

Annual Report 2005



ADVANCING EXCELLENCE

Extol MSC Berhad (643683-U)



## Corporate Vision and Values

Our vision is to be the most prestigious brand in the Information and Communications Technology (ICT) security field, to be known for our highly secured solutions; we want to be the brand most known for our trustworthiness. We want our brand to be built around integrity and trust.

Essentially, we create value by advancing excellence. Not being satisfied with the status quo, we believe that everything we do, we must do it better, otherwise, we will not embark on the journey. We do this by being productively neurotic, passionate about our work and having a bias for action to deliver groundbreaking results.

In the service industry and information age, the most important competitive factor today is information and more importantly, relevant information. To be able to provide our expertise and solutions, we have to continuously strive to acquire knowledge, have an inquisitive attitude in our research and an unequivocal and passionate quest to discover the unknown. It is only through our collective expertise and knowledge that we are able to produce groundbreaking results.

In providing security solutions, the single most important value we can bring to our clients is the trust and integrity of our solutions and expertise. Through our track record, we are then able to extend our assurance and confidence to our clients.

While we must be firm, precise and scientific, we equally have to balance ourselves with the flexibility and adaptability to customize our solutions to the ever changing needs of the market.





**EXTOL**



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## CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	Justin Tan Seng Kooi <i>Chief Executive Officer</i>  Lee Choon Kee <i>Executive Director</i>  Alex Tan Seng Keng <i>Executive Director</i>  Kok We Tian @ Kok Wee Tian <i>Non-Independent Non-Executive Director</i>  Lee Boon Kok <i>Independent Non-Executive Director</i>  Mohd Fadzli bin Ibrahim <i>Independent Non-Executive Director</i>  Clairmont Kok Hsiao Kate <i>Alternate Director to Kok We Tian @ Kok Wee Tian</i>
<b>AUDIT COMMITTEE</b>	Lee Boon Kok (Chairman) <i>Independent Non-Executive Director</i>  Kok We Tian @ Kok Wee Tian <i>Non-Independent Non-Executive Director</i>  Mohd Fadzli bin Ibrahim <i>Independent Non-Executive Director</i>
<b>COMPANY SECRETARIES</b>	Wong Wei Fong (MAICSA 7006751) Geoffrey Chang Tze Weng (LS 008002)
<b>REGISTERED OFFICE</b>	Level 14, Uptown 1 No. 1, Jalan SS21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan Tel: (603)7725 2888 Fax: (603)7725 7791
<b>HEAD/MANAGEMENT OFFICE</b>	No. 5-5, Jalan USJ 9/5Q Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel: (603)8024 8166 Fax: (603)8024 6982 E-mail: info@extol.com.my
<b>AUDITORS</b>	C. K. Cheah & Co. 24A, Jalan 21/19, Sea Park 46300 Petaling Jaya Selangor Darul Ehsan Tel: (603)7876 6603 Fax: (603)7876 6360
<b>SHARE REGISTRAR</b>	PFA Registration Services Sdn Bhd Level 13, Uptown 1 No.1, Jalan SS21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan Tel: (603)7725 4888 Fax: (603)7722 2311
<b>SPONSOR</b>	K & N Kenanga Bhd 801, 8 <sup>th</sup> Floor Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel: (603)2164 6689 Fax: (603)2164 6690
<b>PRINCIPAL BANKERS</b>	Malayan Banking Berhad HSBC Bank Malaysia Berhad
<b>STOCK EXCHANGE LISTING</b>	MESDAQ Market of Bursa Securities Stock Name: EXTOL Stock code: 0119
<b>CORPORATE WEBSITE</b>	<a href="http://www.extol.com.my">http://www.extol.com.my</a>

## Company Overview

Extol MSC Berhad is an ICT security solutions provider offering one-stop end-to-end solution services encompassing all aspects of ICT security, including managed security solutions, implementation and consultancy. In meeting the challenges of escalating security threats, we have evolved to become the leading provider of simple but highly effective ICT security management systems, protecting organizations from security threats, such as malicious codes (viruses), network intrusions and fraudulent use of ICT systems.

Our history goes back to 1984 when Extol Corporation (M) Sdn. Bhd., a subsidiary of Extol MSC Berhad, was incorporated and operated as a distributor of ICT hardware and software products. Incepted in 1984, by year 1992, we were one of the first Malaysian companies to have developed a commercially-viable anti-virus software called "Armour" and initiated strategic technological partnerships such as that with Norman DDS (a Norwegian anti-virus software developer) for technological exchanges in terms of anti-virus applications.

Today, Extol MSC Berhad remains responsive to your new needs by delivering one-stop industry-leading ICT security management solutions: Fraud Detection and Management, Forensics and Incident Response, Anti-virus Outsourcing and Management, Security Systems Integration, Professional Services, Managed Security Services; and Secured Enterprise Applications.

Our responsiveness to customer's need mentality allows our many customers to conduct their business in confidence and certainty. Our ICT security management solutions contribute to our customers' corporate success. Our purpose is to give you results that benefit you.



## History Chart

- 2006 Extol MSC Berhad listed on the 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 Berhad granted MSC-status by MDC.
- 2004 Extol MSC Berhad has made its own Managed Security Solutions 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.
- 2002 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.
- 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.
- 1997 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.
- 1996 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 emphasizes on delivering quality and innovative security solutions to meet your customization 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 you security solutions in the most effective manner to suit all your requirements, without compromising on security features.

### 2) Unprecedented Support

Our team of engineers is of the best to give you 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 differing 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 undergoing 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, minimizing business risk and ensuring the security infrastructure continues to fulfill customers' and legal requirements including SIRIM ISC G/TC5/WG3 and SIRIM ISC G/TC5/WG2.

### 6) Quality Assurance

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

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

g) Communication: establishing accurate and appropriate generation and dissemination of your assignment information.

7) Large Customer Track Record

Throughout the years, we take pride in our large customer base. Two thirds of the Malaysian financial institution markets 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 sole endeavor at Extol MSC Berhad. 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



## Director's Profile



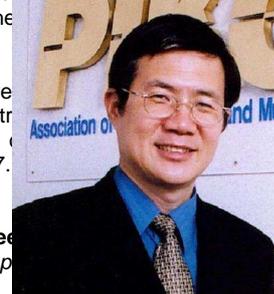
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### 1. Justin Tan Chief Executive Officer

Justin Tan joined Extol Group in 1995 as a system engineer and was appointed as its Technical Director in 1998. His responsibilities as Technical Director were to lead the company's product commercialization and to oversee its technical innovation. In 2003, Justin assumed the role of Chief Executive Officer and his responsibilities include setting the direction of the company and formulating strategies to achieve these goals. Justin, together with the management team, oversees the operations of the company and plans research and development (R&D) activities and projects. Together with the Chief Financial Officer, Justin also oversees the planning of funds for projects and other aspects of the company's expenditures. Justin holds a BSc (Hon) in Electronics and Computer Science from the University of London. He has chaired various local technical working groups such as WG3 (Working Group 3) (as elaborated below) and is actively involved in reviewing, assessing, developing and adopting national and international security standards through SIRIM's participation with international organizations such as ISO and IEC. Justin is currently the chairman of WG3 under the technical committee (TC5), which is commissioned by SIRIM to oversee information security. TC5 is part of the working group commissioned to review and evaluate information security standards with two (2) main objectives; the first is to review and adopt international standards for Malaysia and the second is to review and comment on international security standards produced by the ISO/IEC before these standards are formally adopted. Justin has also participated as a key speaker in many international conferences including the Cyberspace Security Seminar in Kuala Lumpur in

2000, the e-Security Conference &



Extol and the Head of Human Resource and Administration of Extol MSC Berhad. She holds a Master in Business Administration (MBA) from De Montfort University of United Kingdom ("UK").

Ms. Lee 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 & administrative capacity.

To encourage staff in the company to excel and continuously improve themselves, Ms. Lee had initiated the Toastmaster Club in Extol - a chapter which she anchors at Extol's headquarters. She was recently awarded the Distinguished Toastmaster title, which is the highest achievement of Toastmasters.

### 3. Alex Tan Seng Keng Executive Director

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

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

procedures for the hardware designed

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

Mr. Lee graduated from Universiti Kebangsaan Malaysia in 1989 with an honors degree in Computer Science. He started his career as a system engineer and has sixteen (16) years of experience in the ICT industry.

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In 1996, as the Professional Service Director of KE Systems Sdn Bhd, he and his senior colleagues successfully completed a management buyout of KE Systems Sdn Bhd from Kumpulan Emas Berhad. He was promoted to the Managing Director of KE Systems Sdn Bhd in the year 2004.

Mr. Lee has represented PIKOM in various dialogues with key government agencies and his views are much sought after by policy-makers in Malaysia. He is a member of Technical Resource Group for Enabling Technology for the National Industry Master Plan 3 (IMP3 2005 to 2020). He is an alternate member for Board of Director of Multimedia Development Corporation (MDC). Mr. Lee is also a director of WCIT2008 Sdn Bhd, a joint venture company formed by PIKOM and MDC to



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undertake the task of organizing the World Congress on Information Technology (WCIT) in Kuala Lumpur in year 2008. Often referred to as the Olympics of ICT, WICT2008 is a world class event by World Software and Service Alliance (WITSA), an organization which comprises world leading IT associations from sixty seven (67) countries.

**5. Kok Wee Tian @ Kok Wee Tian**  
*Non-Independent Non-Executive Director*

Kok Wee Tian @ Kok Wee Tian is the Non-Independent Non-Executive Director of Extol MSC Berhad. He is a graduate of the Association of Chartered Certified Accountants since 1969. Mr. Kok has experience in the fields of accountancy and management in the United Kingdom, Vietnam and Malaysia.

Mr. Kok started his career in England in 1966 as an assistant production controller with Revo Co. Ltd. In 1971, he was an accountant with Gulf Oil Company in England.

Upon his return to Malaysia in 1972, he was employed by Lever Brothers (Malaysia) Sdn Bhd ("Unilever") as a financial accountant and was promoted to works accountant in 1974. In the same year, he was seconded to Unilever's associated company, SSC&B:Lintas Sdn Bhd (in Malaysia) and SSC&B:Lintas (SEA) Sdn Bhd (in Singapore) as commercial manager for both companies. In 1977, he was appointed commercial director of both the companies. In 1979, he was recalled to Lever Brothers (M) Sdn



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Bhd as a commercial manager of Unichema (Chemical Division) to help build a new RM35 million oleo chemical factory at Bukit Rajah, Klang. Subsequently in 1983, he was appointed the general sales manager of Unichema products in the Asia Pacific region, in charge of all Unichema products manufactured by the seven (7) Unichema factories worldwide. He was promoted to the position of regional sales director in 1990. In 1995, he resigned from Lever Brothers (M) Sdn Bhd. At the same time, he was also a special advisor for several companies in Malaysia and Vietnam.

He is currently HELP University College's representative in Vietnam.

**6. Mohd Fadzli bin Ibrahim**  
*Independent Non-Executive Director*

Mohd Fadzli bin Ibrahim is the Independent Non-Executive Director of Extol MSC Berhad. 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 as an assistant manager in 1982 in the field of corporate finance. Three (3) years later, he was promoted to the position of senior manager in the Corporate/Credit & Marketing department.



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

**7. Clairmont Kok Hsiao Kate**  
*Alternate Director to Kok Wee Tian @ Kok Wee Tian*

Clairmont Kok Hsiao Kate is an alternate Director to Kok Wee Tian @ Kok Wee Tian, a Non-Independent Non-Executive Director of Extol MSC Berhad. She graduated in 1996 with a Bachelor of Economics, majoring in banking and finance from La Trobe University, Australia. She is also a holder of Masters in Information Management and Systems majoring in systems development and management information systems from Monash University.

Clairmont Kok started her career in 1997 as an executive in the Treasury Department of Bolton Finance Berhad (now Alliance Bank Malaysia). A year later, she was transferred to Branch Operations Unit in the same firm. She left the firm in 1999 to further her studies.

After the completion of her Masters in 2001, she returned to the workforce as a Director in Marketing and Communications in iRepublics.com Sdn Bhd and currently still holds this position. Her responsibilities in iRepublics.com Sdn Bhd include client account and project management as well as product development.

## Chief Executive Officer's Statement

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report and the audited Financial Statements of the Group and Company for the financial year ended 31 December 2005.

### FINANCIAL PERFORMANCE

For the financial year ended 31 December 2005, the Group recorded a revenue and profit after tax of RM5.5 million and RM2.8 million respectively. Assuming that the acquisition of the subsidiary companies (i.e. Extol Corporation (M) Sdn. Bhd. and Extol Marketing Sdn. Bhd.) has been in effect throughout the year under review, the Group would have recorded a revenue of RM10 million and a PAT of RM2.97 million respectively. 90% of the Group's revenue was contribution from Managed Security Solutions and 10% from Secured Enterprises Applications. There were no comparative figures for year 2004 as the Group was formed on 19 December 2005.

### INDUSTRY TRENDS AND CORPORATE DEVELOPMENTS

Extol was successfully listed on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 20 March 2006.

Within the same month, Extol's application to set up a representative office in Hanoi, Vietnam was approved. The company can immediately channel the funds raised during the IPO, earmarked for expansion, to work for the company. With this office in Vietnam, Extol is confident that the Vietnam market would be able to contribute close to 30% of its current revenue within the next five (5) years. The potential for ICT security in Vietnam is immense, particularly in the financial services industry. Extol has successfully deployed Managed Security Solutions for one of its clients in the banking sector located in Hanoi and Ho Chi Minh. The Vietnam office would serve as sales support and marketing office.

Internet penetration in Vietnam is currently at 5.9 million, an increase of 2,850% from the 200,000 users in 2000. Vietnam has a population of 87 million. With an increasingly educated and technology savvy population in Vietnam, the rate of internet usage is expected to accelerate, and this translates to opportunities for Extol.

With increased internet banking globally, Extol anticipates that banks in Vietnam will follow this trend. In tandem with this growth, a robust security system is needed. Extol would be a strong contender to provide these solutions to the growing banking market in Vietnam.

Meanwhile, Extol is also looking at other possible ASEAN countries with a market for its services.

### RESEARCH AND DEVELOPMENT

The Group recognizes the importance of Research and Development ("R&D") activities in order for it to achieve its objective of becoming the brand most prestigious in the ICT security field, known for its highly secured solutions.

A large portion of the Group's IPO proceeds will go to R&D efforts, focusing on technologies that can be commercialized into solutions on its own as well as an additional feature to enhance the Group's existing products.

Research into artificial intelligence mirrored after the neural network foundation, is making good headway. Commercialized as X-Net application, the Group's proprietary solution is capable of either detecting fraudulent transactions through its signature based system or through anomaly detection. X-Net also has a self-learning capability that is able to learn and update itself on new fraud patterns.

## PROSPECTS

There is a steady and growing demand for Extol's products due to the increasing reliance on ICT products and services by businesses and organisations across the board. Extol's strong position hinges on the fact that almost all businesses rely in some manner or other on ICT solutions; Extol's promise is that it can customise security solutions and products that have the ability to protect, detect and react against various ICT threats.

Globally, organisations continue to leverage on technology as part of their competitive advantage to increase their efficiency and effectiveness. As organisations increasingly rely on technology, the need to protect their operations from technological related failures and attacks increases as well. Another factor is the increasing trend by organisations to convert data and information into electronic formats. The Artificial Intelligence (AI) that we are developing would assist organisations' computer systems to be more intelligent and able to recommend pre-defined suggestions and control systems with its fuzzy logic in real-time.

Therefore, the Company expects year 2006 to be a satisfactory year as the Company anticipates additional earnings from its new products and expansion overseas.

## UTILISATION OF PROCEEDS

None of the proceeds has been utilized for the year under review as Extol was successfully listed on the MESDAQ Market of Bursa Securities on 20 March 2006.

## APPRECIATION

On behalf of the board of Directors, I would also like to put on record our heartfelt thanks to the management team and our employees, who have displayed commendable dedication in working during the year. I take this opportunity to acknowledge our gratitude to the regulatory authorities, our customers, business partners, adviser, sponsor and bankers for their support especially during the listing exercise. We look forward to their continued support and contribution to the growth of the Company.

JUSTIN TAN SENG KOOI  
Chief Executive Officer



## Corporate Governance Statement

The Board fully appreciates the importance of corporate governance within the Group to ensure that the recommendations of the Malaysian Code on Corporate Governance are practiced throughout the Group with the aim to protect and enhance shareholders' value.

### **A. Directors**

#### **1. Composition of Board**

The Board consists of six (6) members, comprising three (3) Executive Directors, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The current Board composition complies with the MESDAQ Market Listing Requirements of the Bursa Securities. A brief profile of each Director is set out on page 6 and 7 of this Annual Report.

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 Independent Non-Executive Directors bring to bear objective and independent judgment to the decision making of the Board and provide a capable check and balance for the Executive Directors.

The Board is satisfied that the current Board composition fairly reflects the interests of minority shareholders in the company.

#### **2. Duties and Responsibilities**

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.

The Company was listed on 20 March 2006 and there were no Board meetings held during the financial period ended 31 December 2005. However, all the Board decisions are documented through Director's Circular Resolutions in writing.

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

All Directors have full access to information concerning the Company and the Group. Board papers and reports which include quarterly and annual financial statements and corporate information are distributed to the Directors prior to Board Meetings and to enable Directors to obtain further explanation, where necessary, in order to be properly briefed before meetings.

The Directors also have access to advice and service of the Company Secretaries, senior management staff as well as independent professional advisers including the external auditors.

#### **4. Directors Training**

All members of the Board have attended or will attend before deadline, the Mandatory Accreditation Program (MAP) pursuant to Bursa Securities' guidelines on training for Directors. The Directors will continue to attend other relevant training programs and seminars to enhance their knowledge and skills in the latest statutory and regulatory requirements to assist them in discharging their duties as Directors. As Extol MSC Berhad was only listed on the MESDAQ market of Bursa Securities on 20 March 2006, no directors attended training in 2005.

## 5. Re-election of Directors

In accordance with the Company's Articles of Association, all Directors except the Managing Director, shall retire by rotation once in every three (3) years or at least one third (1/3) of the board can offer them self for re-election at the Annual General Meeting ("AGM").

## B. Directors Remuneration

The aggregate remuneration of Directors for the financial year ended 31 December 2005 are as follows:

	Directors Fees (RM)	Directors Salaries and Other Emoluments (RM)	Total (RM)
Non-Executive Directors	-	-	-
Executive Directors	-	95,040	95,040
Total	-	95,040	95,040

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

	Executive Director	Non-Executive Director
Below RM100,000	4	-
Total	4	-

## C. Relationship with Shareholders and Investors

The Group recognizes the importance of effective and timely communication with shareholders and investors to keep them informed on the Group's latest business and corporate developments. Such information is disseminated via the Company's annual reports, circulars to shareholders, quarterly financial results, the various announcements made from time to time and notices of general meeting published in national newspapers. Official announcements are made to Bursa Securities before any market sensitive information such as corporate proposals, financial results and other material information are disseminated to any party. The AGM remains the principal avenue for dialogue with shareholders and investors, where they may seek clarification on the Group's performance, major developments of the Group as well as on the resolutions being proposed. Shareholders may obtain the company's latest corporate, financial and market information via the Bursa Malaysia's website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

## 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 22 of this Annual Report.

In the preparation of the Financial Statement, 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;
- all applicable approved accounting standards in Malaysia have been followed.

## 2. Internal Control

The Board acknowledges that it is responsible for maintaining a sound system of internal control which provides reasonable assurance of effective and efficient operations, and compliance with regulations as well as compliance with internal procedures and guidelines.

A statement of Internal Control of the Group is set out on page 17 of the Annual report.

## 3. Relationship with Auditors

Through the Audit Committee, the Company has established a transparent and appropriate relationship with the Group's external auditors. The Audit committee meets with external auditors at least once 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.

## 4. Statement of compliance with the Best Practices of the code on Corporate Governance

The company is committed to achieve high standards of corporate governance throughout the Group and the highest level of integrity and ethical standards in all of its business dealings.

The Board will continue to strive for full compliance with the Code in the coming financial year.



## 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:

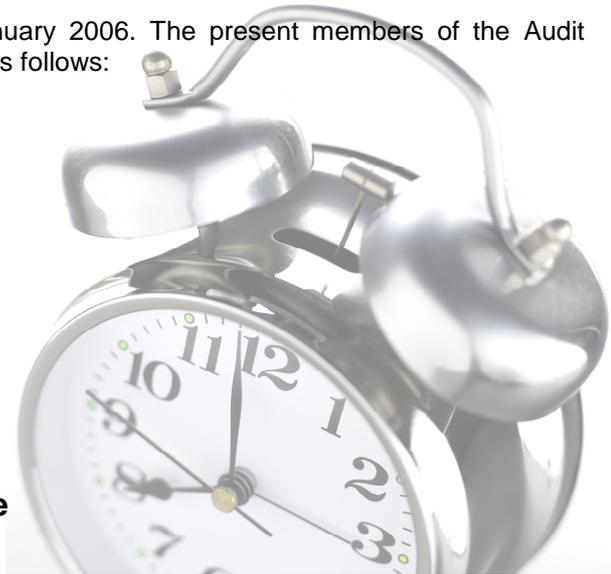
### Chairman

Lee Boon Kok  
*Independent Director*

### Members

Kok Wee Tian @ Kok Wee Tian  
*Non-Independent Non-Executive Director*

Mohd Fadzli bin Ibrahim  
*Independent Director*



### Terms of Reference of Audit Committee

1. Constitution  
The Board has established a committee of the Board to be known as the Audit Committee ("Committee").
2. Composition of Audit Committee
  - a) The Audit Committee shall be appointed by the Board of Directors from amongst their members and shall consist of at least three (3) members, the majority of whom are independent directors.
  - b) The members of the Audit Committee shall elect a Chairman from amongst its members who shall be an Independent Director.
  - c) The Board must ensure that the Chief Executive Officer shall not be a member of the Audit Committee.
  - d) The Board must review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such committee and members have carried out their duties in accordance with their terms of reference.
3. Meetings
  - a) Frequency of Meeting
    - i) The Committee shall meet not less than four (4) times a year and as many times as the Committee deems necessary.
  - b) Proceedings of Meeting
    - i) The quorum for meeting of the Audit Committee shall be two (2) members of which the majority of members present must be Independent Directors.
  - c) Attendance at Meeting
    - i) Other members of the Board and officers of the Company and its group may attend the meeting upon the invitation of the Audit Committee.

4. Authority

The Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:-

- a) have explicit authority to investigate any matter within the terms of reference;
- b) have the resources which the Audit Committee may require to perform its duties;
- c) have full access to any information which the Audit Committee requires in the course of performing its duties.
- d) have unrestricted access to the Chief Executive Officer and the Chief Financial Officer of the Company;
- e) have direct communication channels with external auditors and persons carrying out the internal audit function (if any);
- f) be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company; and
- g) be able to invite outsiders with relevant experience to attend its meetings, if necessary.

5. Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall include the following:-

a) Matters relating to External Audit:-

- i) To review the nomination of external auditors and external audit fee;
- ii) To review the nature, scope and quality of external audit plan/arrangements;
- iii) To review quarterly and annual financial statements of the Company with both the external auditors and management, before submission to the Board, focusing in particular on the going concern assumption, compliance with accounting standards and regulatory requirements, any changes in accounting policies and practices, significant issues arising from the audit and major judgment issues;
- iv) To review the external auditors' audit report on the Financial Statement;
- v) To review any management letter sent by the external auditors to the Company and management's response to such letters;
- vi) To review any letter of resignation from the Company's external auditors;
- vii) To consider and review whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
- viii) To review the assistance given by the Company and its officers to external auditors;
- ix) To discuss problems and reservations arising from interim and final audits such as significant audit findings, reservations, difficulties encountered or material weaknesses reported;

b) Matters relating to Internal Audit function, if any exists:-

- i) To review the effectiveness of the internal audit function;
- ii) To review the effectiveness of the internal control and management information systems;
- iii) To review the internal audit program and results of the internal audit process;

- iv) To review follow up actions by management on the weaknesses of internal accounting procedures and controls (if any);
  - v) To review on all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
  - vi) To review the assistance and co-operation given by the Company and its officers to the internal auditors;
  - vii) To review any appraisal or assessment of the performance of staff of the internal audit function, compliance with accounting standards and regulatory requirements, changes in accounting policies and practices, significant issues arising from the audit and major judgement issues;
  - viii) To review letter of resignation from internal audit staff members (if any) and provide the resigning staff member an opportunity to submit his/her reasons for resigning.
- c) Roles and Rights of the Audit Committee:-
- i) To consider and review any significant transactions which are not within the normal course of business and any related party transactions that may arise within the Company and the Group.
  - ii) To report to Bursa Securities on any matter reported by the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirements.
  - iii) To carry out any other function that may be mutually agreed upon by the Committee and the Board which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

### **Summary of Activities Undertaken**

During the year ended 31 December 2005, there was no meeting convened since the establishment of the Audit Committee on 5 January 2006. The first Audit Committee meeting was held on 20 April 2006 with the following matters:

1. To review the terms of reference of the Audit Committee.
2. To review the audit planning memorandum for the financial year ending 31 December 2006.
3. To review the draft audited accounts for the year ended 31 December 2005 and Directors' and Auditors' Reports.
4. To review the following statements:-
  - a) Statement of Internal Control
  - b) Corporate Governance Statement

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

The Group has obtained approval for an Employee Share Option Scheme ("ESOS") in conjunction with the IPO 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 have been granted.

## Internal Audit Function

The Audit Committee is aware of the necessity of an independent and adequately resourced internal audit function to assist in obtaining the assurance it requires with regard to the maintenance of a sound system of internal controls. As such, the Group has a newly formed Quality Assurance department for monitoring the compliance of the Group's Standard Operations Procedure. The Audit Committee relies on discussions with the management, the Executive Directors of the company and the external auditors to discharge its duties.



## Statement on Internal Control

The Board of Directors is committed to maintain a sound system of internal control of the Group to safeguard shareholders' investments 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.

### Board Responsibility

The Board of Directors recognizes the importance of a sound system of internal control and acknowledges its overall responsibility for establishing and maintaining the adequacy and effectiveness of such a system covering not only financial controls but also operational and compliance controls as well as risk management. The Board is ultimately responsible for the group's system of internal control including compliance with applicable law, regulation, common rule, common directive and guidelines.

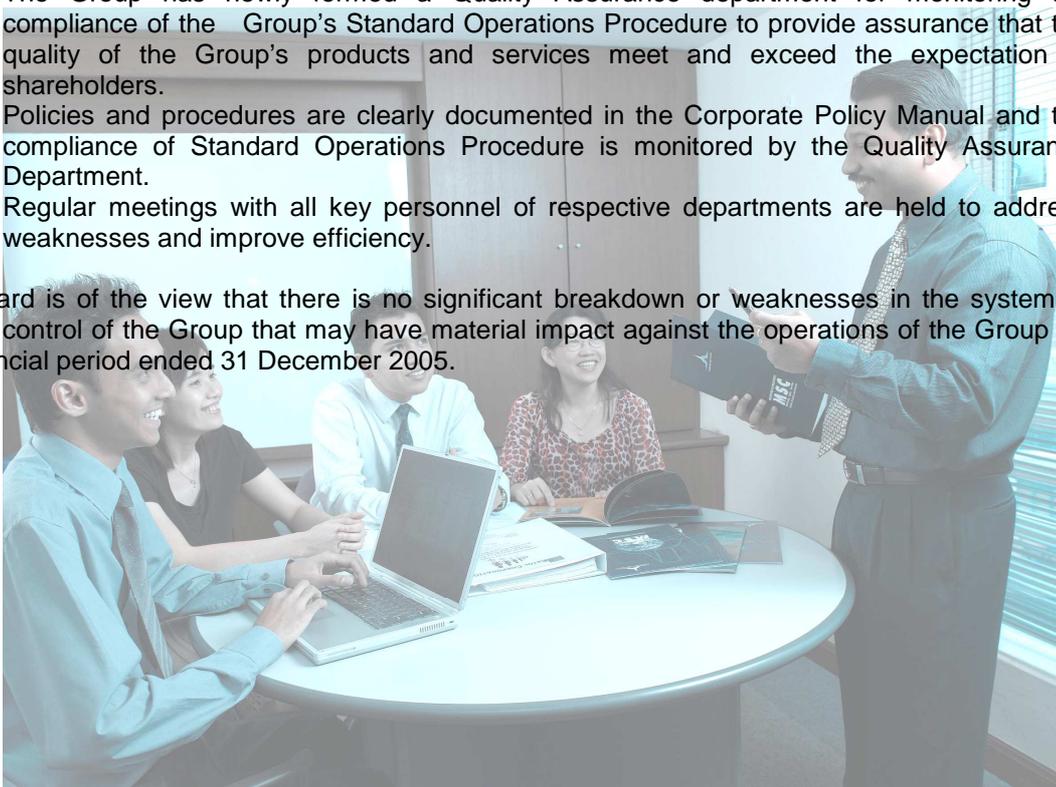
The Group's system of internal control is designed to manage the risk of failure to achieve business objective and it should be noted that any system can only provide reasonable and not absolute protection against material misstatement or loss. Such a system is designed to safeguard our shareholders investment and our group's assets. The system is concerted and continues the process for identifying, evaluating and managing significant risks faced by the group.

### Internal Control Framework

The key elements of the Group's internal control are as follows:

- The Board has established the Audit Committee, which comprises two (2) Independent Non-Executive Directors and one (1) Non Independent Non Executive Director.
- The reviews of quarterly and annual financial reports are to be conducted by the Board and the Audit Committee.
- The organization structures are in place for each department with clearly defined lines of accountability and delegated authority.
- The Group has newly formed a Quality Assurance department for monitoring the compliance of the Group's Standard Operations Procedure to provide assurance that the quality of the Group's products and services meet and exceed the expectation of shareholders.
- Policies and procedures are clearly documented in the Corporate Policy Manual and the compliance of Standard Operations Procedure is monitored by the Quality Assurance Department.
- Regular meetings with all key personnel of respective departments are held to address weaknesses and improve efficiency.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may have material impact against the operations of the Group for the financial period ended 31 December 2005.





## Financial Statements

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## 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 31st December 2005.

### 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 6 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
Profit for the year	2,531,350	2,826,022
Taxation	-	(6,319)
Profit after taxation	2,531,350	2,819,703
Unappropriated profit brought forward	887,007	887,007
Unappropriated profit carried forward	3,418,357	3,706,710

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

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

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

### DIRECTORS

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

ALEX TAN SENG KENG  
JUSTIN TAN SENG KOOI  
LEE CHOON KEE  
KOK WE TIAN @ KOK WEE TIAN  
LEE BOON KOK  
CLAIRMONT KOK HSIAO KATE (Alternate to KOK WE TIAN @ KOK WEE TIAN)  
MOHD FADZLI BIN IBRAHIM (Appointed on 05.01.2006)

### DIRECTORS' BENEFITS

Since the end of the previous financial period, no director has received or has become entitled to receive a benefit (other than those disclosed as directors' salaries 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.

### 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 RM1 each			
	As at 01.01.2005	Bought	Sold	As at 31.12.2005
NG CHOO KIT (Resigned on 20.12.2005)	1	-	-	1
NG YOKE KIEN (Resigned on 20.12.2005)	1	-	-	1
ALEX TAN SENG KENG (Appointed on 20.12.2005)	-	1,991,000	-	1,991,000
JUSTIN TAN SENG KOOI (Appointed on 20.12.2005)	-	3,285,000	-	3,285,000
LEE CHOON KEE (Appointed on 20.12.2005)	-	1,294,000	-	1,294,000
KOK WE TIAN @ KOK WEE TIAN (Appointed on 20.12.2005)	450,000	-	-	450,000
LEE BOON KOK (Appointed on 20.12.2005)	-	-	-	-
CLAIRMONT KOK HSIAO KATE (Alternate to KOK WE TIAN @ KOK WEE TIAN, appointed on 21.12.2005)	-	-	-	-

## SHARE CAPITAL

During the financial year, the authorized share capital of the Company was increased from RM5,000,000 to RM25,000,000 by the creation of 20,000,000 ordinary shares of RM1 each and the issued and fully paid up share capital of the Company was increased from RM1,260,000 to RM7,830,000 by the issues of 6,470,000 and 100,000 new ordinary shares of RM1 each at par in exchange for the 2,500,000 ordinary shares of RM1 each in Extol Corporation (M) Sdn. Bhd. and 2 ordinary shares of RM1 each in Extol Marketing Sdn. Bhd. on 19th December 2005 respectively.

The Company's new ordinary shares of RM1 each issued pursuant to the acquisition of Extol Corporation (M) Sdn. Bhd. and Extol Marketing Sdn. Bhd. rank pari passu in all respects with the existing issued shares of the Company.

## OTHER STATUTORY INFORMATION

- a.) Before the income statement and balance sheet of the Company and of the Group were made out, the directors took reasonable steps:-
- (i) to ascertain that action has been taken in regard to the writing off and providing for bad and doubtful debts and have satisfied themselves that there are no known bad debts and that provision for doubtful debts are not necessary; and
  - (ii) to ensure that any current assets which are unlikely to realize their book values in the ordinary course of business have been written down to their estimated realizable values.
- b.) At the date of this report, the directors advise that they are not aware of any circumstances which would render:
- (i) it necessary to write off bad debts or to make a provision for doubtful debts in respect of these financial statements; 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.
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, 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.

#### **LISTING AND QUOTATION**

The listing exercise of the Company was approved by the Securities Commission on 8th September 2005, 10th February 2006 and 20th February 2006. The approval-in-principle for the listing and quotation of the entire share capital of the Company in the MESDAQ market of Bursa Securities has been obtained on 14th February 2006.

#### **SUBSEQUENT EVENTS**

Subsequent to the balance sheet date, there were no significant events except for the followings:-

- a) the Company has subdivided its shares with par value of RM1 each into shares with par value of RM0.10 each after the acquisition of Extol Corporation (M) Sdn. Bhd. and Extol Marketing Sdn. Bhd. Accordingly, the Company's number of issued and paid up shares increased from 7,830,000 ordinary shares of RM1 each to 78,300,000 ordinary shares of RM0.10 each.
- b) the Company's director, Justin Tan Seng Kooi offered to transfer 2,320,000 of his ordinary shares of RM0.10 each in the Company to selected employees of the Company and of the Group.

#### **AUDITORS**

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

By Resolution of the Board

JUSTIN TAN SENG KOOI  
DIRECTOR

LEE CHOON KEE  
DIRECTOR

PETALING JAYA

## STATEMENT BY DIRECTORS

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

We, JUSTIN TAN SENG KOOI and LEE CHOON KEE, being two of the directors of EXTOL MSC BERHAD do hereby state on behalf of the directors that in our opinion, the financial statements as set out on pages 24 to 47 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 31st December 2005 and of the results of the operations of the Company and of the Group and of the cash flows of the Company and of the Group for the year ended on that date.

On behalf of the Directors

JUSTIN TAN SENG KOOI  
DIRECTOR

LEE CHOON KEE  
DIRECTOR

Petaling Jaya  
Dated:

## STATUTORY DECLARATION

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

I, JUSTIN TAN SENG KOOI, being the director 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 24 to 47 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 )  
JUSTIN TAN SENG KOOI )  
I/C No. 720612-01-5023 )  
at Petaling Jaya )  
in the state of Selangor Darul Ehsan on )  
this )

Before me

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

We have audited the financial statements set out on pages 24 to 47 of EXTOL MSC BERHAD.

The financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing issued by the Malaysian Institute of Accountants. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the financial statements which have been prepared under the historical cost convention, are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards so as to give a true and fair view of:
  - i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company and of the Group; and
  - ii) the state of affairs of the Company and of the Group as at 31st December 2005 and of the results of the operations of the Company and of the Group and of the cash flows of the Company and of the Group for the year ended on that date; and
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

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

CHEAH CHOONG KEONG  
1108/5/06(J)  
CHARTERED ACCOUNTANT



## BALANCE SHEET AS AT 31ST DECEMBER 2005

	Notes	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
SHARE CAPITAL	4	7,830,000	-	7,830,000	1,260,000
PROFIT AND LOSS ACCOUNT		3,706,710	-	3,418,357	887,007
		11,536,710	-	11,248,357	2,147,007
DEFERRED TAXATION		755,532	-	-	-
		<u>12,292,242</u>	<u>-</u>	<u>11,248,357</u>	<u>2,147,007</u>
Represented by:					
PROPERTY, PLANT AND EQUIPMENT	5	4,372,464	-	117,972	10,689
INTEREST IN SUBSIDIARY COMPANIES	6	-	-	7,198,030	-
GOODWILL	7	2,026,255	-	-	-
PRODUCT DEVELOPMENT EXPENDITURE	8	3,371,901	-	1,509,499	450,380
CURRENT ASSETS					
Stocks		76,000	-	-	-
Trade receivables	9	4,792,077	-	2,243,484	1,772,763
Other receivables	10	867,209	-	478,613	446,361
Tax recoverable		89,567	-	-	-
Cash and bank balances		538,256	-	175,375	3,228
		<u>6,363,109</u>	<u>-</u>	<u>2,897,472</u>	<u>2,222,352</u>
Less:					
CURRENT LIABILITIES					
Trade payables	11	1,321,103	-	235,961	225,404
Bills payable	12	1,028,000	-	-	-
Other payables	13	345,296	-	238,655	308,310
Amount owing to a director	14	-	-	-	2,700
Hire purchase creditor	15	15,000	-	-	-
Term loan	16	153,088	-	-	-
Bank overdraft	16	418,979	-	-	-
		<u>3,281,466</u>	<u>-</u>	<u>474,616</u>	<u>536,414</u>
NET CURRENT ASSETS		<u>3,081,643</u>	<u>-</u>	<u>2,422,856</u>	<u>1,685,938</u>
		<u>12,852,263</u>	<u>-</u>	<u>11,248,357</u>	<u>2,147,007</u>
LONG TERM LIABILITIES	17	(560,021)	-	-	-
		<u>12,292,242</u>	<u>-</u>	<u>11,248,357</u>	<u>2,147,007</u>

*\*The notes on pages 28 to 47 form an integral part of the financial statements.*

*\*There were no consolidated figures for year 2004 as the Group was formed on 19 December 2005.*



## INCOME STATEMENT

### FOR THE YEAR ENDED 31ST DECEMBER 2005

	Notes	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
TURNOVER	18	5,479,034	-	4,935,189	1,692,083
COST OF SALES		(1,635,402)	-	(1,473,504)	(440,067)
GROSS PROFIT		3,843,632	-	3,461,685	1,252,016
Other operating income		159,749	-	161,400	-
Administration expenses		(774,657)	-	(712,476)	(245,500)
Selling and distribution expenses		(156,403)	-	(161,823)	(74,192)
Other operating expenses		(236,623)	-	(217,436)	(45,317)
PROFIT FROM OPERATIONS		2,835,698	-	2,531,350	887,007
Finance expenses	19	(9,676)	-	-	-
PROFIT BEFORE TAXATION		2,826,022	-	2,531,350	887,007
After charging:					
Amortization of product development expenditure		51,751	-	45,038	-
Auditors' remuneration					
- other emoluments		3,500	-	3,500	-
- current year provision		15,952	-	15,000	3,500
Depreciation of property, plant and equipment		34,936	-	21,376	3,801
Finance expenses		9,676	-		
Preliminary expenses				-	2,700
Rental of premises		10,195	-	11,447	2,605
Staff costs	20	618,376	-	554,219	200,819
		=====	=====	=====	=====
and crediting:					
Miscellaneous income		5,400	-		
Rental income		3,050	-		
TAXATION	21	(6,319)	-	-	-
PROFIT AFTER TAXATION		2,819,703	-	2,531,350	887,007
Earnings per share (sen)	24	191.04	-	171.50	205.83

*\*The notes on pages 28 to 47 form an integral part of the financial statements.*

*\*There were no consolidated figures for year 2004 as the Group was formed on 19 December 2005.*

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2005

	The Group			The Company		
	Share Capital	Unappropriated profit	Total	Share capital	Unappropriated profit	Total
	RM	RM	RM	RM	RM	RM
As at date of incorporation	-	-	-	2	-	2
Issuance of shares	-	-	-	1,259,998	-	1,259,998
Profit after taxation	-	-	-	-	887,007	887,007
As at 31.12.2004 / date of incorporation	1,260,000	887,007	2,147,007	1,260,000	887,007	2,147,007
Issuance of shares	6,570,000	-	6,570,000	6,570,000	-	6,570,000
Profit attributable to members of the holding company	-	2,819,703	2,819,703	-	-	-
Profit after taxation	-	-	-	-	2,531,350	2,531,350
As at 31.12.2005	7,830,000	3,706,710	11,536,710	7,830,000	3,418,357	11,248,357

*\*The notes on pages 28 to 47 form an integral part of the financial statements.*

*\*There were no consolidated figures for year 2004 as the Group was formed on 19 December 2005.*



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2005

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before taxation	2,826,022	-	2,531,350	887,007
Adjustments for :				
Amortization of product development expenditure	51,751	-	45,038	-
Depreciation of property, plant and equipment	34,936	-	21,376	3,801
Interest expenses	9,676	-		
	96,363	-	66,414	3,801
Operating profit before working capital changes	2,922,385	-	2,597,764	890,808
Decrease in stocks	12,737	-		
Increase in receivables	(426,125)	-	(1,178,503)	(2,219,124)
(Decrease)/Increase in payables	(645,460)	-	(14,298)	536,414
	(1,058,848)	-	(1,192,801)	(1,682,710)
Cash generated from operations	1,863,537	-	1,404,963	(791,902)
Bank overdraft interest	(4,583)	-	-	-
Bills payable interest	(4,389)	-	-	-
Net cash generated from/(used in) operating activities	1,854,565	-	1,404,963	(791,902)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Investment in subsidiary companies (note 22)	(7,068,453)	-	(6,570,000)	-
Purchase of property, plant and equipment	(128,659)	-	(128,659)	(14,490)
Product development expenditure	(1,104,157)	-	(1,104,157)	(450,380)
Net cash used in investing activities	(8,301,269)	-	(7,802,816)	(464,870)
	(6,446,704)	-	(6,397,853)	(1,256,772)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares	6,570,000	-	6,570,000	1,260,000
Repayment of term loan	(6,543)	-	-	-
Term loan interest paid	(704)	-	-	-
Net cash generated from financing activities	6,562,753	-	-	-
NET INCREASE IN CASH AND BANK EQUIVALENTS	116,049	-	172,147	3,228
CASH AND BANK EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,228	-	3,228	-
CASH AND BANK EQUIVALENTS AT THE END OF THE YEAR (Note 23)	119,277	-	175,375	3,228

*\*The notes on pages 28 to 47 form an integral part of the financial statements.*

*\*There were no consolidated figures for year 2004 as the Group was formed on 19 December 2005.*

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 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 6 of the notes to the financial statements. There have been no significant changes in the nature of these activities during the year.

The number of employees in the Company and in the Group as at 31st December 2005 are 29 (2004: 29) and 44 (2004: Nil) respectively.

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

Level 14, Uptown 1  
No. 1, Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan

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

No. 5-5, Jalan USJ 9/5Q  
Subang Business Centre  
47620 Subang Jaya  
Selangor Darul Ehsan

### 2. Basis of Preparation

The financial statements of the Company and the Group have been prepared under the historical cost convention unless otherwise indicated in the individual policy statements as set out below.

The financial statements comply with the provisions of the Companies Act, 1965 and the approved accounting standards in Malaysia.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and the approved accounting standards in Malaysia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on the directors' best knowledge of current events and action, actual results may differ from these estimates.

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 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 subsidiaries made up to the end of the financial year. Subsidiaries 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.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed off 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 subsidiaries acquired, the difference is recognized 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 unrealized 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 subsidiaries to ensure consistency of accounting policies with those of the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as at date of disposal.

#### 3.2 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
Renovation	10
Motor vehicle	20

The hardware appliances consisting of exclusive source appliances, programs and associated documentation are capitalized as they are able to generate economic benefits to the Group. The hardware appliances are depreciated and recognized 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 assesses 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.

## **NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005**

### 3. Summary of Significant Accounting Policies (CONTINUED)

#### 3.3 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 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 amortized.

Investment in a subsidiary is stated at cost. Where an indication of impairment exists, the carrying amount of the subsidiary is assessed and written down immediately to its recoverable amount as set out in accounting policy Note 3.5 on impairment of assets.

On disposal of a subsidiary, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement.

#### 3.4 Products development expenditure

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

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

#### 3.5 Impairment of 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 recognized 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 realizable from the sale of the asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if impossible to be estimated individually, for the cash-generating unit in which the asset is deployed.

Reversal of an impairment loss previously recognized is recorded to the extent the impairment loss had previously been recognized. 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 recognized as income.

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 3. Summary of Significant Accounting Policies (CONTINUED)

#### 3.6 Equity instrument

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized as equity in the period in which they are declared.

#### 3.7 Trade and other receivables

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

#### 3.8 Trade and other payables

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

#### 3.9 Hire purchase creditors

Assets acquired under hire-purchase are included in property, plant and equipment and the capital elements of the hire purchase installments are shown as hire purchase creditors. Each hire purchase installment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding installment obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the hire purchase period. Property, plant and equipment held under hire purchase are depreciated over the useful lives of equivalent owned assets.

#### 3.10 Employee benefits

##### i) Short term benefits

Wages, salaries, bonuses and social contributions are recognized 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 recognized when services are rendered by employees increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognized 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 recognized as an expense in the income statement when incurred.

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 3. Summary of Significant Accounting Policies (CONTINUED)

#### 3.11 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:

	2005 RM	2004 RM
1 US Dollar	3.80	3.80
1 Euro	4.49	5.17

#### 3.12 Revenue recognition

Revenue is recognized 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 recognized net of discounts upon the transfer of risk and rewards. Revenue from services rendered is recognized net of discounts as and when the services are performed.

#### 3.13 Income tax

Income tax on the profit or loss for the year comprised current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 utilized. Deferred tax is not recognized 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.

#### 3.14 Borrowings

Interest-bearing borrowings are recognized based on the proceeds received, net of transactions costs incurred. Borrowing costs directly attributable to the acquisition of property, plant and equipment are capitalized 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.

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 3. Summary of Significant Accounting Policies (CONTINUED)

#### 3.15 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.

#### 3.16 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 recognized amounts and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

### 4. Share capital

#### Company and Group

	2005		2004	
	Number of shares	RM	Number of shares	RM
Authorized:				
At 1st January / date of incorporation	5,000,000	5,000,000	100,000	100,000
Creation of new ordinary shares of RM1 each during the financial year	<u>20,000,000</u>	<u>20,000,000</u>	<u>4,900,000</u>	<u>4,900,000</u>
At 31st December	<u>25,000,000</u>	<u>25,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid:				
At 1st January / date of incorporation	1,260,000	1,260,000	2	2
Issuance of new ordinary shares of RM1 each during the financial year	<u>6,570,000</u>	<u>6,570,000</u>	<u>1,259,998</u>	<u>1,259,998</u>
At 31st December	<u>7,830,000</u>	<u>7,830,000</u>	<u>1,260,000</u>	<u>1,260,000</u>

During the financial year, the authorized share capital of the Company was increased from RM5,000,000 to RM25,000,000 by the creation of 20,000,000 ordinary shares of RM1 each. The issued and fully paid share capital of the Company was increased from RM1,260,000 to RM7,830,000 by the issues of 6,470,000 and 100,000 new ordinary shares of RM1 each at par in exchange for 2,500,000 ordinary shares of RM1 each in Extol Corporation (M) Sdn. Bhd. and 2 ordinary shares of RM1 each in Extol Marketing Sdn. Bhd. respectively on 19th December 2005.



The Company's new ordinary shares of RM1 each issued pursuant to the acquisition of Extol Corporation (M) Sdn. Bhd. and Extol Marketing Sdn. Bhd. rank pari passu in all respects with the existing issued shares of the Company.

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 5. Property, plant and equipment

<u>Company</u>	Furniture and fittings	Office equipment	Computers	Renovation	Total
	RM	RM	RM	RM	RM
2005					
Cost					
At the beginning of the year	-	2,730	11,760	-	14,490
Addition during the year	52,636	35,343	23,547	17,133	128,659
At the end of the year	52,636	38,073	35,307	17,133	143,149
Accumulated depreciation					
At the beginning of the year	-	273	3,528	-	3,801
Charge for the year	5,264	3,807	10,592	1,713	21,376
At the end of the year	5,264	4,080	14,120	1,713	25,177
Net book value					
At the end of the year	47,372	33,993	21,187	15,420	117,972
<u>Company</u>	Office equipment	Computers	Total		
	RM	RM	RM		
2004					
Cost					
Addition during the period	2,730	11,760	14,490		
Accumulated depreciation					
Charge for the period	273	3,528	3,801		
Net book value					
At the end of the period	2,457	8,232	10,689		

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 5. Property, plant and equipment (CONTINUED)

<u>Group</u>	Freehold office buildings	Furniture and fittings	Office equipment	Computers	Hardware appliances	Motor vehicle	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
2005								
Cost								
At the beginning of the year	-	-	2,730	11,760	-	-	-	14,490
Acquisition of subsidiaries	2,032,000	105,198	104,178	436,129	2,870,000	70,000	-	5,617,505
Addition during the year	-	52,636	35,343	23,547	-	-	17,133	128,659
At the end of the year	2,032,000	157,834	142,251	471,436	2,870,000	70,000	17,133	5,760,654
Accumulated depreciation								
At the beginning of the year	-	-	273	3,528	-	-	-	3,801
Acquisition of subsidiaries	336,935	72,263	96,153	251,173	565,351	27,578	-	1,349,453
Charge for the year	1,225	5,466	3,992	13,469	8,649	422	1,713	34,936
At the end of the year	338,160	77,729	100,418	268,170	574,000	28,000	1,713	1,388,190
Net book value								
At the end of the year	1,693,840	80,105	41,833	203,266	2,296,000	42,000	15,420	4,372,464

#### Group

As at the balance sheet date, there was a property, plant and equipment acquired under installment purchase plan for which there were outstanding installments. The net book value of this asset amounted to RM42, 000 (2004: Nil).

The Group's freehold office buildings were charged to licensed banks for banking facilities granted to a subsidiary and their net book value were RM1,693,840 (2004: Nil).

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 6. Interest in Subsidiary Companies

	2005 RM	2004 RM
Unquoted shares, at cost	6,570,000	-
Amount owing by a subsidiary company	675,530	-
Amount owing to a subsidiary company	<u>(47,500)</u>	<u>-</u>
	<u>7,198,030</u>	<u>-</u>

The Company has:

- i) 100% (2004: Nil) interest in the shares of EXTOL CORPORATION (M) SDN. BHD. (Company No. 121135-U), a company incorporated in Malaysia whose principle activities are those of sale and research and development of security technology, security maintenance and professional security services and training.
- ii) 100% (2004: Nil) interest in the shares of EXTOL MARKETING SDN. BHD. (Company No. 647402-P), a company incorporated in Malaysia whose principle activity is that of trading in computer hardware, software, related equipment and software development.

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

### 7. Goodwill

Group	2005 RM	2004 RM
At cost		
At the beginning of the year	-	-
Goodwill arising from business combination during the year	<u>2,026,255</u>	<u>-</u>
At the end of the year	<u>2,026,255</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 8. Product Development Expenditure

<u>Company</u>	2005 RM	2004 RM
Product development expenditure, at cost		
At the beginning of the year	450,380	-
Addition during the year	1,104,157	450,380
	<u>1,554,537</u>	<u>450,380</u>
Less: Amortization of product development expenditure	(45,038)	-
At the end of the year	<u>1,509,499</u>	<u>450,380</u>

Product development expenditure includes the following expenses for the year:

	2005 RM	2004 RM
Rental of premises	45,526	15,393

<u>Group</u>	2005 RM	2004 RM
Product development expenditure, at cost	1,554,537	-
Acquisition of subsidiary company	1,869,115	-
	<u>3,423,652</u>	<u>-</u>
Less: Amortization of product development expenditure	(51,751)	-
At the end of the year	<u>3,371,901</u>	<u>-</u>

Product development expenditure includes the following expenses for the year:

	2005 RM	2004 RM
Rental of premises	45,526	-

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 9. Trade Receivables

The currency exposure profile of trade receivables is as follows:

<u>Company</u>	2005 RM	2004 RM
Ringgit Malaysia	1,121,204	1,752,623
US Dollar	1,122,280	20,140
	<u>2,243,484</u>	<u>1,772,763</u>

<u>Group</u>	2005 RM	2004 RM
Ringgit Malaysia	3,669,797	-
US Dollar	1,122,280	-
	<u>4,792,077</u>	<u>-</u>

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

### 10. Other Receivables

<u>Company</u>	2005 RM	2004 RM
Other receivables	1,377	-
Deposits	7,145	400
Prepayments	470,091	445,961
	<u>478,613</u>	<u>446,361</u>

<u>Group</u>	2005 RM	2004 RM
Other receivables	17,377	-
Deposits	376,741	-
Prepayments	473,091	-
	<u>867,209</u>	<u>-</u>

Other receivables are denominated in Ringgit Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 11. Trade Payables

The currency exposure profile of trade payables is as follows:

<u>Company</u>	2005 RM	2004 RM
Ringgit Malaysia	235,961	255,404

<u>Group</u>	2005 RM	2004 RM
Ringgit Malaysia	1,191,417	-
EURO	98,954	-
US Dollar	30,732	-
	<u>1,321,103</u>	<u>-</u>

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

### 12. Bills Payable

<u>Group</u>	2005 RM	2004 RM
Bankers' acceptance, secured	<u>1,028,000</u>	<u>-</u>
Weighted average effective interest rate per annum	<u>3.53%</u>	<u>-</u>

All bankers' acceptances are denominated in Ringgit Malaysia.

The secured bankers' acceptances of the Group are secured by a charge on the freehold office buildings of a subsidiary company and guaranteed by directors of the subsidiary company and a third party.

Bankers' acceptances have credit periods of 120 days (2004: Nil).

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 13. Other Payables

<u>Company</u>	2005 RM	2004 RM
Other payables	59,232	56,561
Payroll liabilities	165,923	-
Accruals	13,500	251,749
	238,655	308,310

<u>Group</u>	2005 RM	2004 RM
Other payables	97,645	-
Payroll liabilities	224,651	-
Accruals	23,000	-
	345,296	-

Other receivables are denominated in Ringgit Malaysia.

### 14. Amount Owing to a Director

#### Company

This represents unsecured advances from a director which is interest free and has no fixed term of repayment.

### 15. Hire Purchase Creditor

<u>Group</u>	2005 RM	2004 RM
Minimum hire purchase payments:		
Payable not later than one year	16,980	-
Payable after one year but before five years	9,905	-
	26,885	-
Less: Finance charges	(3,135)	-
Present value of hire purchase liability	23,750	-
Present value of hire purchase liability:		
Payable not later than one year	15,000	-
Payable after one year but before five years	8,750	-
	23,750	-
Weighted average effective interest rate per annum	4.4%	-

The hire purchase creditor is denominated in Ringgit Malaysia. Hire purchase creditor is effectively secured as the rights to the leased asset revert to the lessor in the event of default.

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 16. Banking Facilities

#### Group

These represent:-

- 1) Bank overdraft which bears interest at 2% per annum above the bank's base lending rate.
- 2) Term loans which are subjected to interest:-
  - a) at 4.5% per annum fixed for the first year, base lending rate for the second year and 1% per annum above the bank's base lending rate thereafter,
  - b) at 1.75% per annum above the bank's base lending rate, and
  - c) at 3.45% for the first year, 5.00% for the second year and 0.5% per annum above the bank's base lending rate thereafter.

The term loans and bank overdraft are denominated in Ringgit Malaysia.

The above banking facilities are secured by way of:-

- a) a charge on a subsidiary company's freehold office buildings, and
- b) guarantees by the subsidiary company's directors and a third party.

### 17. Long Term Liabilities

#### Group

	2005		2004	
	Payable after one year but before five years RM	Payable after five years RM	Total RM	Total RM
Hire purchase creditor	8,750	-	8,750	-
Term loans	348,311	202,960	551,271	-
	<u>357,061</u>	<u>202,960</u>	<u>560,021</u>	<u>-</u>

### 18. Turnover

#### Company and Group

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

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 19. Finance Cost

<u>Group</u>	2005 RM	2004 RM
Total interest expenses	9,676	-
This comprises interest expenses on:		
- bank overdraft	4,583	-
- bills payable	4,389	-
- term loans	704	-
	<u>9,676</u>	<u>-</u>

### 20. Staff Cost

<u>Company</u>	2005 RM	2004 RM
Salaries and allowances	367,637	133,442
EPF and SOCSO contributions	68,615	23,157
Other staff related cost expenses	32,927	8,940
Directors' remuneration		
- salaries and bonus	75,371	31,500
- EPF and SOCSO contributions	9,669	3,780
	<u>554,219</u>	<u>200,819</u>
<u>Group</u>	2005 RM	2004 RM
Salaries and allowances	413,824	-
EPF and SOCSO contributions	76,115	-
Other staff related cost expenses	33,397	-
Directors' remuneration		
- salaries and bonus	85,371	-
- EPF and SOCSO contributions	9,669	-
	<u>618,376</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 21. Taxation

<u>Company</u>	2005 RM	2004 RM
Taxation for the year	-	-
Reconciliation of tax expenses:-		
Profit for the year	2,531,350	887,007
Income tax at Malaysians tax rates	(668,778)	(208,362)
Effect of expenses not deductible for tax purposes	(19,403)	(4,304)
Effect of expenditure deductible for tax purposes but capitalized in balance sheet	269,164	90,076
Effect of utilization of current year capital allowances	9,099	1,575
Effect of taxation exempted under MSC status	374,039	90,055
Tax incentive from different tax rate	35,879	30,960
Taxation for the year	-	-
<u>Group</u>	2005 RM	2004 RM
Taxation for the year	(6,319)	-
Reconciliation of tax expenses:-		
Profit for the year	2,826,022	-
Income tax at Malaysians tax rates	(733,282)	-
Effect of expenses not deductible for tax purposes	(89,987)	-
Effect of expenditure deductible for tax purposes but capitalized in balance sheet	269,164	-
Effect of utilization of previous year business loss	3,552	-
Effect of utilization of current year capital allowances	140,635	-
Deferred taxation on temporary differences	(6,319)	-
Effect of taxation exempted under MSC status	374,039	-
Tax incentive from different tax rate	35,879	-
Taxation for the year	(6,319)	-

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

Subject to agreement from the Inland Revenue Board, the company has, as at 31st December 2005, tax exempted income amounting to approximately RM1,070,000 (2004: RM450,000) which can be used to pay tax exempted dividend.

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 22. Acquisition of Subsidiary Companies

The subsidiary companies acquired by the Company during the year were EXTOL CORPORATION (M) SDN. BHD. (Company No. 121135-U) and EXTOL MARKETING SDN. BHD. (Company No. 647402-P). The fair value of assets and liabilities acquired were as follows:

	2005 RM	2004 RM
Property, plant and equipment	4,268,052	-
Product development expenditure	1,869,115	-
Stocks	88,737	-
Trade receivables	2,532,691	-
Other receivables	481,346	-
Tax recoverable	89,567	-
Cash and bank balances	59,744	-
Trade payables	(1,785,433)	-
Bill payables	(898,000)	-
Other payables	(120,012)	-
Bank overdraft	(552,117)	-
Deferred taxation	(749,213)	-
Hire purchase creditor	(23,750)	-
Term loans	(710,902)	-
	4,549,825	-
Goodwill	2,026,255	-
	6,576,080	-
Add: Cash and cash equivalents of subsidiary companies acquired	492,373	-
Cash used in acquisition, net of cash	7,068,453	-

### 23. Cash and Cash Equivalents

<u>Company</u>	2005 RM	2004 RM
Cash and bank balances	175,375	3,228
<u>Group</u>	2005 RM	2004 RM
Cash and bank balances	538,256	-
Bank overdraft	(418,979)	-
	119,277	-

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 24. Earnings per Share

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

<u>Company</u>	2005	2004
Net profit for the financial year (RM)	2,531,350	887,007
Weighted average number of ordinary shares in issue (unit)	1,476,000	430,946
Basic earnings per share (sen)	171.50	205.83

<u>Group</u>	2005	2004
Net profit for the financial year (RM)	2,819,703	-
Weighted average number of ordinary shares in issue (unit)	1,476,000	-
Basic earnings per share (sen)	191.04	-

### 25. Significant Related Party Disclosures

	2005 RM	2004 RM
<u>Group</u>		
Purchase of properties by Extol Corporation (M) Sdn. Bhd., a subsidiary of the Company, from RE Solution Sdn. Bhd. and X-ECT Corporation (M) Sdn. Bhd., in which certain directors of the Group have substantial interest.	668,000	-
Rental charged to Extol Corporation (M) Sdn. Bhd. by Extol Capital Sdn. Bhd., in which certain directors of the Group have substantial interest.	36,000	-
<u>Company</u>		
Advances to a subsidiary	611,694	-
Sales to a subsidiary	2,247,551	-
Purchases from a subsidiary	1,176,611	-
Royalties charged by a subsidiary	507,364	-
Management fees charged to a subsidiary	156,000	-

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.

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 26. Segmental Information

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

The segmental results for the Group are as follows:-

	Anti-Virus Software RM	%	Managed Security Solutions RM	%	Secured Enterprises Applications RM	%	Group RM	%
Sales	125,934	100	4,750,706	100	602,394	100	5,479,034	100
Cost of sales	(9,566)	(8)	(1,343,771)	(28)	(282,065)	(47)	(1,635,402)	(30)
Gross profit	116,368	92	3,406,935	72	320,329	53	3,843,632	70

### 27. Financial Instruments

#### Company and Group

#### i) Financial risk management objective and policies

The Company's financial risk management policies seek to ascertain that adequate financial resources are available for the development of the Company's business whilst managing its foreign currency exchange, credit, liquidity and market risks.

#### ii) Interest rate risk

The Company is exposed to interest rate risk through the impact of interest rate changes on interest bearing borrowings from financial institutions.

#### iii) Credit risk

The Company has 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 period 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 period.

#### iv) Foreign currency exchange risk

The Company is exposed to currency risk as a result of the foreign currency transactions entered into in currencies other than its functional currency.

Foreign exchange exposures in transactional currencies other than functional currencies are kept to an acceptable level. The Company has not entered into any derivative financial instruments such as forward foreign exchange contracts.

## NOTES TO THE FINANCIAL STATEMENTS, 31ST DECEMBER 2005

### 27. Financial Instruments (CONTINUED)

#### v) Liquidity risk

In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuation in cash flows. The Company 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 financial assets and financial liabilities in the financial statements approximate their fair values due to the relatively short term nature of these financial instruments.

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

### 28. Events Subsequent to the Balance Sheet Date

Subsequent to the balance sheet date, there were no significant events except for the followings:-

- a) the Company has subdivided its shares with par value of RM1 each into shares with par value of RM0.10 each after the acquisition of Extol Corporation (M) Sdn. Bhd. and Extol Marketing Sdn. Bhd. Accordingly, the Company's number of issued and paid up shares increased from 7,830,000 ordinary shares of RM1 each to 78,300,000 ordinary shares of RM0.10 each.
- b) the Company's director, Justin Tan Seng Kooi offered to transfer 2,320,000 of his ordinary shares of RM0.10 each in the Company to the selected employees of the Company and of the Group.

### 29. Comparative Figures

The comparative figures are for the period from 27th February 2004, the date of incorporation, to 31st December 2004. There are no comparative figures for the consolidated financial statements as at 31st December 2005 as these are the first set of consolidated financial statements.

## Statistic of Shareholdings

As of 5 May 2006

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

### Analysis by Size of Shareholding

	No of shareholders	% shareholders	No of shares held	% of issued capital
Less than 100 shares	1	0.113	50	0.000
100 to 999 shares	8	0.907	1,950	0.002
1,000 to 4,999 shares	188	21.315	321,700	0.308
5,000 to 10,000 shares	318	36.054	2,567,000	2.459
10,001 to 100,000 shares	317	35.941	11,973,010	11.468
100,001 to 1,000,000 shares	41	4.649	12,522,988	11.995
Above 1,000,000 shares	9	1.020	77,013,302	73.768
	882	100.000	104,400,000	100.000

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

Name	No of Shares Held			
	Direct	%	Indirect	%
Justin Tan Seng Kooi	30,548,000	29.26	32,850,000 (a)	31.47
Lee Choon Kee	12,940,000	12.39	50,458,000 (c)	48.33
Alex Tan Seng Keng	19,910,000	19.07	43,488,000 (b)	41.66

### List of Directors' Shareholdings

Name	No of Shares Held			
	Direct	%	Indirect	%
Justin Tan Seng Kooi	30,548,000	29.26	32,850,000 (a)	31.47
Lee Choon Kee	12,940,000	12.39	50,458,000 (c)	48.33
Alex Tan Seng Keng	19,910,000	19.07	43,488,000 (b)	41.66
Kok We Tian @ Kok Wee Tian	501,000	0.48	3,999,000 (d)	3.83
Lee Boon Kok	-	-	-	-
Mohd Fadzli bin Ibrahim	-	-	-	-
Chairmont Kok Hsiao Kate	-	-	4,500,000 (e)	4.31

Note :

- Deemed interested via his mother, Lee Choon Kee's (12,940,000) and his brother, Alex Tan Seng Keng's (19,910,000) shareholdings.
- Deemed interested via his mother, Lee Choon Kee's (12,940,000) and his brother, Justin Tan Seng Kooi's (30,548,000) shareholdings.
- Deemed interested via her sons, Justin Tan Seng Kooi's (30,548,000) and Alex Tan Seng Keng's (19,910,000) shareholdings.
- Deem interested via his wife, Wong Lye Chun @ Wong Lai Chan's (3,999,000) shareholdings.
- Deem interested via her father, Kok We Tian @ Kok Wee Tian's (501,000) and her mother, Wong Lye Chun @ Wong Lai Chan's (3,999,000) shareholdings.

## List of Twenty (20) Largest Shareholders (As per Register of Members)

As of 5 May 2006

No	Shareholder	No of Shares	%
1	Justin Tan Seng Kooi	30,548,000	29.26
2	Alex Tan Seng Keng	19,910,000	19.07
3	Lee Choon Kee	12,940,000	12.39
4	Wong Lye Chun @ Wong Lai Chan	3,999,000	3.83
5	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LPF)	3,050,000	2.92
6	Hiah Swee Hiang	2,002,000	1.92
7	AllianceGroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund	1,250,000	1.20
8	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LBF)	1,173,400	1.12
9	Bernard Tan Seng Swee	762,981	0.73
10	Bernard Tan Seng Swee	706,154	0.68
11	AMMB Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for Apex Dana Al-Sofi-I (5/26- 4)	680,000	0.65
12	Hiah Swee Hiang	671,700	0.64
13	Zaini Bin Zainuddin	667,600	0.64
14	HSBC Nominees (Asing) Sdn Bhd FBL for NPB SICAV	612,000	0.59
15	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for ASEAN Emerging Companies Growth Fund Ltd	612,000	0.59
16	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for the Vittoria Fund Limited	612,000	0.59
17	HSBC Nominees (Tempatan) Sdn Bhd HSBC(M) Trustee Bhd for Pheim Emerging Companies Balanced Fund (4033)	580,000	0.56
18	Leong Chin Mong	575,000	0.55
19	Soon Fook Kian	550,000	0.53
20	Kok We Tian @ Kok Wee Tian	500,000	0.48
		<b>82,401,835</b>	<b>78.94</b>

## 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 31.12.05 (RM)
1	Extol Corporation	Prima Square 13-1 Block 1, Dataran Prima Jalan PJU 1/37 47301 Petaling Jaya Selangor	Office Lot	1,282 sq. ft.	Freehold	7 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	319,200
2	Extol Corporation	Prima Square 13-2 Block 1, Dataran Prima Jalan PJU 1/37 47301 Petaling Jaya Selangor	Office Lot	1,487 sq. ft.	Freehold	7 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	210,000
3	Extol Corporation	Prima Square 13-3 Block 1, Dataran Prima Jalan PJU 1/37 47301 Petaling Jaya Selangor	Office Lot	1,480 sq. ft.	Freehold	7 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	210,000
4	Extol Corporation	Prima Square 13-4 Block 1, Dataran Prima Jalan PJU 1/37 47301 Petaling Jaya Selangor	Office Lot	1,480 sq. ft.	Freehold	7 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	210,000
5	Extol Corporation	Prima Square 13-5 Block 1, Dataran Prima Jalan PJU 1/37 47301 Petaling Jaya Selangor	Office Lot	1,487 sq. ft.	Freehold	7 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	210,000
6	Extol Corporation	Subang Business Center 5-5, Jalan USJ 9/5Q, Subang Business Center, 47620 UEP-Subang Jaya Selangor	Office Lot	1,726 sq. ft.	Freehold	8 years	Deed of assignment in favor of Standard Chartered Bank (M) Berhad	267,320
7	Extol Corporation	Subang Business Center 7-5, Jalan USJ 9/5Q, Subang Business Center, 47620 UEP-Subang Jaya Selangor	Office Lot	1,726 sq. ft.	Freehold	8 years	Deed of assignment in favor of Standard Chartered Bank (M) Berhad	267,320
8	Extol Corporation	Subang Business Center 9-5, Jalan USJ 9/5Q, Subang Business Center, 47620 UEP-Subang Jaya Selangor	Office Lot	1,726 sq. ft.	Freehold	8 years	Deed of assignment in favor of Standard Chartered Bank (M) Berhad	*

	Registered Owner	Title / Location	Description / Existing Use	Land / Built-up	Tenure	Approximate age of buildings	Encumbrances	Audited net book value as at 31.12.05 (RM)
9	Extol Corporation	Subang Business Center 11-5, Jalan USJ 9/5Q, Subang Business Center, 47620 UEP-Subang Jaya Selangor	Office Lot	1,726 sq. ft.	Freehold	8 years	Deed of assignment in favor of HSBC Bank Malaysia Berhad	**

All the properties above have been issued with the Certificate of Fitness for occupation.

Note

\*

The net book value of this property was not booked into the audited financial statements of Extol Corporation for the year ended 31 December 2005 as the acquisition of this property had not been completed at that date. The acquisition is still not completed as at 5 May 2006. The net book value of this property based on the audited accounts of RE Solutions (M) Sdn Bhd as at 31 December 2004 is RM286,440

\*\*

The net book value of this property was not booked into the audited financial statements of Extol Corporation for the year ended 31 December 2005 as the acquisition of this property had not been completed at that date. The acquisition was completed on 11 January 2006 and the net book value of this property based on the audited accounts of X-ECT Corporation (M) Sdn Bhd as at 30 June 2004 is RM335,213.

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Second Annual General Meeting of the Company will be held at **Ivory 11, Level 4, Convention Center, Holiday Villa Subang, 9, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan** on **Friday, 23 June 2006** at **9.00a.m.**, to transact the following businesses:-

### Agenda

As Ordinary Business: -

1. To receive the Audited Accounts for the financial year ended 31 December 2005 and the Reports of Directors and Auditors thereon. (Ordinary Resolution 1)
2. To re-elect Mr. Justin Tan Seng Kooi who retires as a Director of the Company pursuant to Article 90 of the Company's Articles of Association. (Ordinary Resolution 2)
3. To re-elect Mr. Lee Boon Kok who retires as a Director of the Company pursuant to Article 90 of the Company's Articles of Association. (Ordinary Resolution 3)
4. To re-elect Mdm Lee Choon Kee who retires as a Director of the Company pursuant to Article 90 of the Company's Articles of Association. (Ordinary Resolution 4)
5. To re-elect Mr Alex Tan Seng Keng who retires as a Director of the Company pursuant to Article 90 of the Company's Articles of Association. (Ordinary Resolution 5)
6. To re-elect Mr Kok We Tian @ Kok Wee Tian who retires as a Director of the Company pursuant to Article 90 of the Company's Articles of Association. (Ordinary Resolution 6)
7. To re-elect Mr Mohd Fadzli bin Ibrahim who retires as a Director of the Company pursuant to Article 90 of the Company's Articles of Association. (Ordinary Resolution 7)
8. To re-appoint Messrs C.K. Cheah & Co. as Auditors of the Company for the financial year ending 31 December 2006 and to authorize the Directors to fix the Auditors' remuneration. (Ordinary Resolution 8)

As Special Business: -

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

#### **AUTHORITY TO ISSUE SHARES**

"THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from the 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 and allot 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 authorized to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."

(Ordinary Resolution 9)

10. 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)**  
**GEOFFREY CHANG TZE WENG (LS 008002)**  
Secretaries

Petaling Jaya

Date: 1 June 2006

**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 authorized.
- III. The instrument appointing a proxy must be deposited at the registered office of the Company at Level 14, Uptown 1, No. 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting, i.e. on or before **9.00a.m., Wednesday, 21 June 2006**.

**Explanatory Notes on Special Business:-**

1. Ordinary Resolution 9

The proposed Ordinary Resolution 9, if passed, will authorize the Directors of the Company to allot and 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 authorization will empower the Directors of the Company to issue shares notwithstanding that the authorization 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 authorization was in force. This authorization will expire at the conclusion of the next Annual General Meeting of the Company.



## 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 BERHAD** (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 Second Annual General Meeting of the Company to be held at at **Ivory 11, Level 4, Convention Center, Holiday Villa Subang, 9, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Friday, 23 June 2006 at 9.00a.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.

No.	Resolutions	For	Against
1.	To receive the Audited Accounts for the financial year ended 31 December 2005 and the Reports of Directors and Auditors thereon.		
2.	To re-elect Mr Justin Tan Seng Kooi who retires as a Director of the Company pursuant to Article 90 of the Company's Articles of Association.		
3.	To re-elect Mr Lee Boon Kok who retires as a Director of the Company pursuant to Article 90 of the Company's Articles of Association.		
4.	To re-elect Mdm Lee Choon Kee who retires as a Director of the Company pursuant to Article 90 of the Company's Articles of Association.		
5.	To re-elect Mr Alex Tan Seng Keng who retires as a Director of the Company pursuant to Article 90 of the Company's Articles of Association.		
6.	To re-elect Mr Kok Wee Tian @ Kok Wee Tian who retires as a Director of the Company pursuant to Article 90 of the Company's Articles of Association.		
7.	To re-elect Mr Mohd Fadzli bin Ibrahim who retires as a Director of the Company pursuant to Article 90 of the Company's Articles of Association.		
8.	To re-appoint Messrs C.K. Cheah & Co as Auditors of the Company for the financial year ending 31 December 2006 and to authorise the Directors to fix the Auditors' remuneration.		
9.	To approve the authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

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 authorized.
- III. The instrument appointing a proxy must be deposited at the registered office of the Company at Level 14, Uptown 1, No. 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting, i.e. on or before **9.00a.m., Wednesday, 21 June 2006**.



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

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47620 UEP-Subang Jaya, Selangor Darul Ehsan, Malaysia.

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