Mohd Fadzli bin Ibrahim (Member)
Tan Chin Eng (Member) - Appointed on 29 October 2010

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 2010, 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) - Resigned on 31 July 2010	1 of 1
Lee Boon Kok	1 of 1
Mohd Fadzli bin Ibrahim	1 of 1

Note to shareholders:

Mr Tan Chin Eng was appointed to the Board on 29 October 2010. Hence he did not attend any of the Nomination Committee meeting during the FYE 30 September 2010.

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) - Demised on 3 October 2010
Lee Boon Kok (Member)
Tan Chin Eng (Member) - Appointed on 29 October 2010

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 2010, 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 (Demised on 3 October 2010)	1 of 1
Lee Boon Kok	1 of 1

Note to shareholders:

Mr Tan Chin Eng was appointed to the Board on 29 October 2010. Hence he did not attend any of the Remuneration Committee meeting during the FYE 30 September 2010.

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 2010 is as follow:

	Directors Fees	Directors Salaries and Other Emoluments	Total
	(RM)	(RM)	(RM)
Non-Executive Directors	51,000	12,800	63,800
Executive Directors	13,500	516,288	529,788
Total	64,500	529,088	593,588

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

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

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;
- 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 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:

30.09.10	Group (RM)	Company (RM)
Audit fees	31,000	14,500
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 2010.

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 2010.

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 2010.

5. Variation of Results

The Company did not issue any profit estimate, forecast or projection for the FYE 30 September 2010.

There were no variances of 10% or more between the audited results for the FYE 30 September 2010 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 2010.

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 2010.

9. Corporate Social Responsibility Activities or Practices

The Corporate Social Responsibility report is set out on pages 10 and 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 2010.

11. Status of Utilisation of Proceeds

The Initial Public Offering ("IPO") was completed on 20 March 2006. As at 30 September 2010, 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

Tan Chin Eng
Non-Independent Non-Executive Director
(Appointed with effect from 29 October 2010)

See Keng Leong
Independent Non-Executive Director
(Resigned on 31 July 2010)

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 2010 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 2010;
- 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 2010.

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 2010, five (5) meetings were convened, with details on the attendance of the Directors listed below:

Name of Committee Members	No. of meetings attended
Lee Boon Kok	5 of 5
Mohd Fadzli bin Ibrahim	4 of 5
See Keng Leong (Resigned on 31 July 2010)	3 of 4

Note to shareholders:

Mr Tan Chin Eng was appointed to the Board on 29 October 2010. Hence he did not attend any of the Audit Committee meetings during the FYE 30 September 2010.

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 2010, the internal audit function in respect of the accounting system was outsourced to CAS Consulting Services Sdn. Bhd. and the internal audit function for the operations was performed by Governance, Risk and Compliance (GRC) department of the Group. The Internal GRC 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 of 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 ISO9001:2008, Quality Management Systems (QMS) the organisation is 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 2010.

The Board had via the Audit Committee evaluated the effectiveness of the outsourcer and GRC 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 operating throughout the year. 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 potential 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 an 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
- Determining the exposures for those assets
- Determining the threats to the assets from internal or external sources
- Identifying the 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 to 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 error, fraud and abuse;
- 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 Governance, Risk and Compliance (GRC) 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 GRC Department, resulting in the Group's services exceeding customer needs as Extol is certified to ISO 27001:2005 and ISO 9001:2008; and
- Monitoring 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 2010.

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	(762,080)	(1,981,579)
Taxation	-	267,806
Loss after taxation	<u>(762,080)</u>	<u>(1,713,773)</u>
Attributable to:		
Equity holders of the company	(762,080)	(1,715,581)
Minority interest	-	1,808
	<u>(762,080)</u>	<u>(1,713,773)</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 year.

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:-

TAN CHIN ENG (Appointed on 29.10.2010)
ALEX TAN SENG KENG
LEE CHOON KEE
LEE BOON KOK
MOHD FADZLI BIN IBRAHIM

DIRECTORS' BENEFITS

Since the end of the last financial year, 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 30.09.2010
	As at 01.10.2009	Bought	Sold	
<u>Direct</u>				
JUSTIN TAN SENG KOOI (Demised on 03.10.2010)	16,659,800	-	-	16,659,800
TAN CHIN ENG (Appointed on 29.10.2010)	12,710,700	-	-	12,710,700
ALEX TAN SENG KENG	11,379,600	-	-	11,379,600
LEE CHOON KEE	11,679,500	-	-	11,679,500
LEE BOON KOK	-	-	-	-
MOHD FADZLI BIN IBRAHIM	-	-	-	-
SEE KENG LEONG (Resigned on 31.07.2010)	-	-	-	-
<u>Indirect</u>				
JUSTIN TAN SENG KOOI (Demised on 03.10.2010)	35,769,800	-	-	35,769,800
TAN CHIN ENG (Appointed on 29.10.2010)	39,718,900	-	-	39,718,900
ALEX TAN SENG KENG	41,050,000	-	-	41,050,000
LEE CHOON KEE	40,750,100	-	-	40,750,100
LEE BOON KOK	-	-	-	-
MOHD FADZLI BIN IBRAHIM	-	-	-	-
SEE KENG LEONG (Resigned on 31.07.2010)	-	-	-	-

EXTOL MSC BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

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 allowance 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 allowance for bad and doubtful debts inadequate to any substantial extent, and
 - (ii) the values attributable to current assets in the financial statements misleading.
- 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.

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

TAN CHIN ENG
DIRECTOR

LEE CHOON KEE
DIRECTOR

PETALING JAYA
17 JANUARY 2011

EXTOL MSC BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

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

We, TAN CHIN ENG 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 74 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 2010 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

TAN CHIN ENG
DIRECTOR

LEE CHOON KEE
DIRECTOR

Petaling Jaya
Dated: 17 January 2011

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 74 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 17 January 2011)

Before me

Soong Foong Chee (No. B 158)
Commissioner for Oaths
Petaling Jaya

**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 2010 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 74.

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 2010 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:

- a) 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.
- b) 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.
- c) 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: 17 JANUARY 2011

CHEAH CHOONG KEONG
1108/05/12(J)
CHARTERED ACCOUNTANT

EXTOL MSC BERHAD
(Incorporated in Malaysia)

BALANCE SHEET
AS AT 30TH SEPTEMBER 2010

	Notes	The Group		The Company	
		30.09.2010 RM	30.09.2009 RM	30.09.2010 RM	30.09.2009 RM
NON-CURRENT ASSETS					
Property, plant and equipment	4	3,644,696	4,104,269	127,567	167,894
Interest in subsidiary companies	5	-	-	11,146,122	13,417,296
Product development expenditure	6	5,008,950	5,033,033	4,204,529	4,005,879
Goodwill	7	3,510,211	3,510,211	-	-
Prepaid lease assets	8	503,216	864,073	-	-
		----- 12,667,073	----- 13,511,586	----- 15,478,218	----- 17,591,069
CURRENT ASSETS					
Inventories		135,000	242,884	-	-
Trade receivables	9	2,198,857	6,702,352	-	27,364
Other receivables	10	242,322	299,422	17,236	27,754
Tax recoverable		15,988	79,755	5,500	9,600
Short term investment	12	1,981,392	735,886	1,432,901	5,624
Fixed deposits with licensed banks	13	1,571,623	1,540,346	-	-
Cash and bank balances		577,644	667,822	111,143	231,110
		----- 6,722,826	----- 10,268,467	----- 1,566,780	----- 301,452
TOTAL ASSETS		<u>19,389,899</u>	<u>23,780,053</u>	<u>17,044,998</u>	<u>17,892,521</u>
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	14	10,440,000	10,440,000	10,440,000	10,440,000
Share premium	15	3,620,000	3,620,000	3,620,000	3,620,000
Profit and loss account		2,063,383	3,778,964	2,849,443	3,611,523
Equity attributable to equity holders of the company		----- 16,123,383	----- 17,838,964	----- 16,909,443	----- 17,671,523
Minority interest		33,208	31,400	-	-
		----- 16,156,591	----- 17,870,364	----- 16,909,443	----- 17,671,523
NON-CURRENT LIABILITIES					
Borrowings	16	254,104	681,697	-	36,659
Deferred tax liabilities	17	371,738	626,152	-	-
		----- 625,842	----- 1,307,849	----- -	----- 36,659
CURRENT LIABILITIES					
Borrowings	16	1,400,838	2,863,040	36,659	40,002
Trade payables	18	994,400	1,231,238	-	-
Other payables	19	212,228	507,562	98,896	144,337
		----- 2,607,466	----- 4,601,840	----- 135,555	----- 184,339
TOTAL LIABILITIES		<u>3,233,308</u>	<u>5,909,689</u>	<u>135,555</u>	<u>220,998</u>
TOTAL EQUITY AND LIABILITIES		<u>19,389,899</u>	<u>23,780,053</u>	<u>17,044,998</u>	<u>17,892,521</u>

The notes on pages 47 to 74 form an integral part of the financial statements.

EXTOL MSC BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER 2010

	Notes	The Group		The Company	
		Year ended 30.09.2010 RM	Year ended 30.09.2009 RM	Year ended 30.09.2010 RM	Year ended 30.09.2009 RM
TURNOVER	20	10,358,614	16,594,734	1,741,914	2,110,063
COST OF SALES		<u>(5,548,437)</u>	<u>(10,437,132)</u>	<u>(153,008)</u>	<u>(192,280)</u>
GROSS PROFIT		4,810,177	6,157,602	1,588,906	1,917,783
Other operating income		432,738	292,938	233,238	17,151
Administration expenses		(4,592,807)	(4,846,149)	(1,794,984)	(1,544,731)
Selling and distribution expenses		(213,482)	(366,544)	(134,208)	(130,257)
Other operating expenses		<u>(2,263,679)</u>	<u>(2,547,600)</u>	<u>(649,890)</u>	<u>(768,064)</u>
LOSS FROM OPERATIONS		(1,827,053)	(1,309,753)	(756,938)	(508,118)
Finance expenses	21	<u>(154,526)</u>	<u>(194,440)</u>	<u>(5,142)</u>	<u>(5,142)</u>
LOSS BEFORE TAXATION	22	<u>(1,981,579)</u>	<u>(1,504,193)</u>	<u>(762,080)</u>	<u>(513,260)</u>
TAXATION	24	<u>267,806</u>	<u>185,307</u>	<u>-</u>	<u>-</u>
LOSS AFTER TAXATION		<u>(1,713,773)</u>	<u>(1,318,886)</u>	<u>(762,080)</u>	<u>(513,260)</u>
ATTRIBUTABLE TO:					
Equity holders of the company		(1,715,581)	(1,199,429)		
Minority interest		<u>1,808</u>	<u>(119,457)</u>		
		<u>(1,713,773)</u>	<u>(1,318,886)</u>		
Earnings per share (sen)					
- basic	25	<u>(1.64)</u>	<u>(1.15)</u>	<u>(0.73)</u>	<u>(0.49)</u>

The notes on pages 47 to 74 form an integral part of the financial statements.

EXTOL MSC BERHAD
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH SEPTEMBER 2010**

	← 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 01.10.2008	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
Loss after taxation	-	-	(1,715,581)	(1,715,581)	1,808	(1,713,773)	-	-	(762,080)	(762,080)
As at 30.09.2010	10,440,000	3,620,000	2,063,383	16,123,383	33,208	16,156,591	10,440,000	3,620,000	2,849,443	16,909,443

EXTOL MSC BERHAD

(Incorporated in Malaysia)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER 2010

	The Group		The Company	
	Year ended 30.09.2010 RM	Year ended 30.09.2009 RM	Year ended 30.09.2010 RM	Year ended 30.09.2009 RM
CASH FLOW FROM OPERATING ACTIVITIES				
Loss before taxation	(1,981,579)	(1,504,193)	(762,080)	(513,260)
Adjustments for :				
Amortisation of prepaid lease assets	360,857	360,857	-	-
Amortisation of product development expenditure	616,952	616,952	394,219	394,219
Depreciation of property, plant and equipment	859,565	836,338	87,473	75,869
Gain of disposal of property, plant and equipment	-	(108,740)	-	-
Impairment on development expenditure	-	34,776	-	34,776
Interest income	(58,271)	(64,315)	(20,735)	(15,396)
Interest expenses	154,526	194,440	5,142	5,142
Property, plant and equipment written off	-	127,842	-	-
Rental Income	(108,050)	(111,550)	-	-
	1,825,579	1,886,600	466,099	494,610
Operating (loss)/profit before working capital changes	(156,000)	382,407	(295,981)	(18,650)
Decrease/(Increase) in inventories	107,884	(242,884)	-	-
Decrease/(Increase) in receivables	4,560,595	(3,168,203)	37,881	(6,239)
(Decrease)/Increase in payables	(1,289,172)	2,141,987	(45,440)	68,960
Decrease/(Increase) in amount owing by subsidiary companies	-	-	2,271,174	(166,165)
	3,379,307	(1,269,100)	2,263,615	(103,444)
Cash generated from/(used in) operations	3,223,307	(886,693)	1,967,634	(122,094)
Bank overdraft interest	(4,623)	(3,160)	-	-
Bills payable interest	(39,088)	(102,759)	-	-
Taxation refund/(paid)	77,159	(17,588)	4,100	-
Net cash generated from/(used in) operating activities	3,256,755	(1,010,200)	1,971,734	(122,094)
CASH FLOW FROM INVESTING ACTIVITIES				
Interest received	58,271	64,315	20,735	15,396
Proceeds from disposal of property, plant and equipment	1,663	740,000	-	-
Purchase of property, plant and equipment	(356,655)	(985,567)	(47,146)	(26,913)
Product development expenditure	(592,869)	(561,811)	(592,869)	(561,811)
Rental income received	108,050	111,550	-	-
Net cash used in investing activities	(781,540)	(631,513)	(619,280)	(573,328)
	2,475,215	(1,641,713)	1,352,454	(695,422)
CASH FLOW FROM FINANCING ACTIVITIES				
Lease and hire purchase interest paid	(100,071)	(66,109)	(5,142)	(5,142)
Payment to lease and hire purchase payables	(366,897)	(400,859)	(40,002)	(40,002)
Term loan interest paid	(10,744)	(22,412)	-	-
Repayment of term loans	(74,553)	(286,959)	-	-
Net cash used in financing activities	(552,265)	(776,339)	(45,144)	(45,144)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,922,950	(2,418,052)	1,307,310	(740,566)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,207,709	4,625,761	236,734	977,300
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 26)	4,130,659	2,207,709	1,544,044	236,734

The notes on pages 47 to 74 form an integral part of the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

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 in accordance with applicable approved Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

In the preparation of the financial statements, the Directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and their reported amounts of revenues and expenses during the financial year. Actual results could differ from those estimates.

Estimate and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The significant accounting judgments and estimates applied in the Company's and the Group's accounting policies are as disclosed in Note 3.

The Company and the Group have not early adopted the followings FRSS, Interpretations and amendments to certain Standards and Interpretations issued by the Malaysian Accounting Standards Board (MASB) that are yet to be effective for the Company and the Group:

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

2. BASIS OF PREPARATION (CONTINUED)

FRSs/Interpretations		Effective date
FRS 1	First-time Adoption of Financial Reporting Standards (revised)	1 July 2010
FRS 3	Business Combination (revised)	1 July 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 7	Amendment to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
FRS 101	Presentation of Financial Statements (revised)	1 January 2010
FRS 123	Borrowing Costs (revised)	1 January 2010
FRS 127	Consolidated and Separate Financial Statements (revised)	1 July 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendment to FRS 1	Additional Exemptions for First-time Adopters	1 January 2011
Amendment to FRS 2	Share-based Payment Vesting Conditions and Cancellations	1 January 2010
Amendment to FRS 2	Share-based Payment	1 July 2010
Amendment to FRS 2	Group Cash-settled Share-based Payment Transaction	1 January 2011
Amendment to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendment to FRS 8	Operating Segments	1 January 2010
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendment to FRS 119	Employee Benefits	1 January 2010
Amendment to FRS 120	Accounting for Government Grant	1 January 2010
Amendment to FRS 123	Borrowing Costs	1 January 2010
Amendment to FRS 127	Amendment to FRS 1 and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 128	Investments in Associates	1 January 2010
Amendment to FRS 132	Financial Instruments: Presentation	1 January 2010/ 1 March 2010
Amendment to FRS 134	Interim Financial Reporting	1 January 2010
Amendment to FRS 136	Impairment of Assets	1 January 2010
Amendment to FRS 138	Intangible Assets	1 January 2010/ 1 July 2010
Amendment to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

2. BASIS OF PREPARATION (CONTINUED)

IC Interpretation 9	Reassessment of Embedded Derivatives Amendment to FRS 139, FRS 7 and IC Interpretation 9	1 January 2010/ 1 July 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010

The Company and the Group are exempted from disclosing the possible impact, if any, to the financial statements upon the initial applications of FRS 7 and FRS 139.

The Company and the Group plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Company and of the Group upon their initial applications:

a. FRS 101: Presentation of Financial Statements (Revised 2009)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements of comprehensive income. The Group is currently evaluating the format to adopt.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Company and the Group.

b. FRS 3: Business Combination (Revised 2010) and FRS 127: Consolidated and Separate Financial Statements (Revised)

FRS 3 (Revised 2010) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combination achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

FRS 127 (Revised) requires that a change in the ownerships interest of a subsidiary company (without loss of control) is accounted for as a transaction with owner in his capacity as owner and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary company as well as loss of control of a subsidiary company.

The changes by FRS 3 (Revised) and FRS 127 (Revised) will be applied prospectively and only affect future acquisitions or losses of control of subsidiary companies and transactions with non-controlling interests.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

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.

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. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

i) Other assets (continued)

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 of 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	2010 RM	2009 RM
1 US Dollar	3.088	3.475
1 EURO	<u>4.198</u>	<u>5.080</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 2010

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 balance 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 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Government grants

Government grants are recognised initially at their fair value in the balance sheet as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants that compensate the company for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the cost that it is intended to compensate. Grants that compensate the company for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.

3.21 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.

3.22 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 2010

4. PROPERTY, PLANT AND EQUIPMENT

<u>Company</u>	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
2010						
Cost						
At the beginning of the year	56,096	68,773	69,680	251,457	29,975	475,981
Addition during the year	-	3,445	43,701	-	-	47,146
At the end of the year	<u>56,096</u>	<u>72,218</u>	<u>113,381</u>	<u>251,457</u>	<u>29,975</u>	<u>523,127</u>
Accumulated depreciation						
At the beginning of the year	26,300	28,459	51,783	188,592	12,953	308,087
Charge for the year	5,610	7,222	21,353	50,291	2,997	87,473
At the end of the year	<u>31,910</u>	<u>35,681</u>	<u>73,136</u>	<u>238,883</u>	<u>15,950</u>	<u>395,560</u>
Net book value						
At the end of the year	<u>24,186</u>	<u>36,537</u>	<u>40,245</u>	<u>12,574</u>	<u>14,025</u>	<u>127,567</u>

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

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
2009						
Cost						
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	56,096	68,773	69,680	251,457	29,975	475,981
Accumulated depreciation						
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	26,300	28,459	51,783	188,592	12,953	308,087
Net book value						
At the end of the year	29,796	40,314	17,897	62,865	17,022	167,894

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 RM12,574 (2009: RM62,865).

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

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
2010								
Cost								
At the beginning of the year	2,032,000	376,036	717,731	1,118,929	2,870,000	321,457	45,025	7,481,178
Addition during the year	-	-	10,592	334,063	-	57,000	-	401,655
Disposal during the year	-	-	-	(3,500)	-	-	-	(3,500)
At the end of the year	<u>2,032,000</u>	<u>376,036</u>	<u>728,323</u>	<u>1,449,492</u>	<u>2,870,000</u>	<u>378,457</u>	<u>45,025</u>	<u>7,879,333</u>
Accumulated depreciation								
At the beginning of the year	490,560	59,261	147,103	756,686	1,650,250	258,591	14,458	3,376,909
Charge for the year	40,640	37,603	90,977	337,152	287,000	61,691	4,502	859,565
Disposal during the year	-	-	-	(1,837)	-	-	-	(1,837)
At the end of the year	<u>531,200</u>	<u>96,864</u>	<u>238,080</u>	<u>1,092,001</u>	<u>1,937,250</u>	<u>320,282</u>	<u>18,960</u>	<u>4,234,637</u>
Net book value								
At the end of the year	<u>1,500,800</u>	<u>279,172</u>	<u>490,243</u>	<u>357,491</u>	<u>932,750</u>	<u>58,175</u>	<u>26,065</u>	<u>3,644,696</u>

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

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								
Cost								
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	<u>2,032,000</u>	<u>376,036</u>	<u>717,731</u>	<u>1,118,929</u>	<u>2,870,000</u>	<u>321,457</u>	<u>45,025</u>	<u>7,481,178</u>
Accumulated depreciation								
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	<u>490,560</u>	<u>59,261</u>	<u>147,103</u>	<u>756,686</u>	<u>1,650,250</u>	<u>258,591</u>	<u>14,458</u>	<u>3,376,909</u>
Net book value								
At the end of the year	<u>1,541,440</u>	<u>316,775</u>	<u>570,628</u>	<u>362,243</u>	<u>1,219,750</u>	<u>62,866</u>	<u>30,567</u>	<u>4,104,269</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 RM58,174 (2009: RM62,865).

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 RM1,500,800 (2009: RM1,541,440).

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

5. INVESTMENT IN SUBSIDIARY COMPANIES

	2010 RM	2009 RM
Unquoted shares, at cost	6,570,000	6,570,000

The Company has:

- (i) 100% (2009: 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% (2009: 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% (2009: 68%) 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.

6. PRODUCT DEVELOPMENT EXPENDITURE

<u>Company</u>	2010 RM	2009 RM
Product development expenditure, at cost		
At the beginning of the year	5,219,470	4,657,659
Addition during the year	592,869	561,811
	5,812,339	5,219,470
Less: Accumulated amortisation	(1,573,034)	(1,178,815)
Accumulated impairment	(34,776)	(34,776)
At the end of the year	4,204,529	4,005,879

Group

Product development expenditure, at cost		
At the beginning of the year	7,587,674	7,025,863
Addition during the year	592,869	561,811
	8,180,543	7,587,674
Less: Accumulated amortisation	(3,136,817)	(2,519,865)
Accumulated impairment	(34,776)	(34,776)
At the end of the year	5,008,950	5,033,033

Product development expenditure includes the following expense for the year:

Company and Group

Rental of premises	100,366	76,045
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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

7. GOODWILL

<u>Group</u>	2010 RM	2009 RM
At the beginning and end of the year	<u>3,510,211</u>	<u>3,510,211</u>

8. PREPAID LEASE ASSETS

<u>Group</u>	2010 RM	2009 RM
Prepaid lease assets, at cost	1,443,461	1,443,461
Less : Accumulated amortisation	<u>(940,245)</u>	<u>(579,388)</u>
	<u>503,216</u>	<u>864,073</u>

9. TRADE RECEIVABLES

<u>Company</u>	2010 RM	2009 RM
Gross receivables	8,388	29,296
Less: Accumulated allowance for doubtful debts	<u>(8,388)</u>	<u>(1,932)</u>
	<u>-</u>	<u>27,364</u>

The currency exposure profile of trade receivables is as follows:

US Dollar	<u>-</u>	<u>27,364</u>
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Group

Gross receivables	2,207,245	6,718,982
Less: Accumulated allowance for doubtful debts	<u>(8,388)</u>	<u>(16,630)</u>
	<u>2,198,857</u>	<u>6,702,352</u>

The currency exposure profile of trade receivables is as follows:

Ringgit Malaysia	2,137,157	6,674,988
US Dollar	<u>61,700</u>	<u>27,364</u>
	<u>2,198,857</u>	<u>6,702,352</u>

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 2010

10. OTHER RECEIVABLES

	2010 RM	2009 RM
<u>Company</u>		
Other receivables	1,000	3,600
Deposits	7,644	7,664
Prepayments	8,592	16,490
	17,236	27,754
 <u>Group</u>		
Other receivables	21,150	67,524
Deposits	186,690	183,511
Prepayments	34,482	48,387
	242,322	299,422

Other receivables are denominated in Ringgit Malaysia.

11. AMOUNT OWING BY/(TO) SUBSIDIARY COMPANIES

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

12. SHORT TERM INVESTMENT WITH LICENSED INSTITUTION

	2010 RM	2009 RM
<u>Company</u>		
Short term investment with licensed institution	1,432,901	5,624
	1,432,901	5,624

The range of interest rate of the investment as at 30th September 2010 are as follows:

<u>Company</u>	2010 %	2009 %
Short term investment with licensed institution	1.82 - 2.87	1.03 - 2.59
	1.82 - 2.87	1.03 - 2.59

	2010 RM	2009 RM
<u>Group</u>		
Short term investment with licensed institution (Note 31)	1,981,392	735,886
	1,981,392	735,886

The range of interest rate of the investment as at 30th September 2010 are as follows:

<u>Group</u>	2010 %	2009 %
Short term investment with licensed institution	1.82 - 2.87	1.03 - 2.59
	1.82 - 2.87	1.03 - 2.59

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

13. FIXED DEPOSITS WITH LICENSED BANKS

<u>Group</u>	2010 RM	2009 RM
Fixed deposits with licensed banks	1,571,623	1,540,346

The interest rate and maturity of the deposit as at 30th September 2010 are as follows:

<u>Group</u>	Interest rate		Maturity	
	2010 %	2009 %	2010 Days	2009 Days
Fixed deposits with licensed banks	2.0 – 2.75	1.5 – 2.0	30	30

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

14. SHARE CAPITAL

	2010		2009	
	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

15. SHARE PREMIUM

<u>Company and Group</u>	2010 RM	2009 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.

16. BORROWINGS

<u>Company</u>	2010 RM	2009 RM
Long term borrowing		
Secured:		
Hire purchase payable	-	36,659
Short term borrowing		
Secured:		
Hire purchase payable	36,659	40,002

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

16. BORROWINGS (CONTINUED)

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

	2010 RM	2009 RM
Minimum lease and hire purchase payments:		
Payable not later than one year	41,363	45,143
Payable after one year but before five years	-	41,363
	41,363	86,506
Less: Finance charges	(4,704)	(9,845)
Present value of lease and hire purchase liabilities	36,659	76,661
 Present value of hire purchase liabilities:		
Payable not later than one year	36,659	40,002
Payable after one year but before five years	-	36,659
	36,659	76,661
 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.

	2010 RM	2009 RM
<u>Group</u>		
Long term borrowings		
Secured:		
i) Lease and hire purchase payables	190,488	539,875
ii) Term loans	63,616	141,822
	254,104	681,697
 Short term borrowings		
Secured:		
i) Lease and hire purchase payables	428,349	400,859
ii) Term loans	75,489	71,836
iii) Bankers acceptances	897,000	1,654,000
iv) Bank overdraft	-	736,345
	1,400,838	2,863,040

All borrowings are denominated in Ringgit Malaysia.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

16. BORROWINGS (CONTINUED)

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

<u>Group</u>	2010 RM	2009 RM
Minimum lease and hire purchase payments:		
Payable not later than one year	480,167	466,968
Payable after one year but before five years	201,239	630,465
	<u>681,406</u>	<u>1,097,433</u>
Less: Finance charges	(62,569)	(156,699)
Present value of lease and hire purchase liabilities	<u>618,837</u>	<u>940,734</u>
Present value of lease and hire purchase liabilities:		
Payable not later than one year	428,349	400,859
Payable after one year but before five years	190,488	539,875
	<u>618,837</u>	<u>940,734</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>	2010 RM	2009 RM
Payable within one year	75,489	71,836
Payable after one year but before five years	63,616	141,822
	<u>139,105</u>	<u>213,658</u>

Term loans are subjected to interest 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. Repayment started from September 2007.

iii) Details on the bankers acceptances are as follows:

<u>Group</u>	2010	2009
Interest rate per annum	<u>3.48% to 5.07%</u>	<u>3.64% to 4.29%</u>

Bankers' acceptances have credit periods of 120 days (2009: 120 days).

iv) Bank overdrafts bears interest at 1.5% - 2.0% (2009: 1.5% - 2.0%) 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.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

17. DEFERRED TAX LIABILITIES

<u>Group</u>	2010 RM	2009 RM
At the beginning of the year	626,152	835,459
Reversal during the year	<u>(254,414)</u>	<u>(209,307)</u>
At the end of the year	<u><u>371,738</u></u>	<u><u>626,152</u></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 following:

	2010 RM	2009 RM
Deferred tax liabilities arising from:		
- property, plant and equipment	324,013	417,695
- product development expenditure	176,105	231,788
Deferred tax assets arising from:		
- unabsorbed business losses	(36,244)	-
- unabsorbed capital allowances	<u>(92,136)</u>	<u>(23,331)</u>
	<u><u>371,738</u></u>	<u><u>626,152</u></u>

18. TRADE PAYABLES

The currency exposure profile of trade payables is as follows:

<u>Group</u>	2010 RM	2009 RM
Ringgit Malaysia	859,090	1,112,062
EURO	-	930
US Dollar	<u>135,310</u>	<u>118,246</u>
	<u><u>994,400</u></u>	<u><u>1,231,238</u></u>

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

19. OTHER PAYABLES

<u>Company</u>	2010 RM	2009 RM
Other payables	43,026	13,870
Payroll liabilities	41,870	116,467
Accruals	<u>14,000</u>	<u>14,000</u>
	<u><u>98,896</u></u>	<u><u>144,337</u></u>

Group

Other payables	91,379	180,224
Payroll liabilities	91,849	300,188
Accruals	<u>29,000</u>	<u>27,150</u>
	<u><u>212,228</u></u>	<u><u>507,562</u></u>

Other payables are denominated in Ringgit Malaysia.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

20. TURNOVER

Company and Group

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

21. FINANCE EXPENSES

<u>Company</u>	2010 RM	2009 RM
Hire purchase interest	<u>5,142</u>	<u>5,142</u>
<u>Group</u>		
These comprise interest expenses on:		
- bank overdraft	4,623	3,160
- bills payable	39,088	102,759
- lease and hire purchase	100,071	66,109
- term loans	<u>10,744</u>	<u>22,412</u>
	<u>154,526</u>	<u>194,440</u>

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

22. LOSS BEFORE TAXATION

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

<u>Company</u>	2010 RM	2009 RM
After charging:		
Allowance for doubtful debts	6,456	1,932
Amortisation of product development expenditure	394,219	394,219
Auditors' remuneration		
- other emoluments	2,500	2,500
- current year provision	11,500	11,500
- under-provision in previous year	3,000	-
Depreciation of property, plant and equipment	87,473	75,869
Impairment on development expenditure	-	34,776
Loss in foreign exchange	675	-
Rental of premises	168,064	166,912
Staff costs (Note 23)	1,330,210	1,073,151
	=====	=====
and crediting:		
Gain in foreign exchange	-	1,755
Grant income	208,443	-
Interest income	20,735	15,396
	=====	=====
<u>Group</u>		
After charging:		
Allowance for doubtful debts	6,456	16,630
Amortisation of prepaid lease assets	360,857	360,857
Amortisation of product development expenditure	616,952	616,952
Auditors' remuneration		
- other emoluments	3,000	3,000
- current year provision	26,000	24,000
- under-provision in previous year	5,000	-
Bad debts	15,140	5,260
Depreciation of property, plant and equipment	859,565	836,338
Impairment on development expenditure	-	34,776
Loss in foreign exchange	675	-
Property, plant and equipment written off	-	127,842
Rental of premises	431,348	461,440
Staff costs (Note 23)	3,482,266	3,600,965
	=====	=====
and crediting:		
Allowance for doubtful debt no longer required	14,698	-
Gain in foreign exchange	26,619	7,713
Gain on disposal of property, plant and equipment	-	108,740
Grant income	208,443	-
Interest income	58,271	64,315
Rental income	108,050	111,550
	=====	=====

EXTOL MSC BERHAD
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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

23. STAFF COSTS

<u>Company</u>	2010 RM	2009 RM
Salaries, bonus and allowances	764,685	531,646
EPF and SOCSO contributions	92,656	70,380
Other staff's related expenses	23,281	15,580
Directors' remuneration		
- fees	64,500	80,125
- salaries, bonus and allowances	345,200	335,800
- EPF contributions	39,888	39,620
	<u>1,330,210</u>	<u>1,073,151</u>
 <u>Group</u>		
Salaries, bonus and allowances	2,451,977	2,533,246
EPF and SOCSO contributions	311,536	318,612
Other staff's related expenses	71,405	46,042
Directors' remuneration		
- fees	64,500	80,125
- salaries, bonus and allowances	537,200	571,800
- EPF contributions	45,648	51,140
	<u>3,482,266</u>	<u>3,600,965</u>

24. TAXATION

<u>Company</u>	2010 RM	2009 RM
Taxation for the year	<u>-</u>	<u>-</u>
Reconciliation of tax expenses:-		
Loss before taxation	<u>(762,080)</u>	<u>(513,260)</u>
Effect of expenses not deductible for tax purposes	(112,622)	(129,211)
Effect of deductible capital expenditure	107,438	125,362
Effect of non-taxable income	5,184	3,849
Taxation for the year	<u>-</u>	<u>-</u>
 <u>Group</u>		
Taxation for the year	-	(24,000)
Over-provision in previous year	13,392	-
Reversal of deferred tax liabilities	254,414	209,307
	<u>267,806</u>	<u>185,307</u>

EXTOL MSC BERHAD
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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

24. TAXATION (CONTINUED)

Reconciliation of tax expenses:-

<u>Group</u>	2010 RM	2009 RM
Loss before taxation	<u>(1,981,579)</u>	<u>(1,504,193)</u>
Effect of expenses not deductible for tax purposes	(443,281)	(490,674)
Effect of deductible capital expenditure	179,609	197,533
Effect of utilisation of current and previous years' capital allowances	4,568	62,874
Effect of utilisation of current and previous years' business loss	234,898	132,758
Effect of non-taxable income	5,967	27,700
Over-provision in previous year	13,392	-
Tax incentive from different tax rate	18,239	45,809
Reversal of deferred tax liabilities	<u>254,414</u>	<u>209,307</u>
Taxation for the year	<u><u>267,806</u></u>	<u><u>185,307</u></u>

The Company has been granted the Multimedia Super Corridor (MSC) Status up to 26th September 2014 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 2010,

- (i) unabsorbed business losses and capital allowances amounting to approximately RM2,107,000 (2009: RM1,238,400) which is available for set off against future income, and
- (ii) tax exempt income amounting to approximately RM1,382,400 (2009: RM1,382,400) which can be used to pay tax exempt dividend.

25. 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>	2010	2009
Net loss for the financial year (RM)	(762,080)	(513,260)
Weighted average number of ordinary shares in issue (unit)	104,400,000	104,400,000
Basic earnings per share (sen)	<u>(0.73)</u>	<u>(0.49)</u>
 <u>Group</u>		
Net loss for the financial year (RM)	(1,715,581)	(1,199,429)
Weighted average number of ordinary shares in issue (unit)	104,400,000	104,400,000
Basic earnings per share (sen)	<u>(1.64)</u>	<u>(1.15)</u>

EXTOL MSC BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

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

<u>Company</u>	2010 RM	2009 RM
Short term investment with licensed institution (Note 12)	1,432,901	5,624
Cash and bank balances	111,143	231,110
	<u>1,544,044</u>	<u>236,734</u>
 <u>Group</u>		
Short term investment with licensed institution (Note 12)	1,981,392	735,886
Fixed deposits with licensed banks	1,571,623	1,540,346
Cash and bank balances	577,644	667,822
Bank overdraft	-	(736,345)
	<u>4,130,659</u>	<u>2,207,709</u>

27. SIGNIFICANT RELATED PARTY DISCLOSURES

<u>Company</u>	2010 RM	2009 RM
Advances to subsidiary companies	455,000	999,278
Expenses paid on behalf for subsidiary companies	68	1,154
Expenses paid on behalf by subsidiary companies	521,791	401,701
Payment to supplier by a subsidiary company	-	29,500
Payment to supplier for a subsidiary company	-	15,822
Purchases from a subsidiary company	149,668	191,830
Repayment from a subsidiary company	3,805,000	2,250,000
Sales to a subsidiary company	<u>1,741,914</u>	<u>2,022,942</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.

28. 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:-

	Managed Security Solutions		Secured Enterprises Applications		Group	
	RM	%	RM	%	RM	%
Sales	10,230,089	98.75	128,525	1.25	10,358,614	100.00
Cost of sales	<u>5,524,304</u>	53.33	<u>24,133</u>	0.23	<u>5,548,437</u>	53.56
Gross profit	<u>4,705,785</u>	45.42	<u>104,392</u>	1.02	<u>4,810,177</u>	46.44

EXTOL MSC BERHAD
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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

29. 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.

30. CONTINGENT LIABILITY

Company

As at 30th September 2010, there were outstanding contingent liabilities in respect of corporate guarantees given to secure banking facilities granted by banks to a subsidiary company amounting to RM666,105 (2009: RM1,616,757). The directors do not anticipate any losses arising from these contingencies.

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NOTES TO THE FINANCIAL STATEMENTS, 30TH SEPTEMBER 2010

31. COMPARATIVE FIGURES

The following comparative figures have been re-classified to conform with the current year's presentation.

<u>Group</u>	2010 RM	2009 RM
Short term investment (Note 12)	1,981,392	735,886
Cash and bank balances	<u>(1,981,392)</u>	<u>(735,886)</u>

Statistic of Shareholdings

As at 9 February 2011

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	0.43	228	0.00
100 to 1,000 shares	199	21.37	85,104	0.08
1,001 to 10,000 shares	324	34.80	2,137,348	2.05
10,001 to 100,000 shares	332	35.66	12,845,810	12.30
100,001 to 5,219,999 shares (*)	66	7.09	34,182,005	32.74
5,220,000 and above shares (**)	6	0.65	55,149,505	52.83
	931	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	%
Estate of the late Justin Tan Seng Kooi	16,659,800	15.96	35,769,800 ^(a)	34.26
Tan Chin Eng (Xavier)	12,710,700	12.18	39,718,900 ^(b)	38.04
Lee Choon Kee	11,679,500	11.19	40,750,100 ^(c)	39.03
Alex Tan Seng Keng	11,379,600	10.90	41,050,000 ^(d)	39.32
Lim Chew Hian	8,725,900	8.36	-	-

List of Directors' Shareholdings

Name	No of Shares Held			
	Direct	%	Indirect	%
Tan Chin Eng (Xavier)	12,710,700	12.18	39,718,900 ^(b)	38.04
Lee Choon Kee	11,679,500	11.19	40,750,100 ^(c)	39.03
Alex Tan Seng Keng	11,379,600	10.90	41,050,000 ^(d)	39.32
Lee Boon Kok	-	-	-	-
Mohd Fadzli Bin Ibrahim	-	-	-	-

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 late son, Justin Tan Seng Kooi's (16,659,800) and his son, Alex Tan Seng Keng's (11,379,600) shareholdings.
- (c) Deemed interested via her husband, Tan Chin Eng's (12,710,700), her late son, Justin Tan Seng Kooi's (16,659,800) and her son, 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 late brother, Justin Tan Seng Kooi's (16,659,800) shareholdings.

List of Thirty (30) Largest Shareholders

As at 9 February 2011

No	Shareholder	No of Shares	%
1	Estate of the late 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 (2281001)	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	1,907,900	1.83
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	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Kok Thye (E-SPI)	940,400	0.90
15	Ang Huat Keat	834,800	0.80
16	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pau Yu Tiong	671,900	0.64
17	Zaini Bin Zainuddin	667,600	0.64
18	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loh Kok Hoong	648,100	0.62
19	HLG Nominee (Tempatan) Sdn Bhd Hong Leong Bank Bhd for Pau Su Wang	637,000	0.61
20	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for ASEAN Emerging Companies Growth Fund Ltd	612,000	0.59
21	Lim Poh Hong	553,700	0.53
22	Dato' Ng Aik Kee	547,800	0.52
23	Ng Wei Ling	511,000	0.49
24	Boo Chen Beng	500,000	0.48

No	Shareholder	No of Shares	%
25	DNSB Sdn Bhd	500,000	0.48
26	Kok We Tian @ Kok Wee Tian	500,000	0.48
27	Ng Soo Loo	468,000	0.45
28	Lean Mun Huat	455,900	0.44
29	Lim Poh Fong	402,700	0.39
30	Soon Fook Kian	380,000	0.36
	Total	<u>79,768,200</u>	<u>76.40</u>

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 30.09.10 (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	12 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	283,100	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	12 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	186,250	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	12 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	186,250	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	12 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	186,250	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	12 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	186,250	Dec, 1995

List of Properties

	Registered Owner	Title / Location	Description / Existing Use	Land / Built-up	Tenure	Approximate age of buildings	Encumbrances	Audited net book value as at 30.09.10 (RM)	Year of Acquisition
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	13 years	Deed of assignment in favor of Alliance Bank Malaysia Berhad	236,350	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	13 years	Deed of assignment in favor of Alliance Bank Malaysia Berhad	236,350	Apr, 1995

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

NOTICE OF SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventh 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 **Thursday, 31 March 2011 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 2010 and the Reports of Directors and Auditors thereon. (Please refer to Explanatory Note 1)
2. To re-elect Mr Alex Tan Seng Keng 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 Tan Chin Eng who retires as a Director of the Company pursuant to Article 90 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 2011 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. As special business, to consider and if thought fit, to pass the following Special Resolution, with or without modifications: - (Special Resolution 1)
(Please refer Explanatory Note 3)

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

"THAT the proposed amendments to the Articles of Association of the Company as contained in the Appendix 1 attached to the Annual Report 2010 be and are hereby approved."

7. 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: 9 March 2011

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., Tuesday, 29 March 2011**.

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.

The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

3. Item 6 of the Agenda

The proposed amendment to the Articles of Association will enable the Company to implement the Electronic Dividend payment (“eDividend”) to comply with the directive of Bursa Malaysia Securities Berhad dated 19 February 2010, and also for administrative purpose.

Amendment to the Articles of Association

<u>Article</u>	<u>Existing Provisions</u>	<u>Amended Provisions</u>	<u>Rationale</u>
To amend Article 77	The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or an attorney duly or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.	The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or an attorney duly or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. A member shall not be precluded from attending and voting in person at any general meeting after lodging the form of proxy but however such attendance shall automatically revoke the proxy's authority.	To enable the shareholders to attend and vote at the general meeting after lodging the proxy form.
To insert new Article 135A immediately after Article 135		The office of the Secretary shall be vacated if the secretary resigns by notice in writing to the Company, left at the registered office and copies sent to all the Directors for the time being at their last known residential addresses. Where a Secretary gives notice of resignation to the Directors, the Secretary shall cease to act as Secretary with immediate effect, and unless provided in the terms of engagement, within the stipulated time.	To provide for the resignation of secretary by notice in writing to the Company.

Amendment to the Articles of Association (Continued)

<u>Article</u>	<u>Existing Provisions</u>	<u>Amended Provisions</u>	<u>Rationale</u>
To amend Article 142	The Directors may, before recommending any dividends, set aside out of the profits of the Company such sums as they think proper as reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending any such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares in the Company) as the Directors may from time to time think fit. The Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.	The Directors may, before recommending any dividends, set aside out of the profits of the Company such sums as they think proper as reserves which shall, at the discretion of the Directors, be applicable for any purpose at which the profits of the Company may be properly applied, and pending any such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares in the Company) as the Directors may from time to time think fit. The Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.	To enable the Company's reserves to be used for share buy-back.
To amend Article 149	Any dividend, interest or other money payable in cash in respect of shares may be paid by direct debit, bank transfer, cheque or warrant sent through the post direct to the registered address of the holder. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the money represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the any person entitled to the money thereby represented.	Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder who is named on the Register of Members or Record of Depositors or to such person and to such address as the holder may in writing direct or by way of telegraphic transfer or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be made payable to the order of the person to whom it is sent and the payment of any such	To enable the Company to implement the Electronic Dividend payment to comply with the directive of Bursa Malaysia Securities Berhad dated 19 February 2010.

Amendment to the Articles of Association (Continued)

Article	Existing Provisions	Amended Provisions	Rationale
		cheque or warrant or telegraphic transfer or electronic transfer or remittance shall operate as a good and full discharge to the Company in respect of the payment represented thereby, notwithstanding that in the case of payment by cheque or warrant, it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be sent at the risk of the person entitled to the money thereby represented.	
To amend the definitions in Article 2	<p><u>Depositor</u> - A holder of securities account as defined in the Depositories Act.</p> <p><u>Deposited Security</u> - Shall have the same meaning given in Section 2 of the Depositories Act.</p> <p><u>Securities</u> - Shall have the same meaning given in Section 2 of the Securities Commission Act 1993</p>	<p>Means a holder of a securities account established by the Depository.</p> <p>Means a security standing to the credit of a securities account and includes a security in a securities account that is in suspense.</p> <p>Shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act 2007.</p>	To reflect the definitions in the Listing Requirement.

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 Seventh 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 **Thursday, 31 March 2011 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 2010 and the Reports of Directors and Auditors thereon.			
		Resolution	FOR	AGAINST
2.	To re-elect Mr Alex Tan Seng Keng 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 Tan Chin Eng who retires as a Director of the Company pursuant to Article 90 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 2011 and to authorise the Directors to fix the Auditors' remuneration.	3		
5.	Authority to Issue Shares.	4		
6.	Proposed Amendments to Articles of Association.	5		

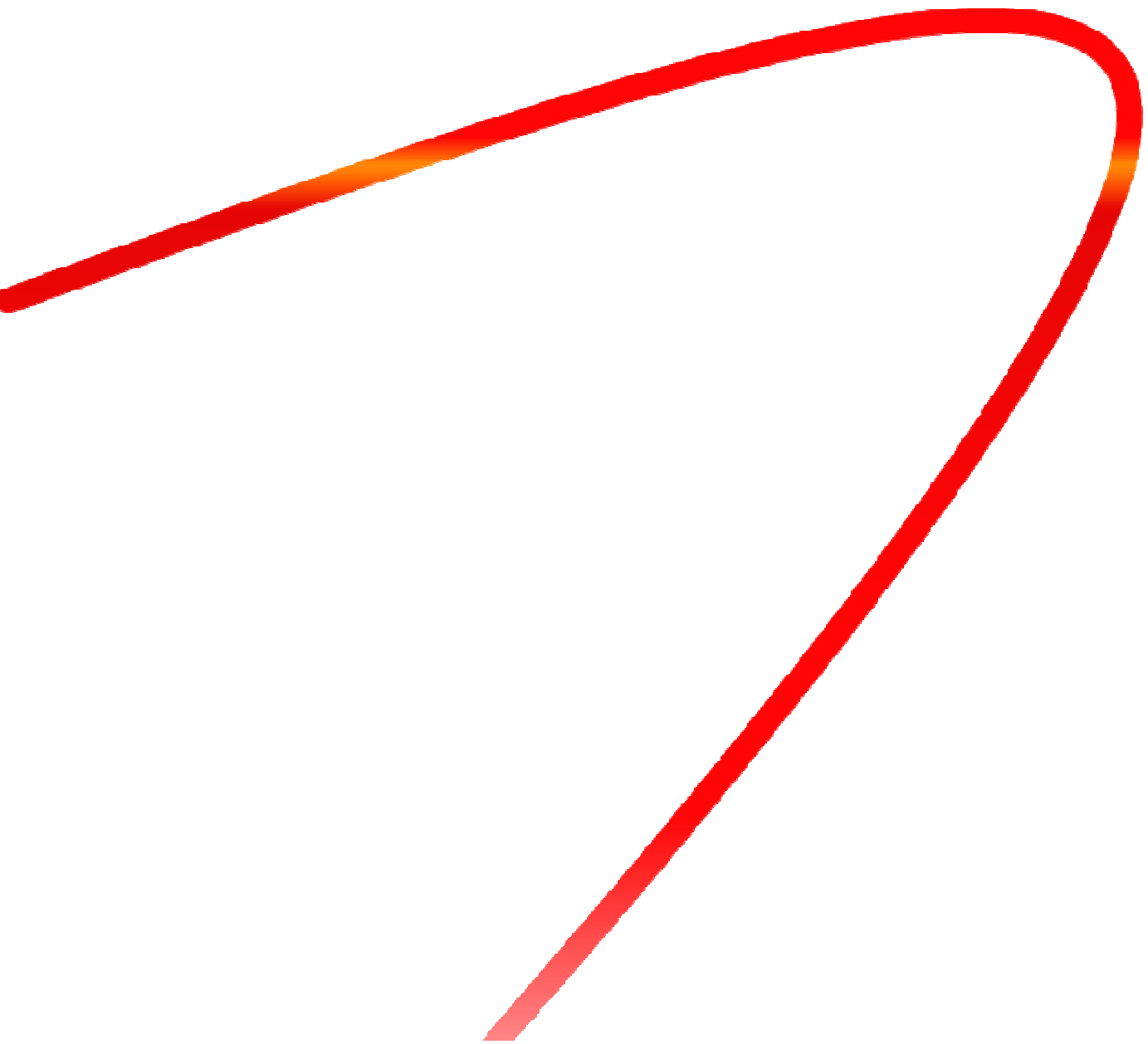
Signed this day of2011.

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

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.*
- lii. 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., Tuesday, 29 March 2011.***



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